ATM VENTURES LLC
Form S-4
February 14, 2008

Table of Contents

**As filed with the Securities and Exchange Commission on February 14, 2008**

**Registration No. 333-**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**Form S-4**
**REGISTRATION STATEMENT UNDER**
**THE SECURITIES ACT OF 1933**

**CARDTRONICS, INC.***
*(exact name of registrant as specified in its charter)*

| | | |
|---|---|---|
| **Delaware** | **7389** | **76-0681190** |
| *(State or Other Jurisdiction of Incorporation or Organization)* | *(Primary Standard Industrial Classification Code Number)* | *(I.R.S. Employer Identification No.)* |

**3110 Hayes Road, Suite 300**
**Houston, Texas 77082**
**(281) 596-9988**
*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)*

**J. Chris Brewster**
**Chief Financial Officer**
**3110 Hayes Road, Suite 300**
**Houston, Texas 77082**
**(281) 596-9988**
*(Name, Address, Including Zip Code, and Telephone Number,*
*Including Area Code, of Agent for Service)*

***Copies to:***

**David P. Oelman, Esq.**
**Vinson & Elkins L.L.P.**
**2500 First City Tower**
**1001 Fannin Street**
**Houston, Texas 77002-6760**
**713-758-2222**
**713-615-5861 (fax)**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

| Large accelerated filer o | Accelerated filer o | Non-accelerated filer þ<br>(Do not check if a smaller reporting company) | Smaller reporting company o |
|---|---|---|---|

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Amount to be Registered | Proposed Maximum Offering Price per Note(1) | Proposed Maximum Aggregate Offering Price(1) | Amount of Registration Fee |
|---|---|---|---|---|
| 9.250% Senior Subordinated Notes due 2013 Series B | $100,000,000 | 100% | $100,000,000 | $3,930 |
| Guarantees by certain of Cardtronics, Inc. s subsidiaries | | | | (2) |

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) under the Securities Act of 1933.

(2) Pursuant to Rule 457(n), no separate fee for the guarantees is payable because the guarantees relate to other securities that are being registered concurrently.

* Includes certain subsidiaries of Cardtronics, Inc. identified below.

| *Subsidiary Guarantors (Exact Name of Registrant As Specified In Its Charter)* | *State or Other Jurisdiction of Incorporation or Organization* | *I.R.S. Employer Identification Number* |
|---|---|---|
| Cardtronics GP, Inc. | Delaware | 75-3003720 |

| | | |
|---|---|---|
| Cardtronics LP, Inc. | Delaware | 51-0412519 |
| Cardtronics, LP | Delaware | 76-0419117 |
| Cardtronics Holdings, LLC | Delaware | 04-3848807 |
| ATM National, LLC | Delaware | 01-0851708 |
| ATM Ventures, LLC | Oregon | 93-1219295 |

**Each Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED FEBRUARY , 2008**

**PROSPECTUS**

**Offer to Exchange up to**
**$100,000,000 of 9.250% Senior Subordinated Notes due 2013 Series B**
**for**
**$100,000,000 of 9.250% Senior Subordinated Notes due 2013 Series B**
**that have been Registered under the Securities Act of 1933**

**Terms of the Exchange Offer**

We are offering to exchange up to $100,000,000 of our outstanding 9.250% Senior Subordinated Notes due 2013 Series B for new notes with substantially identical terms that have been registered under the Securities Act of 1933, as amended, and are freely tradable.

We will exchange all outstanding notes that are validly tendered and not validly withdrawn before the exchange offer expires for an equal principal amount of new notes.

The exchange offer expires at 12:00 a.m. midnight, New York City time, on , 2008, unless extended. We do not currently intend to extend the exchange offer.

Tenders of outstanding notes may be withdrawn at any time prior to the expiration of the exchange offer.

The exchange of outstanding notes for new notes will not be a taxable event for U.S. federal income tax purposes.

**Terms of the New 9.250% Senior Subordinated Notes Series B Offered in the Exchange Offer**

**Maturity**

The new notes will mature on August 15, 2013.

**Interest**

Interest on the new notes is payable on February 15 and August 15 of each year.

Interest will accrue from February 15, 2008.

**Redemption**

We may redeem some or all of the notes at any time on or after August 15, 2009 at redemption prices listed in Description of the New Notes Optional Redemption, and we may redeem some or all of the notes before that date by the payment of a make-whole premium. Subject to certain limitations, we may also redeem up to 35% of the new notes using the proceeds of certain equity offerings completed before August 15, 2008.

**Ranking**

The notes are unsecured senior subordinated obligations of the Company. The notes are subordinated in right of payment to all existing and future senior debt of the Company, including the indebtedness of the Company under the Credit Agreement. The notes are *pari passu* in right of payment with all existing and any future senior subordinated indebtedness of the Company. The notes are senior in right of payment to any future subordinated indebtedness of the Company. The notes are guaranteed by the Guarantors as described under Description of the New Notes Note Guarantees . The notes are effectively subordinated to all existing and any future indebtedness and other liabilities of the Company s subsidiaries that are not Guarantors.

**Change of Control**

If we experience a change of control, subject to certain conditions, we must offer to purchase the new notes.

**Guarantees**

All payments on the notes, including principal and interest, will be jointly and severally guaranteed on a senior subordinated basis by all of our existing domestic subsidiaries and certain of our future subsidiaries.

**Please read Risk Factors on page 8 for a discussion of factors you should consider before participating in the exchange offer.**

**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.**

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. You may not participate in the exchange offer if you are a broker-dealer that acquired outstanding notes directly from us. Broker-dealers who acquired the old notes directly from us in the initial offering must, in the absence of an exemption, comply with the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, in connection with secondary resales and cannot rely on the position of the staff of the Securities and Exchange Commission enunciated in Exxon Capital Holding Corp., SEC No-Action Letter (available May 13, 1988) or interpretive letters to similar effect. See Plan of Distribution.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

The date of this prospectus is , 2008.

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. In making your investment decision, you should rely only on the information contained in this prospectus and in the accompanying letter of transmittal. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus, or the documents incorporated by reference into this prospectus, is accurate as of any date other than the date on the front cover of this prospectus or the date of such document, as the case may be.

**TABLE OF CONTENTS**



No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You should not rely on any unauthorized information or representations. This prospectus is an offer to exchange only the notes offered by this prospectus, and only under the circumstances and in those jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Cardtronics, Inc. is a Delaware corporation. 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.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-4 under the Securities Act of 1933, as amended, with respect to the notes being offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all the information that is included in the registration statement and its exhibits and schedules. Certain portions of the registration statement have been omitted as allowed by the rules and regulations of the SEC. Statements in this prospectus which summarize documents are not necessarily complete, and in each case you should refer to the copy of the document filed as an exhibit to the registration statement. You may read and copy the registration statement, including exhibits and schedules filed with it, and reports or other information we may file with the SEC at the public reference facilities of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-800-SEC-0330 for further information regarding the operation of the public reference rooms. In addition, the registration statement and other public filings can be obtained from the SEC s internet site at *http://www.sec.gov*.

We file reports and other information with the SEC. Such reports and other information filed by us may be read and copied at the SEC s public reference room at 100 F Street, NE, Washington, D.C. 20549. For further information about the public reference room, call 1-800-SEC-0330. The SEC also maintains a website on the Internet that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, and such website is located at http://www.sec.gov. You may request a copy of these filings at no cost, by writing or calling us at the following address: 3110 Hayes Road, Suite 300, Houston, Texas 77082, telephone number is (281) 596-9988, Attention: Chief Financial Officer. In addition, for so long as any of the notes remain outstanding, we have agreed to make available to any prospective purchaser of the notes or beneficial owner of the notes, in connection with any sale thereof, the information required by Rule 144A(d)(4) under the Securities Act.

## 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). In addition, 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, w 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 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 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.

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 , which begin on page 8 of this prospectus. 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.

# SUMMARY

*This summary highlights information contained elsewhere in this prospectus. As a result, this summary may not contain all the information that may be important to you. You should read this entire prospectus carefully before making an investment decision. You should carefully consider the information set forth under Risk Factors. In addition certain statements include forward-looking information which involves risks and uncertainties. See Forward-looking Statements. Unless the context indicates otherwise, the terms we, us, our, the Company, and Cardtronics refer to Cardtronics, Inc. and its subsidiaries. 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.*

## Company Overview

Cardtronics, Inc. operates the world s largest network of ATMs. As of September 30, 2007, our network included 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 operated were Company-owned and 11,900 were 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. Additionally, as of September 30, 2007, 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 as of September 30, 2007, 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 (the 7-Eleven Financial Services Business ), 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. For additional information on this acquisition, see Recent Transactions below.

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 units. Such payments, which we refer to as placement fees, 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. 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 that 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 are currently working with this merchant to restructure the terms of the existing contract in an effort to improve the underlying cash flows associated with such contract and to offer the additional services, which we believe could significantly increase the future cash flows earned under this contract. 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 7-Eleven Financial Services Business 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.

Table of Contents

## Recent Transactions

***Initial Public Offering.*** On December 14, 2007, we completed our initial public offering of 12,000,000 shares of common stock at a price of $10.00 per share. Total common shares outstanding immediately after the offering were 38,566,207 after taking into account the conversion of all Series B Redeemable Convertible Preferred Stock into common shares and a 7.9485:1 stock split that occurred in conjunction with the offering. The net proceeds from the offering were approximately $110.1 million and were used to pay down debt previously outstanding under our revolving credit facility.

***Series B Redeemable Convertible Preferred Stock Conversion.*** As of September 30, 2007, 929,789 shares of Series B Redeemable Convertible Preferred Stock were outstanding. In connection with our initial public offering, these preferred shares were converted into shares of our common stock. Based on the $10.00 initial public offering price and the terms of our shareholders agreement, the 894,568 shares held by certain funds controlled by TA Associates, Inc. (the TA Funds ) converted into 12,259,286 shares of common stock (on a split-adjusted basis). The remaining 35,221 shares of Series B Redeemable Convertible Preferred Stock not held by the TA Funds converted into shares of our common stock on a one-for-one basis. As a result of this conversion, no shares of preferred stock are outstanding subsequent to the initial public offering, and we have no immediate plans to issue any preferred stock. For additional information on the conversion of the Series B shares controlled by the TA Funds, see Certain Relationships and Related Party Transactions Preferred Stock Private Placement with TA Associates.

***7-Eleven ATM Transaction.*** On July 20, 2007, we purchased substantially all of the assets of 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. The working capital payment was subsequently 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 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 units in 7-Eleven locations throughout the United States, including any new stores opened or acquired by 7-Eleven. Because of the significance of this acquisition, our historical operating results are not expected to be indicative of our future operating results. See Unaudited Pro Forma Condensed Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus for additional information on this acquisition.

***Senior Subordinated Notes Offering.*** On July 20, 2007, we issued $100.0 million in 9.25% senior subordinated notes due 2013 Series B (the Series B Notes or the outstanding notes ) pursuant to Rule 144A of the Securities Act. The Series B Notes are the notes that are subject to the exchange offer described herein. Net proceeds from the offering, which totaled approximately $95.3 million after taking into account debt issuance costs, were utilized to fund the 7-Eleven ATM Transaction.

***Revolving Credit Facility Modifications.*** 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 facility agreement) to allow for the new issuance of the 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. This amendment, which was contingent upon the closing of the 7-Eleven ATM Transaction, 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.

**Table of Contents**

## The Exchange Offer

*On July 20, 2007, we completed a private offering of the Series B Notes. As part of the private offering, we entered into a registration rights agreement with the initial purchasers of the outstanding notes in which we agreed, among other things, to deliver this prospectus to you and to use our best efforts to complete the exchange offer within 360 days after the date we issued the outstanding notes. The following is a summary of the exchange offer.*

| | |
|---|---|
| Exchange Offer | We are offering to exchange new notes for outstanding notes. |
| Expiration Date | The exchange offer will expire at 12:00 a.m. midnight, New York City time, on , 2008, unless we decide to extend it. We do not currently intend to extend the exchange offer. |
| Condition to the Exchange Offer | The registration rights agreement does not require us to accept outstanding notes for exchange if the exchange offer or the making of any exchange by a holder of the outstanding notes would violate any applicable law or interpretation of the staff of the SEC. A minimum aggregate principal amount of outstanding notes being tendered is not a condition to the exchange offer. In addition, we will not be obligated to accept for exchange the outstanding notes of any holder that has not complied with the procedures for tendering outstanding notes. For additional information, see Exchange Offer Conditions to the Exchange Offer. |
| Procedures for Tendering Outstanding Notes | To participate in the exchange offer, you must follow the procedures established by The Depository Trust Company, which we call DTC, for tendering notes held in book-entry form. These procedures, which we call ATOP, require that the exchange agent receive, prior to the expiration date of the exchange offer, a computer generated message known as an agent s message that is transmitted through DTC s automated tender offer program and that DTC confirm that:<br><br>DTC has received your instructions to exchange your notes; and<br><br>you agree to be bound by the terms of the letter of transmittal.<br><br>For additional information, see Exchange Offer Terms of the Exchange Offer and Exchange Offer Procedures for Tendering. |
| Guaranteed Delivery Procedures | None. |
| Withdrawal of Tenders | You may withdraw your tender of outstanding notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to exchange agent using ATOP procedures before 12:00 a.m. midnight, New York City time, on the expiration date of the exchange offer. For additional information, see Exchange Offer Withdrawal of Tenders. |
| Acceptance of Outstanding Notes and Delivery of New Notes | If you fulfill all conditions required for proper acceptance of outstanding notes, we will accept any and all outstanding notes that you properly tender in the exchange offer on or before 12:00 a.m. midnight, New York |

City time, on the expiration date. We will return any outstanding note that we do not accept for exchange to

| | |
|---|---|
| | you without expense promptly following the expiration or termination of the exchange offer. We will deliver the new notes promptly after the expiration date and acceptance of the outstanding notes for exchange. For additional information, see Exchange Offer Terms of the Exchange Offer. |
| Fees and Expenses | We will bear all expenses related to the exchange offer. See Exchange Offer Fees and Expenses. |
| Use of Proceeds | The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement. |
| Consequences of Failure to Exchange Outstanding Notes | If you do not exchange your outstanding notes in this exchange offer, you will no longer be able to require us to register the outstanding notes under the Securities Act except in the limited circumstances provided under our registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the outstanding notes unless we have registered the outstanding notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act. |
| U.S. Federal Income Tax Considerations | The exchange of new notes for outstanding notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. See Federal Income Tax Considerations. |
| Exchange Agent | We have appointed Wells Fargo, National Association as exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows: Wells Fargo Bank, National Association, Attention: Corporate Trust Operations, Sixth and Marquette Avenue, MAC N9303-121, Minneapolis, MN 55479. Eligible institutions may make requests by facsimile at (612) 667-6282. |

Table of Contents

**Terms of the New Notes**

*The new notes will be identical to the outstanding notes except that the new notes will be registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest and will contain different administrative terms. The new notes will evidence the same debt as the outstanding notes, and the same indenture will govern the new notes and the outstanding notes.*

*The following summary contains basic information about the new notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the new notes, please refer to the section of this prospectus entitled Description of the New Notes.*

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| Issuer | Cardtronics, Inc. |
| Notes Offered | $100.0 million aggregate principal amount of 9.25% Senior Subordinated Notes due 2013 Series B (the Notes ). |
| Maturity | The Notes will mature on August 15, 2013. |
| Interest | Interest on the Notes will accrue at the rate of 9.25% per annum from February 15, 2008 and will be payable semi-annually, in cash, in arrears on February 15 and August 15 of each year, commencing on August 15, 2008. |
| Guarantees | All payments on the Notes, including principal and interest, will be jointly and severally guaranteed on a senior subordinated basis by all of our existing domestic subsidiaries and certain of our future subsidiaries. See Description of the New Notes Note Guarantees. |
| Ranking | The Notes and the guarantees will be general unsecured obligations and will rank:<br><br>junior in right of payment to all of our existing and future senior indebtedness, including borrowings under our bank credit facility;<br><br>*pari passu* in right of payment with all of our existing and any future senior subordinated debt, including the $200.0 million aggregate principal amount of 9.25% senior subordinated notes due 2013 issued under the indenture dated as of August 12, 2005 (the Series A Notes ); and<br><br>senior in right of payment to any future subordinated debt.<br><br>As of December 31, 2007, we had outstanding indebtedness of approximately $310.7 million. Of this amount, approximately $14.6 million would have ranked senior in right of payment to the new Notes and guarantees, which consisted of $4.0 million outstanding under our revolving credit facility, $8.5 million outstanding under certain borrowing arrangement in place with respect to our foreign subsidiaries, including guarantees of such amounts, and $2.1 million of capital lease obligations. |

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| Optional Redemption | We may redeem some or all of the Notes on or after August 15, 2009 at the redemption prices set forth in this prospectus. At any time prior to August 15, 2009, we may redeem the Notes, in whole or in part, at a price equal to 100% of their outstanding principal amount plus the make-whole premium described under Description of the New Notes Optional Redemption. |

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| | In addition, we may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 109.25% using the proceeds of certain equity offerings completed on or before August 15, 2008. We may make this redemption only if, after the redemption, at least 65% of the aggregate principal amount of the Notes originally issued remains outstanding. |
| Change of Control | If we sell substantially all of our assets or experience specific kinds of changes of control, we must offer to repurchase the Notes at a price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase. |
| Certain Covenants | The indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:<br>incur or guarantee additional indebtedness;<br>incur senior subordinated debt;<br>make certain restricted payments;<br>consolidate or merge with or into other companies;<br>conduct asset sales;<br>restrict dividends or other payments to us;<br>engage in transactions with affiliates or related persons;<br>create liens;<br>redeem or repurchase capital stock; and<br>issue and sell preferred stock in restricted subsidiaries.<br>These limitations will be subject to a number of important qualifications and exceptions. See Description of the New Notes Certain Covenants. |
| Absence of a Public Market | The new Notes generally will be freely transferable; however, there can be no assurance as to the development or liquidity of any market for the new Notes. |

*Investment in the Notes involves substantial risks. See Risk Factors immediately following this summary for a discussion of certain risks relating to the exchange offer.*

**Table of Contents**

## RISK FACTORS

*Before making an investment decision with respect to the exchange offer you should carefully consider the following risks, as well as the other information contained in this prospectus memorandum, including our consolidated financial statements and the related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations. We believe that the risks and uncertainties described below are the material risks and uncertainties facing us as well as risks related to the exchange offer. 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.*

### 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 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.***

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. Additionally, in connection with the conversion of our Series B Redeemable Convertible Preferred Stock into common stock concurrent with the closing of our initial public offering in December 2007, TA Associates received additional shares of common stock with a total value of approximately $36 million. These incremental shares result in an adjustment to the stock split ratio that was applied to all pre-IPO stockholders. As a result of this conversion, we recognized for accounting purposes a one-time, non-cash reduction in net income available to common stockholders in this amount during the fourth quarter of 2007.

***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 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.

***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.

***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 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 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 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 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

Table of Contents

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.

***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.

***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 machines with significant potential for providing new services. Failure to achieve market acceptance among users could lead to continued losses from the Vcom 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 machines. Advanced-functionality includes check cashing, money transfer, and bill payment services (collectively, the Vcom 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 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 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 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 Services generated an operating loss of $2.1 million. By continuing to provide the Vcom 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 units and restructure the Vcom operations to improve the financial results of the acquired Vcom 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 Services, our current intent is to terminate the Vcom Services and utilize the Vcom 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 operations, thus potentially resulting in losses of greater than $10.0 million. The future losses associated with the acquired Vcom 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 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 Services. In addition, in the event we decide to terminate the Vcom 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, 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.

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 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;
- 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 that we acquired in 2004. Other impairment charges in the future may also adversely affect our results of operations.

## Risks Related to Our Indebtedness, the New Notes, and the Exchange Offer

***If you do not properly tender your outstanding notes, you will continue to hold unregistered outstanding notes and your ability to transfer outstanding notes will be adversely affected.***

We will only issue new Notes in exchange for outstanding notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the outstanding notes and you should carefully follow the instructions on how to tender your outstanding notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of outstanding notes.

If you do not exchange your outstanding notes for new Notes pursuant to the exchange offer, the outstanding notes you hold will continue to be subject to the existing transfer restrictions. In general, you may not offer or sell the outstanding notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register outstanding notes under the Securities Act unless our registration rights agreement with the initial purchasers of the outstanding notes requires us to do so. Further, if you continue to hold any outstanding notes after the exchange offer is consummated, you may have trouble selling them because there will be fewer such notes outstanding.

Table of Contents

***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 December 31, 2007, we had outstanding indebtedness of approximately $310.7 million. Our 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.

***Repayment of our debt, including the Notes, is dependent on cash flow generated by our subsidiaries.***

We are a holding company with no material assets other than the equity interests of our subsidiaries. Our subsidiaries conduct substantially all of our operations and own substantially all of our assets. Therefore, repayment of our indebtedness, including the Notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Notes. Each of our subsidiaries is a distinct legal entity, and under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing the Notes limits the ability of our restricted subsidiaries to incur consensual restrictions on their ability to pay dividends or make other inter-company payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes.

***Your right to receive payments on the Notes will be junior to our existing and future senior debt, and the guarantees of the Notes are junior to all of the guarantors existing and future senior debt.***

The Notes and the guarantees will rank behind all of our and the guarantors existing and future senior indebtedness. As of December 31, 2007, the Notes and the guarantees would have been subordinated to $14.6 million of senior indebtedness, which consisted of $4.0 million outstanding under our revolving credit facility, $8.5 million outstanding under certain borrowing arrangement in place with respect to our foreign subsidiaries, including guarantees of such amounts, and $2.1 million of capital lease obligations. As of December 31, 2007, our available borrowing capacity under the credit facility totaled approximately $163.5 million. We are permitted to incur substantial other indebtedness, including senior debt, in the future.

Table of Contents

As a result of this subordination, upon any distribution to creditors of our property or the property of the guarantors in a bankruptcy, liquidation or reorganization or similar proceeding, the holders of our senior indebtedness and the holders of the senior indebtedness of the guarantors are entitled to be paid in full in cash before any payment may be made with respect to the Notes or the guarantees. In addition, all payments on the Notes and the guarantees will be blocked in the event of a payment default on senior debt and may be blocked for up to 179 consecutive days in the event of specified non-payment defaults on designated senior indebtedness. In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to us or the guarantors, the indenture relating to the notes requires that amounts otherwise payable to holders of the Notes in a bankruptcy or similar proceeding be paid instead to holders of senior indebtedness until the holders of senior indebtedness are paid in full. As a result, holders of the Notes may not receive all amounts owed to them and may receive less, ratably, than holders of trade payables and other unsubordinated indebtedness.

***Your right to receive payments on these Notes is effectively subordinated to the rights of existing and future creditors of our subsidiaries that are not guarantors on the Notes.***

None of our foreign subsidiaries will guarantee the Notes. As a result, holders of the Notes will be effectively subordinated to the indebtedness and other liabilities of these subsidiaries, including trade creditors. Therefore, in the event of the insolvency or liquidation of a foreign subsidiary, following payment by that subsidiary of its liabilities, such subsidiary may not have any remaining assets to make payments to us as a shareholder or otherwise. In the event of a default by any such subsidiary under any credit arrangement or other indebtedness, its creditors could accelerate such debt, prior to such subsidiary distributing amounts to us that we could have used to make payments on the notes. For additional details on our non-guarantor subsidiaries, see the notes to our consolidated financial statements included elsewhere in this prospectus.

***To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control, and any failure to meet our debt service obligations could harm our business, financial condition and results of operations.***

Our ability to pay interest on and principal of the Notes and to satisfy our other debt obligations principally will depend upon our future operating performance. As a result, prevailing economic conditions and financial, business and other factors, many of which are beyond our control, will affect our ability to make these payments.

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, including payments on the Notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt instruments, including our credit agreement and the indenture governing the notes may restrict us from adopting some of these alternatives. Furthermore, neither affiliates of CapStreet II, L.P. and CapStreet Parallel II, L.P. (together with the CapStreet Group, LLC, CapStreet ) nor affiliates of TA Associates (our two largest outside investors) have any obligation to provide us with debt or equity financing in the future. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or to refinance our obligations on commercially reasonable terms, would have an adverse effect, which could be material, on our business, financial position, results of operations and cash flows, as well as on our ability to satisfy our obligations in respect of the Notes.

***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 limits (as defined in our credit agreement), including a ratio of Senior Debt to Earnings, a Fixed Charge Coverage Ratio, and limitations on the amount of Capital Expenditures we can incur in any given 12-month period, all of which are defined in the credit agreement. 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 obligations under the Notes.

A failure to comply with the covenants financial ratios could result in an event of default. In the event of a default under our credit agreement, the lenders could elect to declare all borrowings outstanding, together with accrued and unpaid interest and other fees, to be due and payable, to require us to apply all of our available cash to repay these borrowings or to prevent us from making debt service payments on the Notes, any of which could result in an event of default under the indenture governing the 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 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. As of December 31, 2007, we were in compliance with all applicable covenants and ratios.

***The Notes and the guarantees are not secured by our assets nor those of the guarantors, and the lenders under our credit agreement are entitled to remedies available to a secured lender, which gives them priority over you to collect amounts due to them.***

The Notes and the guarantees will be our and the guarantors unsecured obligations. In contrast, our obligations outstanding under our credit agreement are secured by a lien on, and a pledge of substantially all of, our assets, including the stock of our subsidiaries. In addition to contractual subordination, the Notes will be effectively subordinated to this secured debt to the extent of the value of the collateral securing such debt. In addition, we may incur additional secured debt, and the Notes will be effectively subordinated to any such additional secured debt we may incur to the extent of the value of the collateral securing such debt.

Because the Notes and the guarantees will be unsecured obligations, the assets that secure our secured debt will be available to pay obligations on the Notes only after all such secured debt has been repaid in full. Accordingly, your right of repayment may be compromised if any of the following situations occur:

we enter into bankruptcy, liquidation, reorganization, or other winding-up proceedings;

there is a default in payment under our credit agreement; or

there is an acceleration of any indebtedness under our credit agreement.

If any of these events occurs, the secured lenders could sell those of our assets in which they have been granted a security interest, to your exclusion, even if an event of default exists under the indenture governing the Notes at such time. As a result, upon the occurrence of any of these events, there may not be sufficient funds to pay amounts due on the Notes.

***We may not be able to repurchase the Notes upon a change of control.***

The indenture governing the Notes will require us to offer to repurchase the Notes when certain change of control events occur. These events include sale of the company transactions, a change in the majority of our Board of Directors, or an event that results in a person or group other than CapStreet, TA Associates or their affiliates owning more than 50% of our outstanding voting securities. If we experience a change of control, you will have the right to require us to repurchase your Notes at a purchase price in cash equal to 101% of the principal amount of your Notes plus accrued and unpaid interest, if any. Our credit agreement provides that certain change of control events (including a change of control as defined in the indenture governing the Notes) constitute a default. Any future credit agreement or other agreements relating to senior indebtedness to which we become a party may contain similar provisions. If we experience a change of control that triggers a default under our credit agreement, we could seek a waiver of such default or seek to refinance our credit agreement. In the event we do not obtain such a waiver or refinance our credit agreement, such default could result in amounts outstanding under our credit agreement being declared due and payable. In the event we experience a change of control that results in us having to repurchase the Notes, we may not have sufficient financial resources to satisfy all of our obligations under our credit agreement and the Notes. In addition, the change of control covenant in the indenture does not cover all corporate reorganizations, mergers or similar transactions and may not provide you with protection in a highly leveraged transaction. See Description of the New Notes Certain Covenants.

***The guarantees may not be enforceable because of fraudulent conveyance laws.***

Our existing and certain of our future subsidiaries will guarantee our obligations under the Notes. Our issuance of the Notes and the issuance of the guarantees by the guarantors may be subject to review under state and federal laws if a bankruptcy, liquidation or reorganization case or a lawsuit, including in circumstances in which bankruptcy is not involved, were commenced at some future date by, or on behalf of, our unpaid creditors or the unpaid creditors of a guarantor. Under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a court may void or otherwise decline to enforce the Notes or a guarantor s guarantee, or subordinate the Notes or such guarantee to our or the applicable guarantor s existing and future indebtedness. While the relevant laws may vary from state to state, a court might do so if it found that when we issued the Notes or when the applicable guarantor entered into its guarantee or, in some states, when payments became due under the Notes or such guarantee, we or the applicable guarantor received less than reasonably equivalent value or fair consideration and either:

were insolvent or rendered insolvent by reason of such incurrence;

were engaged in a business or transaction for which one of our or such guarantor s remaining assets constituted unreasonably small capital; or

intended to incur, or believed that we or such guarantor would incur, debts beyond our or such guarantor s ability to pay such debts as they mature.

**Table of Contents**

The court might also void the Notes or a guarantee, without regard to the above factors, if the court found that we issued the Notes or the applicable guarantor entered into its guarantee with actual intent to hinder, delay or defraud its creditors. In addition, any payment by us or a guarantor pursuant to the Notes or the guarantees could be voided and required to be returned to us, or such guarantor, or to a fund for the benefit of our or such guarantor s creditors.

A court would likely find that we, or a guarantor, did not receive reasonably equivalent value or fair consideration for the Notes or such guarantee if we, or such guarantor, did not substantially benefit directly or indirectly from the issuance of the Notes. If a court were to void the Notes or a guarantee, you would no longer have a claim against us or the applicable guarantor, as the case may be. Sufficient funds to repay the Notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from us or any guarantor, as the case may be.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, we or a guarantor, as applicable, would be considered insolvent if:

- the sum of our or such guarantor s debts, including contingent liabilities, was greater than the fair saleable value of our or such guarantor s assets;

- if the present fair saleable value of our or such guarantor s assets were less than the amount than would be required to pay our or such guarantor s probable liability on our or such guarantor s existing debts, including contingent liabilities, as they become absolute and mature; or

- we or such guarantor could not pay our or such guarantor s debts as they become due.

To the extent a court voids the Notes or any of the guarantees as fraudulent transfers or holds the Notes or any of the guarantees unenforceable for any other reason, holders of the Notes would cease to have any direct claim against us or the applicable guarantor. If a court were to take this action, our or the applicable guarantor s assets would be applied first to satisfy our or the applicable guarantor s liabilities, if any, before any portion of its assets could be applied to the payment of the Notes.

Each guarantee will contain a provision intended to limit the guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law, or may reduce the guarantor s obligation to an amount that effectively makes the guarantee worthless.

## EXCHANGE OFFER

### Purpose and Effect of the Exchange Offer

In connection with the issuance in July 2007 of the outstanding notes, we entered into a registration rights agreement. Under the registration rights agreement, we agreed to:

- within 240 days after the original issuance of the outstanding notes on July 20, 2007, file a registration statement with the SEC with respect to a registered offer to exchange each outstanding note for a new Note having terms substantially identical in all material respects to such note, except that the New note will not contain terms with respect to transfer restrictions;

- use our reasonable best efforts to cause the registration statement to be declared effective under the Securities Act within 360 days after the original issuance of the outstanding notes;

- promptly following the effectiveness of the registration statement, offer the new Notes in exchange for surrender of the outstanding notes; and

- keep the exchange offer open for not less than 20 business days (or longer if required by applicable law) after the date notice of the exchange offer is mailed to the holders of the outstanding notes.

We have fulfilled the agreements described in the first two of the preceding bullet points and are now offering eligible holders of the outstanding notes the opportunity to exchange their outstanding notes for new Notes registered under the Securities Act. Holders are eligible if they are not prohibited by any law or policy of the SEC from participating in this exchange offer. The new Notes will be substantially identical to the outstanding notes except that the new Notes will not contain terms with respect to transfer restrictions, registration rights or additional interest.

Under limited circumstances, we agreed to use our best efforts to cause the SEC to declare effective a shelf registration statement for the resale of the outstanding notes. We also agreed to use our best efforts to keep the shelf registration statement effective for up to two years after its effective date. The circumstances include if:

- a change in law or in applicable interpretations thereof of the staff of the SEC does not permit us to effect the exchange offer; or

- for any other reason the exchange offer is not consummated within 360 days from July 20, 2007, the date of the original issuance of the outstanding notes; or

- any of the initial purchasers notify us following consummation of the exchange offer that outstanding notes held by it are not eligible to be exchanged for new Notes in the exchange offer; or

- certain holders are not eligible to participate in the exchange offer, or such holders do not receive freely tradeable securities on the date of the exchange.

We will pay additional cash interest on the applicable outstanding notes, subject to certain exceptions:

- if either this registration statement or, if we are obligated to file one, a shelf registration statement is not declared effective by the Commission by the date required,

- if we fail to consummate the exchange offer prior to the date that is 360 days after July 20, 2007, or

- after this registration statement or a shelf registration statement, as the case may be, is declared effective, such registration statement thereafter ceases to be effective or usable (subject to certain exceptions) (each such event referred to in the preceding clauses being a registration default );

from and including the date on which any such registration default occurs to but excluding the date on which all registration defaults have been cured.

The rate of the additional interest will be 0.25% per year for the first 90-day period immediately following the occurrence of a registration default, and such rate will increase by an additional 0.25% per year

Table of Contents

with respect to each subsequent 90-day period until all registration defaults have been cured, up to a maximum additional interest rate of 1.0% per year. We will pay such additional interest on regular interest payment dates. Such additional interest will be in addition to any other interest payable from time to time with respect to the outstanding notes and the new Notes.

Upon the effectiveness of this registration statement, the consummation of the exchange offer, the effectiveness of a shelf registration statement, or the effectiveness of a succeeding registration statement, as the case may be, the interest rate borne by the Notes from the date of such effectiveness or consummation, as the case may be, will be reduced to the original interest rate. However, if after any such reduction in interest rate, a different registration default occurs, the interest rate may again be increased pursuant to the preceding paragraph.

To exchange your outstanding notes for transferable new Notes in the exchange offer, you will be required to make the following representations:

- any new Notes will be acquired in the ordinary course of your business;
- you have no arrangement or understanding with any person or entity to participate in the distribution of the new Notes;
- you are not engaged in and do not intend to engage in the distribution of the new Notes;
- if you are a broker-dealer that will receive new Notes for your own account in exchange for outstanding notes, you acquired those notes as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of such new Notes; and
- you are not our affiliate, as defined in Rule 405 of the Securities Act.

In addition, we may require you to provide information to be used in connection with the shelf registration statement to have your outstanding notes included in the shelf registration statement and benefit from the provisions regarding additional interest described in the preceding paragraphs. A holder who sells outstanding notes under the shelf registration statement generally will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers. Such a holder will also be subject to the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement that are applicable to such a holder, including indemnification obligations.

The description of the registration rights agreement contained in this section is a summary only. For more information, you should review the provisions of the registration rights agreement that we filed with the SEC as an exhibit to the registration statement of which this prospectus is a part.

**Resale of New Notes**

Based on no action letters of the SEC staff issued to third parties, we believe that new Notes may be offered for resale, resold and otherwise transferred by you without further compliance with the registration and prospectus delivery provisions of the Securities Act if:

- you are not our affiliate within the meaning of Rule 405 under the Securities Act;
- such new Notes are acquired in the ordinary course of your business; and

you do not intend to participate in a distribution of the new Notes.

The SEC, however, has not considered the exchange offer for the new Notes in the context of a no action letter, and the SEC may not make a similar determination as in the no action letters issued to these third parties.

If you tender in the exchange offer with the intention of participating in any manner in a distribution of the new Notes, you

cannot rely on such interpretations by the SEC staff; and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

Unless an exemption from registration is otherwise available, any security holder intending to distribute new Notes should be covered by an effective registration statement under the Securities Act. This registration statement should contain the selling security holder s information required by Item 507 of Regulation S-K under the Securities Act. This prospectus may be used for an offer to resell, resale or other retransfer of new Notes only as specifically described in this prospectus. Only broker-dealers that acquired the outstanding notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives new Notes for its own account in exchange for outstanding notes, where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge by way of the letter of transmittal that it will deliver a prospectus in connection with any resale of the new Notes. Please read the section captioned Plan of Distribution for more details regarding the transfer of new Notes.

**Terms of the Exchange Offer**

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any outstanding notes properly tendered and not withdrawn prior to 12:00 a.m. midnight, New York City time, on the expiration date. We will issue new Notes in principal amount equal to the principal amount of outstanding notes surrendered under the exchange offer. Outstanding notes may be tendered only for new Notes and only in integral multiples of $1,000.

The exchange offer is not conditioned upon any minimum aggregate principal amount of outstanding notes being tendered for exchange.

As of the date of this prospectus, $100,000,000 in aggregate principal amount of the outstanding notes is outstanding. This prospectus is being sent to DTC, the sole registered holder of the outstanding notes, and to all persons that we can identify as beneficial owners of the outstanding notes. There will be no fixed record date for determining registered holders of outstanding notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934 and the rules and regulations of the SEC. Outstanding notes whose holders do not tender for exchange in the exchange offer will remain outstanding and continue to accrue interest. These outstanding notes will be entitled to the rights and benefits such holders have under the indenture relating to the notes and the registration rights agreement.

We will be deemed to have accepted for exchange properly tendered outstanding notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the new Notes from us.

If you tender outstanding notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of outstanding notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connecting with the exchange offer. It is important that you read the section labeled Fees and Expenses for more details regarding fees and expenses incurred in the exchange offer.

We will return any outstanding notes that we do not accept for exchange for any reason without expense to their tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

**Expiration Date**

The exchange offer will expire at 12:00 a.m. midnight, New York City time, on , 2008, unless, in our sole discretion, we extend it.

Table of Contents

### Extensions, Delays in Acceptance, Termination or Amendment

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may extend the exchange offer and delay acceptance of any outstanding notes by giving written notice of such extension to the holders of the notes. During any such extensions, all outstanding notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

In order to extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the registered holders of outstanding notes of the extension no later than 9:00 a.m., New York City time, by press release on the business day after the previously scheduled expiration date.

If any of the conditions described below under Conditions to the Exchange Offer have not been satisfied, we reserve the right, in our sole discretion to extend the exchange offer and delay accepting for exchange any outstanding notes or to terminate the exchange offer, by giving oral or written notice of such, extension or termination to the exchange agent. Subject to the terms of the registration rights agreement, we also reserve the right to amend the terms of the exchange offer in any manner. If we amend the terms of the exchange offer in a material manner or waive any material condition, we will extend the exchange offer period if necessary to provide that at least five business days remain in the offer period following notice of such waver or material change.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by written notice thereof to the registered holders of outstanding notes. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose such amendment by means of a prospectus supplement. The supplement will be distributed to the registered holders of the outstanding notes. Depending upon the significance of the amendment and the manner of disclosure to the registered holders, we will extend the exchange offer if the exchange offer would otherwise expire during such period.

### Conditions to the Exchange Offer

We will not be required to accept for exchange, or exchange any new Notes for, any outstanding notes if the exchange offer, or the making of any exchange by a holder of outstanding notes, would violate applicable law or any applicable interpretation of the staff of the SEC. Similarly, we may terminate the exchange offer as provided in this prospectus the expiration of the exchange offer in the event of such a potential violation.

In addition, we will not be obligated to accept for exchange the outstanding notes of any holder that has not made to us the representations described under Purpose and Effect of the Exchange Offer, Procedures for Tendering and Pla of Distribution and such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to allow us to use an appropriate form to register the new Notes under the Securities Act.

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any outstanding notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. All of these conditions must be satisfied or waived at or before the expiration of the exchange offer. We will give notice of any extension, amendment, non-acceptance or termination to the holders of the outstanding notes promptly.

These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times in our sole discretion if we waive any conditions we will do so for all holders of the notes. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each such right will be deemed an ongoing right that we may assert at any time or at various times.

In addition, we will not accept for exchange any outstanding notes tendered, and will not issue new Notes in exchange for any such outstanding notes, if at such time any stop order has been threatened or is in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture relating to the notes under the Trust Indenture Act of 1939.

**Procedures for Tendering**

In order to participate in the exchange offer, you must properly tender your outstanding notes to the exchange agent as described below. It is your responsibility to properly tender your notes. We have the right to waive any defects. However, we are not required to waive defects and are not required to notify you of defects in your exchange.

If you have any questions or need help in exchanging your notes, please call the exchange agent whose address and phone number are described in the section of the prospectus entitled Where You Can Find More Information.

All of the outstanding notes were issued in book-entry form, and all of the outstanding notes are currently represented by global certificates held for the account of DTC. We have confirmed with DTC that the outstanding notes may be tendered using the Automated Tender Offer Program ( ATOP ) instituted by DTC. The exchange agent will establish an account with DTC for purposes of the exchange offer promptly after the commencement of the exchange offer and DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer their outstanding notes to the exchange agent using the ATOP procedures. In connection with the transfer, DTC will send an agent s message to the exchange agent. The agent s message will state that DTC has received instructions from the participant to tender outstanding notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange outstanding notes, you will not be required to deliver a letter of transmittal to the exchange agent. However, you will be bound by its terms just as if you had signed it.

There is no procedure for guaranteed late delivery of the Notes.

***Determinations under the Exchange Offer***

We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered outstanding notes and withdrawal of tendered outstanding notes. Our determination will be final and binding. We reserve the absolute right to reject any outstanding notes not properly tendered or any outstanding notes our acceptance of which would be, in the opinion of our counsel, unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular outstanding notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of outstanding notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of outstanding notes, neither we, the exchange agent, nor any other person will incur any liability for failure to give such notification. Tenders of outstanding notes will not be deemed made until such defects or irregularities have been cured or waived. Any outstanding notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder as soon as practicable following the expiration date.

***When We Will Issue New Notes***

In all cases, we will issue new Notes for outstanding notes that we have accepted for exchange under the exchange offer only after the exchange agent receives, prior to 12:00 a.m. midnight, New York City time, on the expiration date,

a book-entry confirmation of such outstanding notes into the exchange agent s account at DTC; and a properly transmitted agent s message.

Table of Contents

***Return of Outstanding Notes Not Accepted or Exchanged***

If we do not accept any tendered outstanding notes for exchange or if outstanding notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged outstanding notes will be returned without expense to their tendering holder. Such non-exchanged outstanding notes will be credited to an account maintained with DTC. These actions will occur promptly following the expiration or termination of the exchange offer.

***Your Representations to Us***

By agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

any new Notes that you receive will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution of the new Notes;

you are not engaged in and do not intend to engage in the distribution of the new Notes;

if you are a broker-dealer that will receive new Notes for your own account in exchange for outstanding notes, you acquired those notes as a result of market-making activities or other trading activities and you will deliver a prospectus, as required by law, in connection with any resale of such new Notes; and

you are not our affiliate, as defined in Rule 405 of the Securities Act.

**Withdrawal of Tenders**

Except as otherwise provided in this prospectus, you may withdraw your tender at any time prior to 12:00 a.m. midnight, New York City time, on the expiration date. For a withdrawal to be effective you must comply with the appropriate procedures of DTC s ATOP system. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn outstanding notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form, eligibility and time of receipt of notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any outstanding notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any outstanding notes that have been tendered for exchange but that are not exchanged for any reason will be credited to an account maintained with DTC for the outstanding notes. This return or crediting will take place promptly after withdrawal, rejection of tender or termination of the exchange offer. You may re-tender properly withdrawn outstanding notes by following the procedures described under Procedures for Tendering above at any time on or prior to the expiration date.

**Fees and Expenses**

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitation by telegraph, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

SEC registration fees;

fees and expenses of the exchange agent and trustee;

accounting and legal fees and printing costs; and

related fees and expenses.

### Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of outstanding notes under the exchange offer. The tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if a transfer tax is imposed for any reason other than the exchange of outstanding notes under the exchange offer.

### Consequences of Failure to Exchange

If you do not exchange new Notes for your outstanding notes under the exchange offer, you will remain subject to the existing restrictions on transfer of the outstanding notes. In general, you may not offer or sell the outstanding notes unless they are registered under the Securities Act, or if the offer or sale is exempt from the registration under the Securities Act and applicable state securities laws. Except as required by the registration rights agreement, we do not intend to register resales of the outstanding notes under the Securities Act.

### Accounting Treatment

We will record the new Notes in our accounting records at the same carrying value as the outstanding notes. This carrying value is the aggregate principal amount of the outstanding notes less any bond discount, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer.

### Other

Participation in the exchange offer is voluntary, and you should carefully consider whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered outstanding notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any outstanding notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered outstanding notes.

Table of Contents

## 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 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 operating revenues | | | | | | | 2,644 |
| | 8,984 | 7,903 | 8,703 | 9,681 | 11,443 | 8,142 | 9,196 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Cost of ATM product sales and other revenues | | | | | | | |
| 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 |
| Other expense: | | | | | | | |
| Interest expense(5) | 1,039 | 2,157 | 5,235 | 22,426 | 25,072 | 18,769 | 21,592 |
| Minority interest in subsidiary | | | 19 | 15 | (225) | (128) | (286) |
| Other(6) | 58 | 106 | 209 | 968 | (4,761) | (740) | 1,037 |
| Total other expense | 1,097 | 2,263 | 5,463 | 23,409 | 20,086 | 17,901 | 22,343 |
| Income (loss) before income taxes | 138 | 5,288 | 9,381 | (3,688) | (19) | (3,899) | (16,473) |
| Income tax provision (benefit) | 111 | 1,955 | 3,576 | (1,270) | 512 | (1,217) | 3,212 |
| Income (loss) before cumulative effect of change in accounting principle | 27 | 3,333 | 5,805 | (2,418) | (531) | (2,682) | (19,685) |
| Cumulative effect of change in accounting principle for asset retirement obligations, net of related income tax benefit of $80(7) | | 134 | | | | | |
| Net income (loss) | 27 | 3,199 | 5,805 | (2,418) | (531) | (2,682) | (19,685) |
| Preferred stock dividends and accretion expense | 1,880 | 2,089 | 2,312 | 1,395 | 265 | 199 | 200 |
| Net income (loss) available to common stockholders | $ (1,853) | $ 1,110 | $ 3,493 | $ (3,813) | $ (796) | $ (2,881) | $ (19,885) |

| | 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) | | | | | | |
| t income (loss) r common are(8): | | | | | | | |
| sic | $ (0.12) | $ 0.07 | $ 0.20 | $ (0.27) | $ (0.06) | $ (0.21) | $ (1.4 |
| uted | $ (0.12) | $ 0.06 | $ 0.19 | $ (0.27) | $ (0.06) | $ (0.21) | $ (1.4 |
| eighted average ares tstanding(8): | | | | | | | |
| sic | 16,050,739 | 16,521,361 | 17,795,073 | 14,040,353 | 13,904,505 | 13,929,257 | 14,006,82 |
| uted | 16,050,739 | 17,262,708 | 18,855,425 | 14,040,353 | 13,904,505 | 13,929,257 | 14,006,82 |
| **her Financial ta naudited):** | | | | | | | |
| tio of earnings fixed charges(9) | | 1.3x | 1.5x | | | | |
| sh flows from erating ivities | $ 4,491 | $ 21,629 | $ 20,466 | $ 33,227 | $ 25,446 | $ 16,867 | $ 35,18 |
| sh flows from esting activities | (15,023) | (29,663) | (118,926) | (139,960) | (35,973) | (25,933) | (179,46 |
| sh flows from ancing ivities | 10,741 | 10,404 | 94,318 | 107,214 | 11,192 | 7,773 | 147,69 |
| **erating Data naudited):** | | | | | | | |
| tal number of TMs (at period d) | 8,298 | 12,021 | 24,581 | 26,208 | 25,259 | 25,709 | 31,58 |
| tal transactions | 36,212 | 64,605 | 111,577 | 158,851 | 172,808 | 128,539 | 166,18 |
| tal withdrawal nsactions | 28,955 | 49,859 | 86,821 | 118,960 | 125,078 | 93,756 | 113,93 |

| | 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.

Table of Contents

(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 included elsewhere within this prospectus.

(8) Gives effect to the 7.9485 to 1 stock split that occurred in conjunction with our initial public offering in December 2007.

(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.

Table of Contents

**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)(3): | | | | | |
| Basic | $ (0.25) | $ (0.41) | $ (0.77) | N/A | $ (1.42) |
| Diluted | $ (0.25) | $ (0.41) | $ (0.77) | N/A | $ (1.42) |
| **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(3)(5): | | | | | |
| 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(3)(7): | | | | | |
| 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 7.9485 to 1 stock split that occurred in conjunction with our initial public offering in December 2007.

(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.

Table of Contents

(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.

Table of Contents

## 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 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. As of September 30, 2007, our receivable related to the working capital adjustment was reflected in our purchase price allocation as an additional current asset. The acquisition was funded by the sale of $100.0 million 9.25% 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 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 units and restructure the Vcom 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 operations, and we incur cumulative losses of $10.0 million associated with providing the Vcom Services, including $1.5 million in contract termination

Table of Contents

costs, our current intent is to terminate the Vcom Services and utilize the Vcom 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 machines with significant potential for providing new services. Failure to achieve market acceptance among users could lead to continued losses from the Vcom 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.

Table of Contents

**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 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 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 (see Note 6): | | | | |
| Basic | $ | (0.06) | $ | 0.45 |
| Diluted | $ | (0.06) | $ | 0.27 |
| Weighted average shares outstanding: | | | | |
| Basic | | 13,904,505 | | 13,904,505 |
| Diluted | | 13,904,505 | | 22,830,199 |

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

Table of Contents

**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 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 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 (see Note 6): | | |
| Basic | $ (1.42) | $ (1.29) |
| Diluted | $ (1.42) | $ (1.29) |
| Weighted average shares outstanding: | | |
| Basic | 14,006,822 | 14,006,822 |
| Diluted | 14,006,822 | 14,006,822 |

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

40

Table of Contents

## 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.

**Table of Contents**

**CARDTRONICS, INC.**

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

(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 9.25% senior subordinated notes due 2013 Series B (the Series B Notes ), and additional borrowings under our amended 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.

Table of Contents

**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 9.25% senior subordinated notes due 2013 issued in August 2005, net of the related discount | $ 198,851 |
| $100.0 million 9.25% 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.

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 |

Table of Contents

**CARDTRONICS, INC.**

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

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 reported amounts also reflect the depreciation and accretion amounts related to our estimated asset retirement obligations associated with the acquired ATMs and Vcom 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 share and per share information gives effect to the 7.9485 to 1 stock split that occurred in conjunction with our initial public offering in December 2007.

(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 Redeemable Convertible Preferred Stock converted into shares of our common stock in conjunction with our initial public offering in December 2007. Of the 929,789 shares of Series B Redeemable Convertible Preferred Stock outstanding as of September 30, 2007, 894,568 shares held by TA Associates converted into 12,259,286 shares of common stock (on a split-adjusted basis) based on the $10.00 initial public offering price and the terms of our shareholders agreement.

Table of Contents

**CARDTRONICS, INC.**

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

In connection with the above assumed conversion, the total amount of our outstanding common stock and Series B Redeemable Convertible Preferred Stock prior to the initial public offering (on both a converted and split-adjusted basis) remained the same. Accordingly, the incremental shares received by TA Associates in connection with the above assumed beneficial conversion totaled approximately $36 million in value based on the $10.00 initial public offering price. Such amount was 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 Redeemable Convertible Preferred Stock and the completion of our initial public offering in the fourth quarter of 2007.

Table of Contents

## 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 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.

**Table of Contents**

***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 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

Table of Contents

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.

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 Vcom 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.

**Table of Contents**

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

| | Year Ended December 31, 2004 | 2005 | 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 |
|---|---|---|---|---|---|---|---|
| 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* Operating Revenues. The 7-Eleven ATM Transaction provided us with approximately 2,000 advanced-functionality financial self-service kiosks branded as Vcom 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 Services ). We plan to continue to offer some of the Vcom 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 Services on our future operating results.

The substantial majority of the historic revenues from the Vcom 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 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 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 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 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 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.

Table of Contents

*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**

*Initial Public Offering.* On December 14, 2007, we completed our initial public offering of 12,000,000 shares of common stock at a price of $10.00 per share. Total common shares outstanding immediately after the offering were 38,566,207 after taking into account the conversion of all Series B Redeemable Convertible Preferred Stock into common shares and a 7.9485:1 stock split that occurred in conjunction with the offering. The net proceeds from the offering were approximately $110.1 million and were used to pay down debt previously outstanding under our revolving credit facility. Our shares are traded on The NASDAQ Global Market under the ticker symbol CATM .

*Series B Redeemable Convertible Preferred Stock Conversion.* As of September 30, 2007, 929,789 shares of Series B Redeemable Convertible Preferred Stock were outstanding. In connection with our initial public offering, these shares were converted into shares of our common stock. Based on the $10.00 initial public offering price and the terms of our shareholders agreement, the 894,568 shares held by certain funds controlled by TA Associates, Inc. (the TA Funds ) converted into 12,259,286 shares of common stock (on a split-adjusted basis). The remaining 35,221 shares of Series B Redeemable Convertible Preferred Stock not held by TA Funds converted into shares of our common stock on a one-for-one basis. As a result of this conversion, no shares of preferred stock are outstanding subsequent to the initial public offering, and we have no immediate plans to issue any preferred stock. For additional information on the conversion of the Series B shares controlled by the TA Funds, see Certain Relationships and Related Party Transactions Preferred Stock Private Placement with TA Associates.

*7-Eleven ATM Transaction.* On July 20, 2007, we purchased substantially all of the assets of the 7-Eleven Financial Services Business 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 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 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 units. Additionally, as a result of the distinctly different functionality provided by and expected economic results of the Vcom 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 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 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 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 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 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 operations would improve considerably. However, until the Vcom Services are successfully restructured or terminated, they are expected to have a continuing negative impact on our ongoing domestic operating results and related margins.

*Senior Subordinated Notes Offering.* On July 20, 2007, we issued $100.0 million in 91/4% senior subordinated notes due 2013 Series B (the Series B Notes ) pursuant to Rule 144A of the Securities Act. The Series B Notes are the notes that are subject to the exchange offer described herein. Net proceeds from the offering, which totaled approximately $95.3 million after taking into account debt issuance costs, were utilized to 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.

*Revolving Credit Facility Modifications.* 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 facility agreement) to allow for the new issuance of the 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. This amendment, which was contingent upon the closing of the 7-Eleven ATM Transaction, 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 that we acquired in 2004. 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 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

Table of Contents

majority of the upfront placement fee revenues associated with the acquired Vcom 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, accretion, and amortization expense, shown separately below) | 221,293 | 337,185 |
| Selling, general and administrative expenses | 21,667 | 27,580 |
| Depreciation, accretion, 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 operations.

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 significantly increase during the fourth quarter of 2007 and in the future. However, as a result of our use of the proceeds from our initial public offering to pay down of amounts outstanding under our revolving credit facility in December 2007, increases in interest expense associated with the Series B Notes will be partially offset by a reduction in interest expense associated with borrowings under our revolving credit facility.

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.

Table of Contents

**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 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 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.

Table of Contents

*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 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 | 2007 | % Change | 2006 | 2007 | % Change |
| | (in thousands) | | | (in thousands) | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 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

Table of Contents

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 $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 operating revenues.* Vcom 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 Services to

Table of Contents

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 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 margin | 10.7% | 15.2% | | 11.7% | 6.2% | |
| Total gross profit margin (exclusive of depreciation, accretion, and amortization, shown | 24.9% | 22.5% | | 24.4% | 22.7% | |

| | | | | |
|---|---|---|---|---|
| separately below)(1) | | | | |
| 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 fess, 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 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 (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 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 Services provided by our Advanced Functionality segment. As noted above, we are currently working to restructure the Vcom 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 Services.

Table of Contents

*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.

*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.

*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.

Table of Contents

*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 that 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.

Table of Contents

*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.

Table of Contents

*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% | |

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 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.

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

*Revenues*

| | For the Years Ended December 31, (in thousands, excluding percentages) | | | | |
|---|---|---|---|---|---|
| | 2004 | 2005 | % Change 2004 to 2005 | 2006 | % Change 2005 to 2006 |
| 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.

Table of Contents

*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.

*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 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 | | % Change 2005 to |
| | 2004 | 2005 | 2005 | 2006 | 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 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, | | | | |
|---|---|---|---|---|---|
| | | | % Change 2004 to | | % Change 2005 to |
| | 2004 | 2005 | 2005 | 2006 | 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.

*Interest Expense, net*

| | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | | | % Change 2004 to | | % Change 2005 to |
| | 2004 | 2005 | 2005 | 2006 | 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

Table of Contents

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.

*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. As of December 31, 2007, we had outstanding long-term debt, notes payable, and capital lease obligations of approximately $310.7 million. The reduction in our total indebtedness during the fourth quarter of 2007 was primarily the result of our use of the proceeds from our initial public offering in December 2007 to repay amounts previously outstanding under our revolving credit facility.

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.

Table of Contents

*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 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. Additionally, 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 9.25% senior subordinated notes and 9.25% senior subordinated notes Series B, both of which are due August 2013, (ii) approximately $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. As of December 31, 2007, we had outstanding long-term debt, notes payable, and capital lease obligations of approximately $310.7 million. The reduction in our total indebtedness during the fourth quarter of 2007 was primarily the result of our use of the proceeds from our initial public offering in December 2007 to repay amounts previously outstanding under our revolving credit facility.

*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 and December 31, 2007, we were in compliance with all applicable covenants and ratios in effect at that time under the facility.

*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

Table of Contents

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 addition to the above revolving credit facility, Bank Machine has a £2.0 million unsecured overdraft facility that expires in July 2008. Such facility, which bears interest at 1.75% over the bank s base rate (5.75% as of September 30, 2007), is utilized for general corporate purposes for our United Kingdom operations. As of September 30, 2007 and December 31, 2006, approximately £1.9 million ($3.8 million and $3.7 million, respectively) of this overdraft facility has been utilized to help fund certain working capital commitments and to post a £275,000 bond. Amounts outstanding under the overdraft facility, other than those amounts utilized for posting bonds, are reflected in accounts payable in our consolidated balance sheet, as such amounts are automatically repaid once cash deposits are made to the underlying bank accounts.

During 2006 and 2007, Cardtronics Mexico entered into four separate five-year equipment financing agreements with a single lender. Such agreements, which are denominated in Mexican pesos and bear interest at an average fixed rate of 11.03%, were utilized for the purchase of additional ATMs to support our Mexico operations. As of September 30, 2007, approximately $53.6 million pesos ($4.9 million U.S.) were outstanding under the agreements in place at that time. As of December 31, 2006, approximately $9.3 million pesos ($857,000 U.S.) were outstanding under the agreement in place at that time. Pursuant to the terms of the loan agreement, Cardtronics, Inc. has issued a guaranty for 51.0% of the obligations under this agreement (consistent with its ownership percentage in Cardtronics Mexico.) As of September 30, 2007, the total amount of the guaranty was $27.3 million pesos ($2.5 million U.S.).

In connection with the 7-Eleven ATM Transaction, we assumed capital lease obligations for various ATMs. As of September 30, 2007, these obligations totaled approximately $2.3 million. We posted $7.5 million in letters of credit under our revolving credit facility in favor of the lessors under these assumed equipment leases. These letters of credit reduce the available borrowing capacity under our revolving credit facility.

***Effects of Inflation***

Our monetary assets, consisting primarily of cash and receivables, are not significantly affected by inflation. Our non-monetary assets, consisting primarily of tangible and intangible assets, are not affected by inflation. We believe that replacement costs of equipment, furniture, and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our expenses, such as those for employee compensation and telecommunications, which may not be readily recoverable in the price of services offered by us.

***Contractual Obligations***

The following table reflects our significant contractual obligations and other commercial commitments as of September 30, 2007:

| | Payments Due by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | Thereafter | Total |
| | (in thousands) | | | | | | |
| Long-term financings: | | | | | | | |
| Principal(1) | $ 63 | $ 537 | $ 1,150 | $ 1,297 | $ 1,425 | $ 406,033 | $ 410,505 |
| Interest(2) | 2,315 | 36,797 | 36,701 | 36,566 | 36,415 | 58,783 | 207,577 |
| Notes payable(3) | 165 | | | | | | 165 |
| Operating leases | 1,363 | 5,374 | 5,115 | 1,044 | 538 | 2,907 | 16,341 |
| Capital leases | 385 | 1,048 | 755 | 240 | | | 2,428 |
| Merchant space leases | 1,166 | 4,645 | 2,247 | 1,408 | 1,347 | 2,347 | 13,160 |
| Total contractual obligations | $ 5,457 | $ 48,401 | $ 45,968 | $ 40,555 | $ 39,725 | $ 470,070 | $ 650,176 |

(1) Represents the face value of our Series B Notes of $100.0 million, the face value of our 9.25% senior subordinated notes due in 2013 issued in August 2005 of $200.0 million, $105.6 million outstanding under our amended revolving credit facility, and approximately $4.9 million outstanding under our Mexico equipment financing facilities.

(2) Represents the estimated interest payments associated with our long-term debt outstanding as of September 30, 2007.

(3) Represents a fully-funded note issued in conjunction with the Bank Machine acquisition in 2005.

**Critical Accounting Policies and Estimates**

Our consolidated financial statements included elsewhere in this prospectus have been prepared in accordance with accounting principles generally accepted in the United States, which require that management make numerous estimates and assumptions. Actual results could differ from those estimates and assumptions, thus impacting our reported results of operations and financial position. The critical accounting policies and estimates described in this section are those that are most important to the depiction of our financial condition and results of operations and the application of which requires management s most subjective judgments in making estimates about the effect of matters that are inherently uncertain. We describe our significant accounting policies more fully in Note 1 to our consolidated financial statements included elsewhere in this prospectus.

*Goodwill and Intangible Assets.* We accounted for the 7-Eleven ATM Transaction and the E*TRADE Access, Bank Machine, and ATM National, Inc. acquisitions as business combinations pursuant to SFAS No. 141, *Business Combinations*. Additionally, we have applied the concepts of SFAS No. 141 to our purchase of a majority interest in

CCS Mexico (i.e. Cardtronics Mexico). Accordingly, the amounts paid for such acquisitions have been allocated to the assets acquired and liabilities assumed based on their respective fair values as of each acquisition date. Intangible assets, net, consists primarily of acquired merchant contracts and relationships, the Bank Machine and Allpoint (via the ATM National, Inc. acquisition) trade names, and the non-compete agreements entered into in connection with the Cardtronics Mexico acquisition, as well as deferred financing costs.

SFAS No. 142, *Goodwill and Other Intangible Assets*, provides that goodwill and other intangible assets that have indefinite useful lives will not be amortized, but instead must be tested at least annually for impairment, and intangible assets that have finite useful lives should be amortized over their estimated useful lives. SFAS No. 142 also provides specific guidance for testing goodwill and other non-amortized intangible assets for impairment. SFAS No. 142 requires management to make certain estimates and assumptions in order to allocate goodwill to reporting units and to determine the fair value of a reporting unit s net assets and liabilities, including, among other things, an assessment of market condition, projected cash flows, interest rates, and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. Furthermore, SFAS No. 142 exposes us to the possibility that changes in market conditions could result in potentially significant impairment charges in the future.

*Valuation of Long-Lived Assets.* We place significant value on the installed ATMs that we own and manage in merchant locations and the related acquired merchant contracts/relationships. In accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property and equipment and purchased contract intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge would be recognized by the amount that the carrying amount of the asset exceeds the fair value of the asset. Our determination that an adverse event or change in circumstances has occurred will generally involve (1) a greater attrition rate compared to estimated renewals, (2) an unexpected decline in transactions without any offsetting incremental revenues (i.e., bank branding), or (3) a change in strategy affecting the utility of the asset. Our measurement of the fair value of an impaired asset will generally be based on an estimate of discounted future cash flows.

*Income Taxes.* Income tax provisions are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and income before income taxes and between the tax basis of assets and liabilities and their reported amounts in our financial statements. We include deferred tax assets and liabilities in our financial statements at currently enacted income tax rates. As changes in tax laws or rates are enacted, we adjust our deferred tax assets and liabilities through income tax provisions.

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

*Asset Retirement Obligations.* We account for our asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations.* SFAS No. 143 requires that we estimate the fair value of future retirement obligations associated with our ATMs, including costs associated with deinstalling the ATMs and, in some cases, refurbishing the related merchant locations. Such estimates are based on a number of assumptions, including (i) the types of ATMs that are installed, (ii) the relative mix where those ATMs are installed (i.e., whether such ATMs are located in single-merchant locations or in locations associated with large, geographically dispersed retail chains), and (iii) whether we will ultimately be required to refurbish the merchant store locations upon the removal of the related ATMs. Additionally, we are required to make estimates regarding the timing of when such retirement obligations will be incurred.

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred and can be reasonably estimated. Such asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset s estimated useful life. Fair value estimates of liabilities for asset retirement obligations generally involve discounted future cash flows. Periodic accretion of such liabilities due to the passage of time is recorded as an operating expense in the accompanying consolidated financial statements. Upon settlement of the liability, we recognize a gain or loss for any difference between the settlement amount and the liability recorded.

*Share-Based Compensation.* As a result of our adoption of SFAS No. 123R, *Share-based Payment*, effective January 1, 2006, we are required to make certain estimates and judgments with respect to our share-based compensation programs. Such standard requires that we record compensation expense for all share-based awards based on the grant-date fair value of those awards. In determining the fair value of our share-based awards, we are required to make certain assumptions and estimates, including (i) the number of awards that may ultimately be forfeited by the recipients, (ii) the expected term of the underlying awards, and (iii) the future volatility associated with the price of our common stock. Such estimates, and the basis for our conclusions regarding such estimates, are outlined in detail in Note 3 in the notes to our consolidated financial statements included elsewhere in this prospectus.

**New Accounting Pronouncements**

*Accounting for Uncertainty in Income Taxes.* During the first quarter of 2007, we adopted the provisions of Financial Accounting Standards Board ( FASB ) Interpretation No. 48 ( FIN 48 ), *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109*. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We applied the provisions of FIN 48 to all tax positions upon its initial adoption effective January 1, 2007, and determined that no cumulative effect adjustment was required as of such date. As of September 30, 2007, we had a $0.2 million reserve for uncertain tax positions recorded pursuant to FIN 48. See Note 16 in the notes to our consolidated financial statements included elsewhere in this prospectus for additional information regarding the Company s adoption of FIN 48.

*Fair Value Measurements.* In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ( SFAS No. 157 ), which provides guidance on measuring the fair value of assets and liabilities in the financial statements. The provisions of SFAS No. 157 are effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact, if any, this statement will have on our financial statements.

*Fair Value Option.* In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( SFAS No. 159 ), which provides companies the option to measure certain financial instruments and other items at fair value. The provisions of SFAS No. 159 are effective as of the beginning of fiscal years beginning after November 15, 2007. We are currently evaluating the impact, if any, this statement will have on our financial statements.

*Registration Payment Arrangements.* In December 2006, the FASB issued FASB Staff Position ( FSP ) Emerging Issues Task Force ( EITF ) No. 00-19-2, *Accounting for Registration Payment Arrangements* ( FSP EITF 00-19-2 ), which addresses an issuer s accounting for registration payment arrangements. Specifically, FSP EITF 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*. The guidance contained in this standard amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, and SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, as well as FIN 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to include scope exceptions for registration payment arrangements. FSP EITF 00-19-2 is effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the date of issuance of this standard. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of this standard, the guidance in the standard is effective for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years. Our adoption of this standard on January 1, 2007 had no impact on our financial statements. We are currently evaluating the impact that the implementation of FSP EITF 00-19-2 may have on our financial statements as it relates to our issuance of $100.0 million of Series B Notes in July 2007, which are the notes that are subject to the exchange offer described herein, as we have 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 its debt securities registered under the Securities Act 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.

**Disclosure about Market Risk**

*Interest Rate Risk*

*Vault cash expense.* Because our ATM cash rental expense is based on market rates of interest, it is sensitive to changes in the general level of interest rates in the United States, the United Kingdom, and Mexico. Our outstanding vault cash, which represents the cash we rent and place in our ATMs in cases where the merchant does not provide the cash, totaled approximately $740.6 million in the United States, $140.4 million in the United Kingdom, and $6.3 million in Mexico as of September 30, 2007. We pay a monthly fee on the average amount of vault cash outstanding in the majority of our ATMs in the United States to Bank of America and PDNB under a formula based on LIBOR. We pay a monthly fee to ALCB in the United Kingdom based on a similar formula based on LIBOR. Under our recently executed vault cash arrangement with Wells Fargo for the acquired 7-Eleven ATMs and Vcom units, we pay a monthly fee on the average amount of vault cash outstanding based on the federal funds effective rate. In Mexico, we pay a monthly fee to our vault cash provider there under a formula based on TIIE.

As of September 30, 2007, we had entered into a number of LIBOR-based interest rate swaps to fix the rate of interest we pay on $300.0 million of our current and anticipated outstanding domestic vault cash balances through December 31, 2008, $200.0 million through December 31, 2009, and $100.0 million through December 31, 2010. We have not currently entered into any derivative financial instruments to hedge our variable interest rate exposure in the United Kingdom or Mexico.

The effect of the domestic LIBOR-based swaps mentioned above was to fix the interest rate paid on the following notional amounts for the periods identified (in thousands):

| Notional Amount | Weighted Average Fixed Rate | Period | |
|---|---|---|---|
| $300,000 | 4.00% | October 1, 2007 | December 31, 2007 |
| $300,000 | 4.35% | January 1, 2008 | December 31, 2008 |
| $200,000 | 4.36% | January 1, 2009 | December 31, 2009 |
| $100,000 | 4.34% | January 1, 2010 | December 31, 2010 |

In conjunction with the 7-Eleven ATM Transaction, we entered into a separate vault cash agreement with Wells Fargo to supply the cash that we utilize in the operation of the 5,500 ATMs and Vcom units we acquired in that transaction. Under the terms of the vault cash agreement, we pay a monthly fee to Wells Fargo on the average amount of cash outstanding under a formula based on the federal funds effective rate. Subsequent to the 7-Eleven ATM Transaction, the outstanding vault cash balance for the acquired 7-Eleven ATMs and Vcom units averaged approximately $350.0 million. As a result, our exposure to changes in domestic interest rates has significantly increased. Accordingly, we entered into additional interest rate swaps in August 2007 to limit our exposure to changing interest-based rental rates on $250.0 million of our current and anticipated 7-Eleven ATM cash balances. The effect of these swaps was to fix the interest-based rental rate paid on the $250.0 million notional amount at 4.93% (excluding the applicable margin) through December 2010.

As of September 30, 2007, our interest rate swaps had a carrying amount of $2.5 million, which represented the fair value of such agreements based on third-party quotes for similar instruments with the same terms and conditions, as such instruments are required to be carried at fair value. These swaps have been classified as cash flow hedges pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. Accordingly, changes in the fair values of such swaps have been reported in accumulated other comprehensive income (loss) in the accompanying condensed consolidated balance sheets. As a result of the Company s overall net loss position for tax purposes, we have not recorded taxes on the loss amount related to the Company s interest rate hedges as of September 30, 2007, as we do not believe that the Company will be able to realize the benefits associated with its deferred tax positions.

Table of Contents

Net amounts paid or received under such swaps are recorded as adjustments to our Cost of ATM operating revenues in the accompanying consolidated statements of operations. During the year ended December 31, 2006 and the nine months ended September 30, 2007, the gains or losses as a result of ineffectiveness associated with our existing interest rate swaps were immaterial.

Based on the $740.6 million in vault cash outstanding in the United States as of September 30, 2007, and assuming no benefits from the existing interest rate hedges that are currently in place, for every interest rate increase of 100 basis points, we would incur an additional $7.4 million of vault cash rental expense on an annualized basis. Factoring in the $550.0 million in interest rate swaps outstanding at September 30, 2007, as discussed above, for every interest rate increase of 100 basis points, we would incur an additional $1.9 million of vault cash rental expense on an annualized basis. Based on the $140.4 million in vault cash outstanding in the United Kingdom as of September 30, 2007, for every interest rate increase of 100 basis points, we would incur an additional $1.4 million of vault cash rental expense on an annualized basis. Based on the $6.3 million in vault cash outstanding in Mexico, we would incur roughly $63,000 in additional vault cash rental expense on an annualized basis for every interest rate increase of 100 basis points.

*Interest expense.* Our interest expense is also sensitive to changes in the general level of interest rates in the United States, as our borrowings under our domestic revolving credit facility accrue interest at floating rates. As a result of the additional amount of borrowings outstanding under our revolving credit facility as of September 30, 2007 that were utilized to finance our acquisition of the ATM portfolio of 7-Eleven, our exposure to movement in interest rates increased significantly. Based on the $105.6 million outstanding under such facility as of September 30, 2007, an increase of 100 basis points in the underlying interest rate would result in an additional $1.1 million of interest expense on an annualized basis. However, as a result of the use of the proceeds from our initial public offering in December 2007 to pay off amounts outstanding under our revolving credit facility, our sensitivity to changes in interest rates has decreased. Our sensitivity going forward will depend upon the level of borrowings under our revolving credit facility.

Recent upward pressure on short-term interest rates in the United States has resulted in slight increases in our interest expense under our bank credit facilities and our vault cash rental expense. Although we currently hedge a substantial portion of our vault cash interest rate risk through 2010, as noted above, we may not be able to enter into similar arrangements for similar amounts in the future. Any significant increase in interest rates in the future could have an adverse impact on our business, financial condition and results of operations by increasing our operating costs and expenses.

Finally, while the carrying amount of our cash and cash equivalents and other current assets and liabilities approximates fair value due to the relatively short maturities of these instruments, we are exposed to changes in market values of our investments and long-term debt. As discussed above, the carrying amount of our interest rate swaps approximates fair value as of September 30, 2007. In addition, the $105.6 million carrying amount of the Company s long-term debt balance related to borrowings under our revolving credit facility approximates fair value due to the fact that such borrowings are subject to floating market interest rates. Conversely, the carrying amount of our $200.0 million, 9.25% senior subordinated notes issued in August 2005 and $100.0 million, 9.25% senior subordinated notes Series B was $296.0 million as of September 30, 2007, compared to a fair value of $287.8 million. Such notes pay interest in semi-annual installments based on a 9.25% stated interest rate. The fair value of the senior subordinated notes as of September 30, 2007, was based on the quoted market prices for such notes.

*Foreign Currency Exchange Risk*

Due to our acquisition of Bank Machine in 2005 and our acquisition of a majority interest in Cardtronics Mexico in 2006, we are exposed to market risk from changes in foreign currency exchange rates, specifically with changes in the

U.S. dollar relative to the British pound and Mexican peso. Our United Kingdom and Mexico subsidiaries are consolidated into our financial results and are subject to risks typical of international businesses including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Furthermore, we are required to translate the financial condition and results of operations of Bank Machine and Cardtronics Mexico

Table of Contents

into U.S. dollars, with any corresponding translation gains or losses being recorded in other comprehensive income or loss in our consolidated financial statements. As of September 30, 2007, such translation gain totaled approximately $11.1 million.

Our future results could be materially impacted by changes in the value of the British pound relative to the U.S. dollar. Additionally, as our Mexico operations expand, our future results could be materially impacted by changes in the value of the Mexican peso relative to the U.S. dollar. At this time, we have not deemed it to be cost effective to engage in a program of hedging the effect of foreign currency fluctuations on our operating results using derivative financial instruments. A sensitivity analysis indicates that, if the U.S. dollar uniformly strengthened or weakened 10% against the British pound, the effect upon Bank Machine s operating income for the nine month period ended September 30, 2007 would have been an unfavorable or favorable adjustment, respectively, of approximately $0.3 million. Given the limited size and scope of Cardtronics Mexico s current operations, a similar sensitivity analysis would have resulted in a negligible adjustment to Cardtronics Mexico s financial results for the nine month period ended September 30, 2007.

We do not hold derivative commodity instruments and all of our cash and cash equivalents are held in money market and checking funds.

## THE ATM INDUSTRY

### A Typical ATM Transaction

A typical ATM transaction involves the withdrawal of cash from an ATM. The cardholder presents an ATM card, issued by his or her financial institution, at an ATM that may or may not be owned by the same financial institution. The cardholder then enters a personal identification number, or PIN, to verify identity, the cardholder s account is checked for adequate funds and, if everything is satisfactory, cash is dispensed. All of these communications are routed across one or more EFT networks that electronically connect ATMs and financial institutions and allow transactions to appear seamless and nearly instantaneous.

In the United States and Mexico, when a cardholder withdraws cash from an ATM that is not owned by the cardholder s financial institution, there are typically two charges applied. The first charge is the surcharge fee paid by the cardholder for using the ATM. The second charge is an interchange fee that the cardholder s financial institution pays to the ATM operator and the EFT network over which the transaction is routed. Often, the cardholder s financial institution also charges the cardholder a fee called a foreign fee for using an ATM not owned by that financial institution. This charge helps the financial institution defray the cost of the interchange fee it pays. Conversely, in the United Kingdom, when a cardholder withdraws cash from an ATM that is not owned by the cardholder s financial institution, either a surcharge fee or an interchange fee is charged, but not both. If a pay-to-use ATM is used, the cardholder is charged a surcharge fee. If a free-to-use ATM is used (i.e., a surcharge-free ATM), an interchange fee is charged. In the U.K., interchange fees are earned on all ATM transactions other than surcharge-bearing cash withdrawals.

### History of the U.S. ATM Industry

The first ATMs in the United States were installed in the early 1970s, and by 1980, approximately 18,500 ATMs were in use throughout the nation. These ATMs initially were located at financial institution branches. According to *ATM&Debit News*, there were estimated to be approximately 415,000 ATMs in the United States in March 2007, the majority of which are located at non-bank locations. A non-bank location is one that is not located within a federal or state chartered bank, savings and loan, credit union or other financial institution.

Early in the development of the ATM industry, regional and national electronic authorization data networks, or EFT networks, connected ATMs to financial institutions that were members of a particular EFT network. Regional EFT networks in different parts of the United States were not electronically connected to each other. For example, customers of a bank in New York could not travel to Los Angeles and access their cash at an ATM because the networks serving New York and Los Angeles were not connected. During the 1990s, many regional EFT networks merged or entered into reciprocal processing agreements with other networks, which helped to increase ATM usage and spur consumer demand for ATM services.

Although ATMs were originally located only at financial institution branches, they soon began to appear in a variety of off-premise locations, such as convenience stores, supermarkets, drug stores, shopping malls, hotels, casinos, and airports. These locations offer a convenient alternative to obtaining cash from bank tellers, branch ATMs, or drive-through facilities. Both merchants and their customers benefit from the presence of an ATM in a store. Merchants benefit from increased consumer traffic, merchant fees received from the ATM operator, and reduced check-writing and credit card processing fees, while cardholders benefit from increased access to their cash. Deployment of off-premise ATMs, however, was impeded by the prevailing strategy among financial institutions not to charge their cardholders surcharge fees for the convenience of accessing their financial institution accounts at non-financial institution locations. Until 1996, most EFT networks did not allow surcharge fees for ATM transactions that were routed over their networks. However, beginning in that year, the two largest EFT networks, Cirrus and Plus, began to allow surcharge fees and other networks followed.

**Recent Trends in the U.S. ATM Industry**

The introduction of surcharge revenue in the ATM market made the deployment of off-premise ATMs economically feasible and attractive for non-financial institutions. Following this shift, according to

**Table of Contents**

*ATM&Debit News*, the number of off-premise ATMs in the United States grew at a rapid pace, increasing in number from approximately 84,000 in 1998 to an estimated 236,000 off-premise ATMs in 2007. Additionally, this period of expansion in the off-premise business model saw a notable shift in the relative prevalence of on - and off-premise ATMs. As per *ATM&Debit News*, off-premise ATMs represented approximately 45% of total ATMs in the United States in 1998. By 2007, the market share of off-premise ATMs had grown to approximately 57%. Despite this long-term growth trend, the annual growth rate for off-premise ATMs has slowed considerably since 2003. Furthermore, the number of off-premise ATMs declined since 2005, indicating the continued maturation of the domestic off-premise ATM market.

The maturation of the domestic ATM market has seen an increase in the average surcharge rates charged by ATM operators. According to Dove Consulting, average surcharge rates on off-premise ATM transactions have increased by 21% from 2001 to 2006, rising from $1.48 to $1.79, respectively. On-premise ATMs have exhibited a similar trend, with average surcharge rates growing 20% over the same time period.

*Source:* © Dove Consulting, 2006 ATM Deployer Study. Reprinted with Permission.

Additionally, despite the fact that electronic payment alternatives such as debit and prepaid cards have gained popularity in recent years, overall cash usage trends in the United States have remained stable. The overall level of domestic cash usage from 2001 to 2005 remained stable at approximately one-third of total transaction spending, maintaining a strong demand for convenient access for cash and ATM transactions.

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Table of Contents

### Developing Trends in the ATM Industry

*Increase in Bank and Network Branding Arrangements.* Many U.S. banks serving the market for consumer banking services are aggressively competing for market share, and part of their competitive strategy is to increase their number of customer touch points, including the establishment of an ATM network to provide convenient cash access to their customers. A large owned-ATM network would be a key strategic asset for a bank, but we also believe it would be uneconomical for all but the very largest banks to build and operate an extensive ATM network. Bank branding of ATMs and participation in surcharge-free networks allows financial institutions to rapidly increase surcharge-free ATM access for their customers at substantially less cost than building their own ATM networks. These factors have led to an increase in bank and network branding, and we believe that there will be continued growth in such arrangements.

*Growth in International Markets.* In many regions of the world, ATMs are less common than in the United States. We believe the ATM industry will grow faster in international markets than in the U.S., as the number of ATMs per capita in those markets approaches the U.S. level. In addition, there has been a trend towards growth of off-premise ATMs in several international markets, including the United Kingdom and Mexico.

The United Kingdom is the largest ATM market in Europe. Until the late 1990s, most U.K. ATMs were installed at bank and building society branches. Non-bank operators began to deploy ATMs in the United Kingdom in December 1998 when LINK (which connects together the ATM networks of all U.K. ATM operators) allowed them entry into its network via arrangements between non-bank operators and U.K. financial institutions. We believe that non-bank ATM operators have benefited in recent years from customer demand for more conveniently located cash machines, the emergence of internet banking with no established point of presence and the closure of bank branches due to consolidation. According to LINK, a total of approximately 60,000 ATMs were deployed in the United Kingdom as of December 2006, of which approximately 27,000 were operated by non-banks. This has grown from approximately 36,700 total ATMs in 2001, with less than 7,000 operated by non-banks. The following table shows the compound annual growth rate ( CAGR ) for ATMs deployed in the United Kingdom from 2000 to 2006.

*Source:* APACS U.K. Payment Statistics 2007

Similar to the U.S., electronic payment alternatives have gained popularity in the U.K. in recent years. However, cash is still the primary payment method preferred by consumers, representing nearly two-thirds of total transaction spending.

*Source: APACS U.K. Payment Statistics 2007*

Annual ATM cash withdrawal transactions continue to remain strong in the U.K., reflecting consumers preference to utilize cash for their transaction spending.

*Source:* APACS U.K. Payment Statistics 2007.

According to the Central Bank of Mexico, as of December 2006, Mexico had approximately 25,600 ATMs operating throughout the country, substantially all of which are owned by national and regional banks. Historically, surcharge fees were not allowed pursuant to Mexican law. However, in July 2005, the Mexican government approved a measure that now allows ATM operators to charge a fee to individuals withdrawing cash from their ATMs. As a result of the Mexican government approving surcharging and the relatively low level of penetration of ATMs in Mexico, we believe that there will be significant growth in the number of ATMs owned by non-banks.

*Outsourcing by Banks and Other Financial Institutions.* While many banks and other financial institutions own significant networks of ATMs that serve as extensions of their branch networks and increase the level of service offered to their customers, large ATM networks are costly to operate and typically do not provide significant revenue for banks and other financial institutions. We believe there is an opportunity for large non-bank ATM operators with low costs and an established operating history to contract with financial institutions to manage their ATM networks. Such an outsourcing arrangement could reduce a financial institution s operational costs while extending their customer service.

Table of Contents

# BUSINESS

## Company Overview

We operate the world s largest network of ATMs. As of September 30, 2007, our network included 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 operated were Company-owned and 11,900 were merchant-owned. Our high-traffic retail locations and national footprint make us an attractive partner for regional and national financial institutions which are seeking to increase their market penetration. Additionally, as of September 30, 2007, over 9,500 of our Company-owned ATMs are under contract with well-known banks to place their logos on such 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 in the United States based on the number of participating ATMs.

The following tables set forth our leading position among ATM operators in the U.S. and world-wide ATM markets:

| **U.S. Rank** | | **U.S. ATMs** | **% of Total** |
|---|---|---|---|
| 1 | Cardtronics | 28,600 | 6.9% |
| 2 | Bank of America | 18,600 | 4.5% |
| 3 | ATM Express | 16,700 | 4.0% |
| 4 | TRM | 10,500 | 2.5% |
| 5 | PAI ATM Services | 8,700 | 2.1% |
| 6 | JPMorgan Chase | 8,600 | 2.1% |
| 7 | Wells Fargo | 6,800 | 1.6% |
| 8 | International Merchant Services | 5,900 | 1.4% |
| 9 | Wachovia Bank | 5,100 | 1.2% |
| 10 | Access to Money | 5,000 | 1.2% |
| | **Top 10** | **114,500** | **27.6%** |
| | **U.S. Market** | **415,000** | **100.0%** |

*Source:* 2008 EFT Data Book, excluding Cardtronics data which is based on internal data as of September 30, 2007.

| **World-Wide Rank** | | **World-Wide ATMs** | **% of Total** |
|---|---|---|---|
| 1 | Cardtronics (USA) | 31,500 | 2.0% |
| 2 | Japan Post (Japan) | 26,500 | 1.7% |
| 3 | Banco de Brasil (Brazil) | 26,300 | 1.7% |
| 4 | Banco Itau (Brazil) | 21,100 | 1.4% |
| 5 | Nat l Agricultural Co-op (South Korea) | 20,400 | 1.3% |
| 6 | Ind. & Commercial Bank of China (China) | 18,900 | 1.2% |

| | | | |
|---|---|---|---|
| 7 | Caixa Economica Federal (Brazil) | 18,900 | 1.2% |
| 8 | Bank of America (USA) | 18,600 | 1.2% |
| 9 | Bradesco (Brazil) | 16,600 | 1.1% |
| 10 | China Construction Bank (China) | 15,800 | 1.0% |
| | **Top 10** | **214,600** | **13.9%** |
| | **World-wide Market** | **1,540,000** | **100.0%** |

*Source:* Retail Banking Research, excluding Bank of America s data which is based on the 2008 EFT Data Book and Cardtronics data which is based on internal data as of September 30, 2007.

**7-Eleven ATM Transaction**

On July 20, 2007, we purchased substantially all of the assets of 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. The working capital payment was subsequently 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. We financed the 7-Eleven ATM Transaction, including related fees and expenses, through the issuance of $100.0 million in 9.25% senior subordinated notes due 2013 Series B, and borrowings under our amended revolving credit facility.

The 7-Eleven Financial Services Business operates approximately 5,500 ATMs, including approximately 2,000 Vcom units, which, in addition to standard ATM services, offer the Vcom Services. Because of the significance of this acquisition, our historical operating results are not expected to be indicative of our future operating results. See Unaudited Pro Forma Condensed Consolidated Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus for additional information. In connection with the 7-Eleven ATM Transaction, we entered into a placement agreement that will provide us, subject to certain conditions, with a ten-year exclusive right to operate all ATMs and Vcom units in 7-Eleven locations throughout the U.S., including any new stores opened or acquired by 7-Eleven.

For the year ended December 31, 2006 and the nine months ended September 30, 2007, the 7-Eleven Financial Services Business generated $163.7 million and $117.6 million of revenues, respectively, and $10.8 million and $4.4 million of net income, respectively. Those amounts include approximately $18.7 million and $4.6 million, respectively, of upfront placement fees received by 7-Eleven related to the development of its advanced-functionality services, 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 financial services business of 7-Eleven, we expect those amounts to be substantially less than those earned historically. We have estimated that the Vcom 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 are not expected to continue in the future, the Vcom Services generated operating losses, based upon our analysis, of $6.6 million and $7.8 million for the year ended December 31, 2006 and nine months ended September 30, 2007, respectively. It is our expectation that the acquired Vcom operations will continue to generate operating losses subsequent to the 7-Eleven ATM Transaction. However, we believe that the right mix of services and locations, coupled with effective targeted marketing strategies, could lead to improved financial results for this portion of the acquired business, and we are, therefore, currently working to restructure that portion of the acquired business. In the event we are unable to improve the financial results of the acquired Vcom operations, and we incur cumulative operating losses of $10.0 million associated with providing the Vcom Services, including $1.5 million in contract termination costs, our current intent is to terminate the Vcom Services and utilize the Vcom 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 machines with significant potential for providing new services. Failure to achieve market acceptance among users could lead to continued losses from the Vcom Services, which could adversely affect our operating results.

We believe that the 7-Eleven ATM Transaction portfolio provides us with substantial benefits and opportunities, including the following:

*Additional High-Volume, Prime Retail Locations.* The ATMs we acquired in the 7-Eleven ATM Transaction averaged over 1,000 withdrawal transactions per month during 2006, which compares favorably to the average of 404 withdrawal transactions per month for our existing ATM portfolio during the same period.

*Internal Growth Opportunities.* We agreed to a ten-year ATM placement agreement that will give us, subject to certain conditions, the exclusive right to operate all ATMs and Vcom units in existing and future 7-Eleven store locations in the U.S. during the term of the agreement. Additionally, with 7-Eleven being the largest convenience store operator in the world (with over 33,200 locations worldwide), we believe that our relationship with 7-Eleven may afford us the opportunity to further expand internationally.

*Bank Branding and Outsourcing Opportunities.* When combined with our existing portfolio of ATMs, the approximately 5,500 ATM and Vcom units located in 7-Eleven store locations, which are currently branded

Table of Contents

with the Citibank brand, bring the total number of our Company-owned ATMs under bank branding arrangements to approximately 9,500. We believe that the combined bank branded portfolio, which is the largest of its kind in the industry, will lead to future branding opportunities for many of the unbranded retail locations remaining within our portfolio of Company-owned ATMs.

*Surcharge-Free Offering Opportunities.* The 7-Eleven ATM portfolio currently participates in two surcharge-free networks, the CO-OP network, the nation s largest surcharge-free network devoted exclusively to credit unions, and FSCC, a cooperative service organization providing shared branching services for credit unions. We also believe the 7-Eleven ATM Transaction provides opportunities to expand our surcharge-free network offerings.

*Advanced-Functionality Opportunities.* The 7-Eleven ATM Transaction provides us with a unique opportunity to participate in the advanced kiosk-based financial services market within the U.S. through the Vcom Services. Such services may provide for additional growth opportunities as additional merchants and financial institutions seek to take advantage of these services.

*Operational Synergies.* We expect our extensive industry experience and operational expertise as a low cost provider to allow us to take advantage of certain operational synergies that may be realized from the 7-Eleven ATM Transaction, as existing contracts with service providers begin to expire at the end of 2009. Furthermore, because of the nature of such contracts, the initial integration of the acquired 7-Eleven Financial Services Business is not expected to negatively impact our ongoing operations.

**Other Acquisitions**

In addition to the 7-Eleven ATM Transaction, we have made 14 other acquisitions in prior years both in the United States and internationally. These acquisitions included:

In February 2006, we acquired a 51.0% ownership stake in CCS Mexico, an independent ATM operator located in Mexico, for approximately $1.0 million in cash consideration and the assumption of approximately $0.4 million in additional liabilities. At the time of the acquisition, CCS Mexico operated approximately 300 ATMs.

In December 2005, we acquired all of the outstanding shares of ATM National, Inc., the owner and operator of the Allpoint nationwide surcharge-free ATM network. The consideration for such acquisition totaled $4.8 million.

In May 2005, we purchased 100% of the outstanding shares of Bank Machine (Acquisitions) Limited for approximately $95.0 million. At the time of the acquisition, Bank Machine (Acquisitions) Limited operated approximately 1,000 ATMs in the United Kingdom.

In April 2005, we acquired a portfolio of 330 ATMs, primarily at BP Amoco locations throughout the midwest region, for approximately $9.0 million in cash.

In March 2005, we acquired a portfolio of 475 ATMs located in the greater New York Metro area from BAS Communications for approximately $8.2 million in cash.

In June 2004, we acquired the ATM business owned by E*TRADE Access, Inc. for $106.9 million in cash. At the time of the acquisition, E*TRADE Access, Inc. operated 13,155 ATMs in the United States. Historical audited financial statements for this company ( ATM Company ) are included elsewhere herein.

We believe that this experience and our disciplined integration approach reduces the risks associated with acquiring additional portfolios of ATMs. Because we do not typically assume significant numbers of employees nor import new operating systems in connection with our ATM portfolio or asset acquisitions, we believe such acquisitions have relatively low integration/migration risk when compared to business acquisitions (such as the 7-Eleven ATM Transaction). We also believe our acquisition risk, for both ATM portfolio acquisitions and business acquisitions, is somewhat reduced because the financial performance of ATMs we acquire is relatively predictable given our access to third-party data on the transaction history and revenues of the ATMs we acquire. This predictability is also enhanced by the well-understood nature of our operating costs per machine and per transaction.

Table of Contents

The scale of our operations allows us to significantly reduce the overhead associated with acquired ATM portfolios as well as reduce operating costs by taking advantage of our existing vendor contracts. In addition, we have been able to successfully grow several of our acquired ATM portfolios and businesses by deploying additional ATMs under the merchant contracts associated with such acquisitions. This has resulted in improved operating cash flow and high returns on capital for several of our transactions. For example, the current annual EBITDA on the ATM business acquired from E*TRADE Access, Inc. is approximately three times the annual EBITDA at the time of acquisition.

### Our Products and Services

We typically provide our leading merchant customers with all of the services required to operate an ATM, which include transaction processing, cash management, maintenance, and monitoring. 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. In connection with the operation of our ATMs and our customers ATMs, we generate revenue on a per-transaction basis from the surcharge fees charged to cardholders for the convenience of using our ATMs and from interchange fees charged to such cardholders financial institutions for processing the ATM transactions. The following table provides detail relating to the number of ATMs we owned and operated under our various arrangements as of September 30, 2007:

| | Company-Owned | Merchant-Owned | Total |
|---|---|---|---|
| Number of ATMs | 19,649 | 11,937 | 31,586 |
| Percent of total ATMs | 62.2% | 37.8% | 100.0% |

We generally operate our ATMs under multi-year contracts that provide a recurring and stable source of transaction-based revenue and typically have an initial term 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 we entered into with 7-Eleven in July 2007.

Recently, we have entered into arrangements with financial institutions to brand certain of our Company-owned ATMs. A branding arrangement allows a financial institution to expand its geographic presence for a fraction of the cost of building a branch location and typically for less than the cost of placing one of its own ATMs at that location. Such an arrangement allows a financial institution to rapidly increase its number of branded ATM sites and improve their competitive position. Under these arrangements, the branding institution s customers are allowed to use the branded ATM without paying a surcharge fee to us. In return, we receive monthly fees on a per-ATM basis from the branding institution, while retaining our standard fee schedule for other cardholders using the branded ATM. In addition, we typically receive increased interchange revenue as a result of increased usage of our ATMs by the branding institution s customers and others who prefer to use a bank branded ATM. We intend to pursue additional branding arrangements as part of our growth strategy. Prior to 2006, we had bank branding arrangements in place on less than 1,000 of our Company-owned ATMs. However, as a result of our increased sales efforts, the 7-Eleven ATM Transaction, and financial institutions realizing the significant benefits and opportunities afforded to them through bank branding programs, as of September 30, 2007, we had branding arrangements in place with 18 domestic financial institutions involving approximately 9,500 Company-owned ATMs. The 7-Eleven ATM Transaction added 5,500 of these ATMs, which are branded with the Citibank brand.

Another type of surcharge-free program we offer in addition to branding our ATMs is through our Allpoint and MasterCard nationwide surcharge-free ATM networks. Under the Allpoint network, financial institutions who are members of the network pay us a fixed monthly fee per cardholder in exchange for us providing their cardholders with surcharge-free access to most of our domestic owned and/or operated ATMs. Under the MasterCard network, we provide surcharge-free access to most of our domestic owned and/or managed ATMs to cardholders of financial institutions who participate in the network and who utilize a MasterCard debit card. In return for providing this service, we receive a fee from MasterCard for each surcharge-free withdrawal transaction conducted on our network. The Allpoint and MasterCard networks offer attractive alternatives to financial institutions that lack their own distributed ATM network. We acquired all of the outstanding shares of ATM National, Inc., the owner and operator of the Allpoint network, in December 2005. In September 2006, we implemented our surcharge-free network with MasterCard. As part of the 7-Eleven ATM Transaction, we assumed additional surcharge-free relationships with CO-OP, the nation s largest surcharge-free network for credit unions, and FSCC, a cooperative service organization providing shared branching services for credit unions, thus further enhancing our surcharge-free offerings.

We have found that the primary factor affecting transaction volumes at a given ATM is its location. Our strategy in deploying our ATMs, particularly those placed under Company-owned arrangements, is to identify and deploy ATMs at locations that provide high visibility and high transaction volume. Our experience has demonstrated that the following locations often meet these criteria: convenience stores and combination convenience stores and gas stations, grocery stores, airports, and major regional and national retail outlets. The 5,500 locations that we added to our portfolio as a result of the 7-Eleven ATM Transaction are a prime example of the types of locations that we seek when deploying our ATMs. In addition to the 7-Eleven locations, we have also entered into multi-year agreements with a number of other merchants, including A&P, Albertsons, Chevron, Costco, CVS Pharmacy, Duane Reade, ExxonMobil, Giant, Hess Corporation, Kroger, Rite Aid, Sunoco, Target, Walgreens, and Winn-Dixie in the United States; Alfred Jones, Martin McColl, McDonalds, The Noble Organisation, Odeon Cinemas, Spar, Tates, and Vue Cinemas in the United Kingdom; and Fragua and OXXO in Mexico. We believe that once a cardholder establishes a pattern of using a particular ATM, the cardholder will generally continue to use that ATM.

### Merchant Customers

In the United States, we have contracts with approximately 40 major national and regional merchants, including convenience stores, supermarkets, drug stores, and other high-traffic retail chains, and ATMs in approximately 11,400 locations with independent merchants. In the United Kingdom, we have contracts with approximately 30 national and regional merchants and approximately 600 independent merchants. In Mexico, a majority of the ATMs currently deployed are with independent merchants, though we have recently begun deploying ATMs with two merchants that have retail locations throughout Mexico. Prior to the 7-Eleven ATM Transaction, no single merchant customer s ATM locations generated fees that accounted for more than 5.0% of our total revenues for the year ended December 31, 2006. As a result of the 7-Eleven ATM Transaction, 7-Eleven is now the largest merchant customer in our portfolio, representing approximately 35.8% and 33.6% of our total pro forma revenues for the year ended December 31, 2006 and the nine months ended September 30, 2007, respectively. The underlying merchant agreement with 7-Eleven has an initial term of 10 years from the effective date of the acquisition. In addition to 7-Eleven, our next four largest merchant customers are CVS, Walgreens, Target and ExxonMobil, and they collectively generated 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.

The terms of our merchant contracts vary as a result of negotiations at the time of execution. In the case of Company-owned ATMs, which are typically deployed with our major national and regional merchants, the contract terms vary, but typically include the following:

- an initial term of five to seven years;
- exclusive deployment of ATMs at locations where we install an ATM;
- our right to increase surcharge fees;
- our right to remove ATMs at underperforming locations without having to pay a termination fee;

in the United States, our right to terminate or remove ATMs or renegotiate the fees payable to the merchant if surcharge fees are generally reduced or eliminated by law; and

provisions making the merchant s fee dependent on the number of ATM transactions.

Our contracts under merchant-owned arrangements typically include similar terms, as well as the following additional terms:

- in the United States, provisions prohibiting in-store check cashing by the merchant and, in the United States and United Kingdom, the operation of any other cash-back devices;
- provisions imposing an obligation on the merchant to operate the ATMs at any time its stores are open for business; and
- provisions, when possible, that require the assumption of our contract in the event a merchant sells its stores.

### Sales and Marketing

Our sales and marketing team focuses principally on developing new relationships with national and regional merchants as well as on building and maintaining relationships with our existing merchants. The team is organized into groups that specialize in marketing to specific merchant industry segments, which allows us to tailor our offering to the specific requirements of each merchant customer. In addition to the merchant-focused sales and marketing group, we have a sales and marketing group that is focused on developing and managing our relationships with financial institutions, as we look to expand the types of services that we offer to such institutions. As of September 30, 2007, our sales and marketing team was composed of 50 employees, of which those who are exclusively focused on sales typically receive a combination of incentive-based compensation and a base salary.

In addition to targeting new business opportunities, our sales and marketing team supports our acquisition initiatives by building and maintaining relationships with newly acquired merchants. We seek to identify growth opportunities within each merchant account by analyzing the merchant s sales at each of its locations, foot traffic, and various demographic data to determine the best opportunities for new ATM placements. Subsequent to the 7-Eleven ATM Transaction, our sales and marketing team members are now working to strengthen our relationship with 7-Eleven, as well as our relationships with Citibank and other branding partners. Additionally, our sales and marketing team is focused on increasing the number of ATMs we have deployed in the United Kingdom and Mexico by expanding the relationships with our existing merchants and by targeting potential new merchants.

### Technology

Our technology and operations platform consists of ATM equipment, ATM and internal network infrastructure (including in-house ATM transaction processing capabilities), cash management, and customer service. This platform is designed to provide our merchant customers with what we believe is a high quality suite of services.

*ATM Equipment.* In the United States and Mexico, we purchase ATMs from national manufacturers, including NCR, Diebold, Triton Systems, and Wincor Nixdorf and place them in our merchant customers locations. The portfolio of equipment we purchased in the 7-Eleven ATM Transaction is comprised of traditional ATMs manufactured by NCR and Diebold and advanced Vcom units manufactured by NCR. The wide range of advanced technology available from these ATM manufacturers provides our merchant customers with advanced features and reliability through sophisticated diagnostics and self-testing routines. The different machine types can all perform basic functions, such as dispensing cash and displaying account information. However, some of our ATMs are modular and upgradeable so they can be adapted to provide additional services in response to changing technology and consumer demand. For example, a portion of our ATMs can be upgraded to accept deposits through the installation of additional hardware and software components.

We operate three basic types of ATMs in the United Kingdom: (1) convenience, which are internal to a merchant s premises, (2) through the wall, which are external to a merchant s premises, and (3) pods, a free-standing kiosk style ATM, also located external to a merchant s premises. The ATMs are principally manufactured by NCR.

*Transaction Processing.* We place significant emphasis on providing quality service with a high level of security and minimal interruption. We have carefully selected support vendors to optimize the performance of our ATM network. In addition, our third-party transaction processors provide sophisticated security analysis and monitoring 24 hours a day.

In late 2006, we implemented our own in-house transaction processing operation, which is based in Dallas, Texas. This initiative enables us to monitor transactions on our ATMs and to control the flow and content of information on the ATM screen. 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. As with our existing ATM network operation, we have carefully selected support vendors to help ensure the security and continued performance of such operation. In conjunction with the 7-Eleven ATM Transaction, we assumed a master ATM management agreement with Fiserv under which Fiserv currently provides a number of ATM-related services to the 7-Eleven ATMs, including transaction processing, network hosting, network sponsorship, maintenance, cash management, and cash replenishment. Additionally, similar to our in-house transaction processing switch, the 7-Eleven Financial Services Business had its own processing operations that it used to process transactions for the 2,000 Vcom units. As with our in-house processing operation, carefully-selected support vendors will continue to help ensure the security and continued performance of the acquired processing operation. We will continue to operate both our in-house processing switch and the acquired processing switch until such time as the 7-Eleven Financial Services Business operations can be fully integrated into our current operations.

*Internal Systems.* Our internal systems, including our in-house processing switch, include multiple layers of security to help protect them from unauthorized access. Protection from external sources is provided by the use of hardware and software-based security features that isolate our sensitive systems. We also use commercially-available encryption technology to protect communications. On our internal network, we employ user authentication and anti-virus tools at multiple levels. These systems are protected by detailed security rules to limit access to all critical systems, and, to our knowledge, our security systems have never been breached. Our systems components are directly accessible by a limited number of employees on a need-only basis. Our gateway connections to our EFT network service providers provide us with real-time access to transaction details, such as cardholder verification, authorization, and funds transfer. We have installed these communications circuits with backup connectivity to help protect us from telecommunications problems in any particular circuit.

We use commercially-available and custom software that continuously monitors the performance of the ATMs in our network, including details of transactions at each ATM and expenses relating to that ATM, such as fees payable to the merchant. This software permits us to generate detailed financial information for each ATM location, allowing us to monitor each location s profitability. We analyze transaction volume and profitability data to determine whether to continue operating at a given site, how to price various operating arrangements with merchants and branding arrangements, and to create a profile of successful ATM locations so as to assist us in deciding the best locations for additional ATM deployments.

*Cash Management.* We have our own internal cash management department that utilizes data generated by our cash providers, internally generated data, and a proprietary methodology to confirm daily orders, audit delivery of cash to armored couriers and ATMs, monitor cash balances for cash shortages, coordinate and manage emergency cash orders, and audit costs from both armored couriers and cash providers.

Our cash management department uses commercially-available software and proprietary analytical models to determine the necessary fill frequency and load amount for each ATM. Based on location, day of the week, upcoming holidays and events, and other factors, we project cash requirements for each ATM on a daily basis. After receiving a cash order from us, the cash provider forwards the request to its vault location nearest to the applicable ATM. Personnel at the vault location then arrange for the requested amount of cash to be set aside and made available for the designated armored courier to access and subsequently transport to the ATM.

*Customer Service.* We believe one of the factors that differentiates us from our competitors is our customer service responsiveness and proactive approach to managing any ATM downtime. We use an advanced software package that monitors the performance of our Company-owned ATMs 24 hours a day for service interruptions and notifies our maintenance vendors for prompt dispatch of necessary service calls. The 3,500 traditional ATMs acquired in the 7-Eleven ATM Transaction will continue to be monitored and serviced under the Fiserv ATM management agreement. Additionally, the 2,000 Vcom units acquired will continue to be monitored under a third-party service agreement.

Finally, we use a commercially-available software package to maintain a database of transactions made on and performance metrics for all of our ATM locations. This data is aggregated into individual merchant customer profiles that are readily accessible by our customer service representatives and managers. We believe our proprietary database enables us to provide superior quality and accessible and reliable customer support.

**Primary Vendor Relationships**

To maintain an efficient and flexible operating structure, we outsource certain aspects of our operations, including transaction processing, cash management, and maintenance. Due to the number of ATMs we operate, we believe we have obtained favorable pricing terms from most of our major vendors. We contract for the provision of the services described below in connection with our operations.

*Transaction Processing.* We contract with and pay fees to third parties who process transactions originating from our ATMs and that are not processed directly through our own in-house processing switch. These processors communicate with the cardholder s financial institution through an EFT network to obtain transaction authorization and settle transactions. These transaction processors include Star Systems, Fiserv, Lynk and Elan Financial Services (formerly Genpass) in the United States, LINK and Euronet in the United Kingdom, and Promocion y Operacion S.A. ( Prosa ) in Mexico. Although the Company has recently moved towards in-house processing, such processing efforts are primarily focused on controlling the flow and content of information on the ATM screen. As such, we expect to continue to rely on third party service providers to handle our connections to the EFT networks and to perform selected fund settlement and reconciliation processes.

Transactions originating on traditional ATMs acquired in the 7-Eleven ATM Transaction will continue to be processed under the ATM management agreement with Fiserv, who maintains relationships with the major U.S. networks. Transactions originating on a Vcom unit will continue to be processed on the 7-Eleven Financial Services Business in-house processing switch, which we also acquired as a part of the acquisition.

*EFT Network Services.* Our transactions are routed over various EFT networks to obtain authorization for cash disbursements and to provide account balances. Such networks include Star, Pulse, NYCE, Cirrus, and Plus in the United States; LINK in the United Kingdom; and Prosa in Mexico. EFT networks set the interchange fees that they charge to the financial institutions, as well as the amount paid to us. We attempt to maximize the utility of our ATMs to cardholders by participating in as many EFT networks as practical. The 3,500 traditional ATMs and 2,000 Vcom units acquired in the 7-Eleven ATM Transaction will continue to access the networks under the arrangements Fiserv has with the networks.

*ATM Equipment.* As previously noted, we purchase substantially all of our ATMs from national manufacturers, including NCR, Diebold, Triton Systems, and Wincor Nixdorf. The large quantity of ATMs that we purchase from these manufacturers enables us to receive favorable pricing and payment terms. In addition, we maintain close working relationships with these manufacturers in the course of our business, allowing us to stay informed regarding product updates and to minimize technical problems with purchased equipment. Under our Company-owned arrangements, we deploy high quality, multi-function ATMs. Under our merchant-owned arrangements, we deploy ATMs that are cost-effective and appropriate for the merchant. These are purchased from a variety of ATM vendors. Although we currently purchase a substantial majority of our ATMs from NCR, we believe our relationships with our other ATM suppliers are good and that we would be able to purchase the ATMs we require for our Company-owned operations from other ATM manufacturers if we were no longer able to purchase ATMs from NCR.

*ATM Maintenance.* In the United States, we typically contract with third-party service providers for the provision of on-site maintenance services. We have multi-year maintenance agreements with Diebold, NCR, and Pendum (formerly EFMARK) in the United States. In the United Kingdom, maintenance services are provided by in-house technicians. In Mexico, during 2006, such maintenance was provided by in-house technicians or local third-party contractors. However, given our expected growth in the region, we entered into a multi-year agreement with Diebold in the first quarter of 2007 to provide all maintenance services for our ATMs in Mexico.

In connection with the 7-Eleven ATM Transaction, we assumed a number of multi-year, third-party service contracts previously entered into by the 7-Eleven Financial Services Business. Historically, Fiserv has contracted with NCR to provide on-site maintenance services to the acquired ATMs and Vcom units. We will continue to operate under the current terms of these agreements until such time as they are renegotiated or expire.

*Cash Management.* We obtain cash to fill our Company-owned, and in some cases merchant-owned, ATMs under arrangements with our cash providers, which consist of Bank of America, Wells Fargo, and PDNB in the United States, ALCB in the United Kingdom, and Bansi in Mexico. In the United States and United Kingdom, we currently pay a monthly fee on the average amount outstanding to our primary vault cash providers under a formula based on LIBOR. For the ATMs acquired in the 7-Eleven ATM Transaction, we pay a monthly fee for the vault cash utilized in the 5,500 ATMs and Vcom units under a floating rate formula based on the federal funds effective rate. In Mexico, we pay a monthly fee for this cash under a formula based on the Mexican Interbank Rate. At all times, the cash legally belongs to the cash providers, and we have no access or right to the cash.

We also contract with third parties to provide us with cash management services, which include reporting, armored courier coordination, cash ordering, cash insurance, reconciliation of ATM cash balances, ATM cash level monitoring, and claims processing with armored couriers, financial institutions, and processors.

As of September 30, 2007, we had $740.6 million in cash in our domestic ATMs under these arrangements, of which approximately 50.8% was provided by Bank of America under a vault cash agreement that runs until October 2008 and 48.5% was provided by Wells Fargo under a vault cash agreement that runs until July 2009 for the operation of the acquired 5,500 ATMs and Vcom units. In the United Kingdom, the balance of cash held in our ATMs as of September 30, 2007, was approximately $140.4 million. In Mexico, our balance totaled approximately $6.3 million as of September 30, 2007.

*Cash Replenishment.* We contract with armored courier services to transport and transfer cash to our ATMs. We use leading armored couriers such as Brink s Incorporated ( Brink s ), Loomis, Fargo & Co., and Pendum (formerly EFMARK, Premium Armored Services, Inc., and Bantek West, Inc.) in the United States; and Brink s, Group 4 Securicor, and Securitas in the United Kingdom. Under these arrangements, the armored couriers pick up the cash in bulk and, using instructions received from our cash providers, prepare the cash for delivery to each ATM on the designated fill day. Following a predetermined schedule, the armored couriers visit each location on the designated fill day, load cash into each ATM by either adding additional cash into a cassette or by swapping out the remaining cash for a new fully loaded cassette, and then balance the machine and provide cash reporting to the applicable cash provider. In Mexico, we utilize a flexible replenishment schedule, which enables us to minimize our cash inventory by allowing the ATM to be replenished on an as needed basis and not on a fixed recurring schedule. Cash needs are forecasted in advance and the ATMs are closely monitored on a daily basis. Once a terminal is projected to need cash within a specified number of days, the cash is procured and the armored vendor is scheduled so that the terminal is loaded approximately one day prior to the day that it is expected to run out of cash. Our primary armored courier service providers in Mexico are Compañia Mexicana de Servicio de Traslado de Valores (Cometra) and Panamericano.

**Seasonality**

In the United States and Mexico, our overall business is somewhat seasonal in nature with generally fewer transactions occurring in the first quarter. We typically experience increased transaction levels during the holiday buying season at our ATMs located in shopping malls and lower volumes in the months following the holiday season. Similarly, we have seen increases in transaction volumes in the spring at our ATMs located near popular spring-break destinations. Conversely, transaction volumes at our ATMs located in regions affected by strong winter weather patterns typically decline as a result of decreases in the amount of consumer traffic through certain locations in which we operate our ATMs. These declines, however, have been offset somewhat by increases in the number of our ATMs located in shopping malls and other retail locations that benefit from increased consumer traffic during the holiday buying season. We expect these location-specific and regional fluctuations in transaction volumes to continue in the future. Finally, we anticipate that the ATMs acquired in the 7-Eleven ATM Transaction will have transaction patterns similar to our other company-owned ATMs located in convenience stores, which typically experience lower transaction levels in winter months.

In the United Kingdom, seasonality in transaction patterns tends to be similar to the seasonal patterns in the general retail market. Generally, the highest transaction volumes occur on weekend days in each of our markets and, thus, monthly transaction volumes will fluctuate based on the number of weekend days in a given month. However, we, like other independent ATM operators, experience a drop in the number of transactions we process during the Christmas season due to consumers greater tendency to shop in the vicinity of free ATMs and our closure of some of our ATM sites over the Christmas break. We expect these location-specific and regional fluctuations in transaction volumes to continue in the future.

**Competition**

We compete with financial institutions and other independent ATM companies for additional ATM placements, new merchant accounts, and acquisitions. Several of our competitors, namely national financial institutions, are larger and more established. While these entities may have fewer ATMs than we do, they have greater financial and other resources than us. For example, our major domestic competitors include banks such as Bank of America, US Bancorp, Wachovia, and PNC Corp. as well as independent ATM operators such as ATM Express, Innovus, and TRM Corp. In the United Kingdom, we compete with several large non-bank ATM operators, including Cardpoint, Notemachine, and Paypoint, as well as banks such as the Royal Bank of Scotland, Barclays, and Lloyds, among others. In Mexico, we compete primarily with national and regional financial institutions, including Banamex, Bancomer, and HSBC. Although the independent ATM market is still relatively undeveloped in Mexico, we have recently seen a number of small ATM operators initiate operations. These operators, which are typically known by the names of their sponsoring banks, include Banco Inbursa, Afirme, and Bajio.

Despite the level of competition we face, many of our competitors have not historically had a singular focus on ATM management. As a result, we believe our focus solely on ATM management and related services gives us a significant competitive advantage. In addition, we believe the scale of our extensive ATM network and our focus on customer service also provide significant competitive advantages.

**Government and Industry Regulation**

***United States***

Our principal business, ATM network ownership and operation, is not subject to significant government regulation, though we are subject to certain industry regulations. Furthermore, various aspects of our business are subject to state regulation. Our failure to comply with applicable laws and regulations could result in restrictions on our ability to provide our products and services in such states, as well as the imposition of civil fines.

*Americans with Disabilities Act ( ADA ).* The ADA currently prescribes provisions that ATMs be made accessible to and independently usable by individuals who are visually-impaired. The Department of Justice may adopt new accessibility guidelines under the ADA that will include provisions addressing ATMs and how to make them more accessible to the disabled. Under the proposed guidelines that have been published for comment but not yet adopted, ATM height and reach requirements would be shortened, keypads would be required to be laid out in the manner of telephone keypads, and ATMs would be required to possess speech capabilities, among other modifications. If adopted, these new guidelines would affect the manufacture of ATM equipment going forward and could require us to retrofit ATMs in our network as those ATMs are refurbished or updated for other purposes.

Additionally, recently proposed Accessibility Guidelines under the ADA would require voice-enabling technology for newly installed ATMs and for ATMs that are otherwise retrofitted or substantially modified. We are committed to ensuring that all of our ATMs comply with all applicable ADA laws, and, although these new rules have not yet been adopted by the Department of Justice, we currently plan to make substantially all of our Company-owned ATMs voice-enabled in conjunction with our security upgrade efforts (discussed below) in 2007. Additionally, in connection with our E*TRADE Access acquisition, we assumed obligations related to litigation instituted by the National Federation of the Blind relating to these matters. However, in June 2007, the parties to this litigation completed and executed a settlement agreement, which was subsequently approved by the court in December 2007. We do not believe that the settlement requirements will have a material impact on our financial condition or results of operations. For additional information on these matters, see Legal Proceedings below.

*Rehabilitation Act.* On November 26, 2006, a U.S. District Judge ruled that the United States currencies (as currently designed) violate the Rehabilitation Act, a law that prohibits discrimination in government programs on the basis of disability, as the paper currencies issued by the U.S. are identical in size and color, regardless of denomination. Under the current ruling, the U.S. Treasury Department has been ordered to develop ways in which to differentiate paper currencies such that an individual who is visually-impaired would be able to distinguish between the different denominations. In response to the November 26, 2006 ruling, the Justice Department has filed an appeal with the U.S. Court of Appeals for the District of Columbia Circuit, requesting that the decision be overturned on the grounds that varying the size of denominations could cause significant burdens on the vending machine industry and cost the Bureau of Engraving and Printing an initial investment of $178.0 million and up to $50.0 million in new printing plates. 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) may be forced to incur significant costs to upgrade current machines hardware and software components.

*Encrypting Pin Pad ( EPP ) and Triple-DES.* Data encryption makes ATMs more tamper-resistant. Two of the more recently developed advanced data encryption methods are commonly referred to as EPP and Triple-DES. In 2005, we adopted a policy that any new ATMs that we acquire from a manufacturer must be both EPP and Triple-DES compliant. Because the EFT networks are requiring that all ATMs be Triple-DES compliant by the end of 2007, we budgeted approximately $14.0 million to accomplish this encryption upgrade for all of our Company-owned ATMs by the end of 2007.

*Surcharge Regulation.* The imposition of surcharges is not currently subject to federal regulation. There have been, however, various state and local efforts to ban or limit surcharges, generally as a result of activities of consumer advocacy groups that believe that surcharges are unfair to cardholders. Generally, United States federal courts have ruled against these efforts. We are not aware of any existing surcharging bans or limits applicable to us in any of the jurisdictions in which we currently do business. Nevertheless, there can be no assurance that surcharges will not be banned or limited in the cities and states where we operate. Such a ban or limit would have a material adverse effect on us and other ATM operators.

*EFT Network Regulations.* EFT regional networks have adopted extensive regulations that are applicable to various aspects of our operations and the operations of other ATM network operators. The Electronic Fund Transfer Act, commonly known as Regulation E, is the major source of EFT network regulations. The regulations promulgated under Regulation E establish the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services and of financial institutions that offer these services. The services covered include, among other services, ATM transactions. Generally, Regulation E requires us to provide notice of the fee to be charged the consumer, establish limits on the consumer s liability for unauthorized use of his card, provide receipts to the consumer, and establish protest procedures for the consumer. We believe that we are in material compliance with these regulations and, if any deficiencies were discovered, that we would be able to correct them before they had a material adverse impact on our business.

*United Kingdom*

In the United Kingdom, MasterCard International has required compliance with an encryption standard called Europay, MasterCard, Visa, or EMV . The EMV standard provides for the security and processing of information contained on microchips imbedded in certain debit and credit cards, known as smart cards. As of September 30, 2007, all of our ATMs in the United Kingdom were EMV compliant, except for ATM transactions that are originated through MasterCard branded credit cards. We expect that we will achieve EMV compliance for such cards in January 2008 and have taken precautionary measures to prevent further loss in the interim. As a result of these compliance standards, our liability for fraudulent transactions conducted on our ATMs in the United Kingdom should be substantially reduced.

Additionally, the Treasury Select Committee of the House of Commons heard evidence in 2005 from interested parties with respect to surcharges in the ATM industry. 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 United Kingdom), the United Kingdom 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 (to be provided by multiple ATM deployers) will be installed in low income areas throughout the United Kingdom 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.

*Mexico*

The regulation of ATMs in Mexico is controlled by the Secretary of Treasury and the Central Bank and is similar to that of the United States in that the ATM operator must have a sponsoring bank, specific signage is required to be displayed on the exterior of the ATM, and certain information regarding surcharging is required to be displayed on the screen of the ATM. Other requirements like EPP and Triple-DES compliant upgrades are driven by global industry standards.

**Legal Proceedings**

*National Federation of the Blind ( NFB ).* In connection with our acquisition of the ATM business of E*TRADE Access, we assumed E*TRADE Access interests and liability for a lawsuit instituted in the United States District Court for the District of Massachusetts (the Court ) by the NFB, the NFB s Massachusetts chapter, and several individual blind persons (collectively, the Private Plaintiffs ) as well as the Commonwealth of Massachusetts with respect to claims relating to the alleged inaccessibility of ATMs for those persons who are visually impaired. After the acquisition of the E*TRADE Access ATM portfolio, the Private Plaintiffs named us as a co-defendant with E*TRADE Access and E*TRADE Access parent E*TRADE Bank, and the scope of the lawsuit has expanded to include both E*TRADE Access ATMs as well as our pre-existing ATM portfolio.

In June 2007, the parties completed and executed a settlement agreement, which was approved by the Court on December 4, 2007. The principal objective of the settlement is for 90% of all transactions (as defined in the settlement agreement) conducted on our Company-owned and merchant-owned ATMs by July 1, 2010 to be conducted at ATMs that are voice-guided. In an effort to accomplish such objective, we are subject to numerous interim reporting requirements and a one-time obligation to market voice-guided ATMs to a subset of our merchants that do not currently have voice-guided ATMs. Finally, the settlement requires us to pay $900,000 in attorneys fees to the NFB and to make a $100,000 contribution to the Massachusetts local consumer aid fund. These amounts have been fully reserved for as of September 30, 2007. We do not believe that the settlement requirements outlined above will have a material impact on our financial condition or results of operations.

Table of Contents

*Other Matters.* In June 2006, Duane Reade, Inc. ( Customer ), one of our merchant customers, filed a complaint in the United States District Court for the Southern District of New York (the Federal Action ). The complaint, which was formally served to us in September 2006, alleged that we had breached an ATM operating agreement between the Customer and us by failing to pay the Customer the proper amount of fees under the agreement. The Customer is claiming that it is owed no less than $600,000 in lost revenues, exclusive of interests and costs, and projects that additional damages will accrue to them at a rate of approximately $100,000 per month, exclusive of interest and costs. As the term of our operating agreement with the Customer extends to December 2014, the Customer s claims could exceed $12.0 million. On October 6, 2006, we filed a petition in the District Court of Harris County, Texas, seeking a declaratory judgment that we had not breached the ATM operating agreement. On October 10, 2006, the Customer filed a second complaint, this time in New York State Supreme Court, alleging the same claims it had alleged in the Federal Action. Subsequently, the Customer withdrew the Federal Action because the federal court did not have subject matter jurisdiction. Additionally, we have voluntarily dismissed the Texas lawsuit, electing to litigate the above-described claims in the New York State Supreme Court.

In response to a motion for summary judgment filed by the Customer and a cross-motion filed by us, the New York State Supreme Court ruled on September 21, 2007 that our interpretation of the ATM operating agreement was the appropriate interpretation and expressly rejected the Customer s proposed interpretations. The Customer has appealed this ruling. Notwithstanding that appeal, we believe that the ultimate resolution of this dispute will not have a material adverse impact on our financial condition or results of operations.

In March 2006, we filed a complaint in the United States District Court in Portland, Oregon, against CGI, Inc. ( Distributor ), a distributor for the E*Trade Access ATM business we acquired. Our complaint alleged that the Distributor breached its agreement with us by directly competing with us on certain merchant accounts. The Distributor denied such violations, alleging that an oral modification of its distributor agreement with E*Trade permitted such activities, and initiated a counter-claim for alleged under-payments by us. We expressly denied the Distributor s allegations. On July 31, 2007, we executed a settlement agreement wherein neither party admitted any wrongdoing, all differences were resolved, and both parties released each other from all claims made in the lawsuit. In connection with this settlement, the distributor agreement was re-instated in a modified form to, among other things, clarify the Distributor s non-compete obligations. Additionally, the settlement provided for a nominal payment to the Distributor relating to payments claimed under the distributor agreement. Subsequent to the execution of the settlement agreement, both parties have operated under the revised distributorship agreement without any material issues or disputes.

We are also subject to various legal proceedings and claims arising in the ordinary course of our business. Additionally, the 7-Eleven Financial Services Business we acquired is subject to various legal claims and proceedings in the ordinary course of its business. We do not expect the outcome in any of these legal proceedings, individually or collectively, to have a material adverse effect on our financial condition or results of operations.

**Employees**

As of September 30, 2007, we had 370 employees. None of our employees is represented by a union or covered by a collective bargaining agreement. We believe that our relations with our employees are good. In conjunction with the 7-Eleven ATM Transaction, 26 employees of the 7-Eleven Financial Services Business became employees of Cardtronics.

Table of Contents

## Facilities

Our principal executive offices are located at 3110 Hayes Road, Suite 300, Houston, Texas 77082, and our telephone number is (281) 596-9988. We lease approximately 26,000 square feet of space under our Houston office lease and approximately 30,000 square feet in warehouse space in Houston, Texas. We also lease approximately 15,000 square feet of office space in buildings near our principal executive offices in Houston, Texas. Furthermore, we lease approximately 2,500 square feet of office space in Bethesda, Maryland, where we manage our Allpoint surcharge-free network operations, and 2,800 square feet of office space in Carrollton, Texas, where our in-house processing operations are based. In connection with the 7-Eleven ATM Transaction, we leased an additional 12,000 square feet of office space in the Dallas area.

In addition to our domestic office space, we lease approximately 6,200 square feet of office space in Hatfield, Hertfordshire, England and approximately 2,400 square feet of office space in Mexico City, Mexico. Our facilities are leased pursuant to operating leases for various terms. We believe that our leases are at competitive or market rates and do not anticipate any difficulty in leasing suitable additional space upon expiration of our current lease terms.

Table of Contents

# MANAGEMENT

## Directors and Executive Officers

### *Board of Directors*

*Board Composition.* Our Board of Directors currently consists of seven individuals designated in accordance with the Company s investors agreement. The following table sets forth the name and age of each of the person who was serving as a Director as January 31, 2008:

| **Name** | **Age** |
|---|---|
| Fred R. Lummis | 54 |
| Jack Antonini | 54 |
| Tim Arnoult | 58 |
| Robert P. Barone | 70 |
| Jorge M. Diaz | 43 |
| Dennis F. Lynch | 59 |
| Michael A.R. Wilson | 40 |

Our third amended and restated certificate of incorporation and our amended and restated bylaws provide for a classified Board of Directors consisting of three classes of Directors, each serving staggered three-year terms. As a result, stockholders will elect a portion of our Board of Directors each year. Class I Directors terms will expire at the annual meeting of stockholders to be held in 2008, Class II Directors terms will expire at the annual meeting of stockholders to be held in 2009, and Class III Directors terms will expire at the annual meeting of stockholders to be held in 2010. The Class I Directors are Messrs. Barone and Diaz, the Class II Directors are Messrs. Arnoult and Lynch, and the Class III Directors are Messrs. Antonini, Lummis and Wilson. At each annual meeting of stockholders held after the initial classification, the successors to Directors whose terms will then expire will be elected to serve from the time of election until the third annual meeting following election. The division of our Board of Directors into three classes with staggered terms may delay or prevent a change of our management or a change in control. See Description of Capital Stock Certain Provisions of Our Certificate of Incorporation and Bylaws Election and Removal of Directors.

On December 13, 2007, Frederick R. Brazelton, Ralph H. Clinard, Ronald Delnevo, and Roger B. Kafker resigned from our Board of Directors, as provided for in our initial public offering registration statement. Messrs. Brazelton and Kafker previously served on our nominating committee, and Mr. Clinard previously served on our audit committee. Messrs. Brazelton, Clinard, Delnevo, and Kafker s resignations were not caused by any disagreements with us relating to the Company s operations, policies or procedures.

On January 11, 2007, Ronald D. Coben resigned from our Board of Directors in order to devote his full attention to a new position that he accepted with a separate publicly-traded company. Mr. Coben served on our audit committee, and his resignation was not the result of any disagreement with us relating to the Company s operations, policies or procedures.

The following biographies describe the business experience of the current members of our Board of Directors:

*Fred R. Lummis* has served as a Director and Chairman of the Board since June 2001. In 2006, Mr. Lummis co-founded Platform Partners, LLC and currently serves as its Chairman and Chief Executive Officer. Prior to co-founding Platform Partners, Mr. Lummis co-founded and served as the managing partner of The CapStreet Group, LLC, CapStreet II, L.P., and CapStreet Parallel II, LP. Mr. Lummis still serves as a senior advisor to The CapStreet Group, LLC. From June 1998 to May 2000, Mr. Lummis served as Chairman of the Board and Chief Executive Officer of Advantage Outdoor Company, an outdoor advertising company. From September 1994 to June 1998, Mr. Lummis served as Chairman and Chief Executive Officer of American Tower Corporation, a nationwide communication tower owner and operator. Mr. Lummis currently serves as a Director of Amegy Bancorporation Inc. and several private companies. Mr. Lummis holds a

**Table of Contents**

Bachelor of Arts degree in economics from Vanderbilt University and a Masters of Business Administration degree from the University of Texas at Austin.

*Tim Arnoult* was appointed as a Director on January 24, 2008. Mr. Arnoult has over 30 years of banking and financial services experience. From 1979 to 2006, Mr. Arnoult served in various positions at Bank of America, including President of Global Treasury Services from 2005-2006, President of Global Technology and Operations from 2000-2005, and President of Central U.S. Consumer and Commercial Banking from 1996-2000. Mr. Arnoult is also experienced in mergers and acquisitions, having been directly involved in significant transactions such as the mergers of NationsBank and Bank America in 1998 and Bank of America and FleetBoston in 2004. Mr. Arnoult has served on a variety of boards throughout his career, including the board of Visa USA. Mr. Arnoult holds a Bachelor of Arts degree in psychology and a Masters of Business Administration degree from the University of Texas at Austin.

*Robert P. Barone* has served as a Director since September 2001. Mr. Barone has more than 40 years of sales, marketing, and executive leadership experience from the various positions he has held at Diebold, NCR, Xerox, and the Electronic Funds Transfer Association. Since December 1999, Mr. Barone has served as a consultant for SmartNet Associates, Inc., a private consulting firm. Additionally, from May 1997 to November 1999, Mr. Barone served as Chairman of the Board of PetsHealth Insurance, Inc., a pet health insurance provider. From September 1988 to September 1994, he served as Board Vice-Chairman, President, and Chief Operating Officer at Diebold. He holds a Bachelor of Business Administration degree from Western Michigan University and a Masters of Business Administration degree from Indiana University. A founder and past Chairman of the Electronic Funds Transfer Association, Mr. Barone is now Chairman Emeritus of the Electronic Funds Transfer Association.

*Jorge M. Diaz* has served as a Director since December 2004. Mr. Diaz has served as President and Chief Executive Officer of Personix, a division of Fiserv, since April 1994. In January 1985, Mr. Diaz co-founded National Embossing Company, a predecessor company to Personix. Mr. Diaz sold National Embossing Company to Fiserv in April 1994.

*Dennis F. Lynch* was appointed as a Director on January 24, 2008. Mr. Lynch has over 25 years experience in the payments industry and has led the introduction and growth of various card products and payment solutions. Mr. Lynch currently serves as Chairman and Chief Executive Officer of RightPath Payments Inc., a company providing business-to-business payments via the internet. From 1994 to 2004, Mr. Lynch served in various positions of NYCE Corporation, including serving as President and Chief Executive Officer from 1996 to 2004. Prior to joining NYCE, Mr. Lynch served in a variety of information technology and product roles, ultimately managing Fleet s consumer payments portfolio. Mr. Lynch has served on a number of boards, including the Board of Directors of Open Solutions, Inc., a publicly-traded company delivering core banking products to the financial services market, from 2005-2007, was a founding Director of the New England-wide YANKEE24 Network and served as its Chairman from 1988 to 1990, and was a Director on the NYCE Network Board from 1992 to 2004. Additionally, Mr. Lynch has served on the Executive Committee and the Board of the Electronic Funds Transfer Association. Mr. Lynch received his Bachelors and Masters degrees from the University of Rhode Island.

*Michael A.R. Wilson* has served as a Director since February 2005. Mr. Wilson is a Managing Director at TA Associates where he focuses on growth investments and leveraged buyouts of financial services, business services, and consumer products companies. He currently serves on the Boards of Advisory Research, Inc., Jupiter Investment Group, K2 Advisors LLC, and Numeric Investors. Prior to joining TA Associates in 1992, Mr. Wilson was a Financial Analyst in Morgan Stanley s Telecommunications Group. In 1994, he joined Affiliated Managers Group, a TA Associates-backed financial services start-up, as Vice President and a member of the founding management team. Mr. Wilson received a BA degree, with Honors, in Business Administration from the University of Western Ontario and a Masters of Business Administration degree, with Distinction, from the Harvard Business School.

The biography of Jack Antonini, our Chief Executive Officer and President, is included under the Executive Officers section below.

Table of Contents

### Board Independence

The listing requirements of The Nasdaq Stock Market LLC ( Nasdaq ) require that our Board be composed of a majority of independent directors within one year of the listing of our common stock on Nasdaq. The Board has reviewed the independence of our Directors using the independence standards of Nasdaq and, based on this review, determined that Messrs. Arnoult, Barone, Lummis, Lynch, and Wilson are independent within the meaning of the Nasdaq listing standards currently in effect. We expect that any additional Directors appointed will qualify as independent for purposes of serving on our Board.

### Committees of the Board of Directors

In accordance with Nasdaq rules, we maintain an audit committee, a compensation committee, and a nominating committee.

*Audit committee.* The audit committee consists of Messrs. Barone, Arnoult, and Lynch. On an annual basis, the audit committee (i) selects, on behalf of our Board of Directors, an independent public accounting firm to be engaged to audit our financial statements, (ii) discusses with the independent auditors their independence, (iii) reviews and discusses the audited financial statements with the independent auditors and management, and (iv) recommends to our Board of Directors whether such audited financials should be included in our Annual Report on Form 10-K to be filed with the SEC. In compliance with Nasdaq requirements and SEC regulations, all of the Directors on our audit committee are independent.

*Compensation Committee.* The compensation committee consists of Messrs. Diaz, Lummis, and Wilson. The compensation committee reviews and either approves, on behalf of our Board of Directors, or recommends to the Board of Directors for approval (i) the annual salaries and other compensation of our executive officers and (ii) individual stock and stock option grants. The compensation committee also provides assistance and recommendations with respect to our compensation policies and practices and assists with the administration of our compensation plans.

*Nominating and Governance Committee.* The nominating and governance committee consists of Messrs. Arnoult, Lummis, and Lynch. The committee assists our Board of Directors in fulfilling its responsibilities for identifying and approving individuals qualified to serve as members of our Board of Directors by selecting Director nominees for our annual meetings of stockholders and recommending to our Board of Directors corporate governance guidelines and oversight with respect to corporate governance and ethical conduct.

### Executive Officers

Our executive officers are appointed by the Company s Board of Directors on an annual basis and serve until removed by the Board or their successors have been duly appointed. The following table sets forth the name, age, and the position of each of the person who was served as an executive officer as of January 31, 2008:

| Name | Age | Position |
|---|---|---|
| Jack Antonini | 54 | Chief Executive Officer, President, and Director |
| J. Chris Brewster | 58 | Chief Financial Officer |
| Michael H. Clinard | 40 | Chief Operating Officer |
| Thomas E. Upton | 51 | Chief Administrative Officer |
| Rick Updyke | 48 | Chief Strategy and Development Officer |

| | | |
|---|---|---|
| Ronald Delnevo | 53 | Managing Director of Bank Machine |

The following biographies describe the business experience of our executive officers:

*Jack Antonini* has served as our Chief Executive Officer, President, and a Director since January 2003. From November 2000 to December 2002, Mr. Antonini served as a consultant for JMA Consulting, providing consulting services to the financial industry. During 2000, Mr. Antonini served as Chief Executive Officer and President of Globeset, Inc., an electronic payment products and services company. From August 1997 to

Table of Contents

February 2000, Mr. Antonini served as Executive Vice President of consumer banking at First Union Corporation of Charlotte, N.C. From September 1995 to July 1997, he served as Vice Chairman and Chief Financial Officer of First USA Corporation, which was acquired by Bank One in June 1997. From 1985 to 1995, Mr. Antonini held various positions at San Antonio-based USAA Federal Savings Bank, serving as Vice Chairman, President, and Chief Executive Officer from August 1991 to August 1995. He is a Certified Public Accountant and holds a Bachelor of Science degree in business and accounting from Ferris State University in Michigan. Mr. Antonini previously served as a Director of the Electronic Funds Transfer Association.

*J. Chris Brewster* has served as our Chief Financial Officer since February 2004. From September 2002 until February 2004, Mr. Brewster provided consulting services to various businesses. From October 2001 until September 2002, Mr. Brewster served as Executive Vice President and Chief Financial Officer of Imperial Sugar Company, a Nasdaq-quoted refiner and marketer of sugar and related products. From March 2000 to September 2001, Mr. Brewster served as Chief Executive Officer and Chief Financial Officer of WorldOil.com, a privately-held Internet, trade magazine, book, and catalog publishing business. From January 1997 to February 2000, Mr. Brewster served as a partner of Bellmeade Capital Partners, LLC, a merchant banking firm specializing in the consolidation of fragmented industries. From March 1992 to September 1996, he served as Chief Financial Officer of Sanifill, Inc., a New York Stock Exchange-listed environmental services company. From May 1984 to March 1992, he served as Chief Financial Officer of National Convenience Stores, Inc., a New York Stock Exchange-listed operator of 1,100 convenience stores. He holds a Bachelor of Science degree in industrial management from the Massachusetts Institute of Technology and a Masters of Business Administration from Harvard Business School.

*Michael H. Clinard* has served as our Chief Operating Officer since he joined the company in August 1997. He holds a Bachelor of Science degree in business management from Howard Payne University. Mr. Clinard also serves as a Director and Vice President of the ATM Industry Association.

*Thomas E. Upton* has served as our Chief Administrative Officer since February 2004. From June 2001 to February 2004, Mr. Upton served as our Chief Financial Officer and Treasurer. From February 1998 to May 2001, Mr. Upton was the Chief Financial Officer of Alegis Group LLC, a national collections firm. Prior to joining Alegis, Mr. Upton served as a financial executive for several companies. He is a Certified Public Accountant with membership in the Texas Society of Certified Public Accountants and holds a Bachelor of Business Administration degree from the University of Houston.

*Rick Updyke* has served as our Chief Strategy and Development Officer since July 2007. From February 1984 to July 2007, Mr. Updyke held various positions with Dallas-based 7-Eleven, Inc. serving as Vice President of Corporate Business Development from February 2001 to July 2007. He holds a Bachelor of Business Administration degree in management information systems from Texas Tech University and a Masters of Business Administration from Amberton University. Mr. Updyke previously served as a Director and Executive Committee Member of the Electronic Funds Transfer Association.

*Ronald Delnevo* has served as Managing Director of Bank Machine for six years and has been with Bank Machine (formerly the ATM division of Euronet) since 1998. From May 2005 to December 2008, Mr. Delnevo served as a Director on our Board of Directors. He currently serves as Chairman of the Association of Independent Cash Machine Operators, a Director of the U.K. Payments Council, and a member of the European Board of the ATMIA. Prior to joining Bank Machine, Mr. Delnevo served in various consulting roles in the retail sector, served as a board director of Tie Rack PLC for five years and spent seven years with British Airports Authority in various commercial roles. Mr. Delnevo was educated at Heriot Watt University in Edinburgh and holds a degree in business organization and a diploma in personnel management.

***Corporate Governance***

*Code of Ethics.* We have adopted a Code of Business Conduct and Ethics (the Code ) that applies to all of our employees, including our Chief Executive Officer and Chief Financial Officer as well as other senior accounting and finance personnel. The Code, which is reviewed and approved on an annual basis by our audit committee and Board of Directors, serves to (1) emphasize the Company s commitment to ethics and compliance with established laws and regulations, (2) set forth basic standards of ethical and legal behavior, (3) provide a reporting mechanism for known or suspected ethical or legal violations, and (4) help prevent and detect any wrongdoings. All waivers to or amendments of the Company s Code of Business Conduct and Ethics, which are required to be disclosed by applicable law, will either be posted to our website at *www.cardtronics.com* or we will file a Current Report on Form 8-K under Item 10 to appropriately disclose such occurrences. Currently, we do not have nor do we anticipate any waivers to or amendments of the Code. A copy of our Code of Business Conduct and Ethics has been filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2006.

*Audit Committee Financial Expert.* As noted in Committees of the Board of Directors , Robert Barone serves as the chairman and financial expert of our audit committee. Mr. Barone was selected for this role based upon his various executive leadership experiences, including having historically supervised individuals who performed accounting and finance duties at large, public organizations. The Board of Directors has determined that Mr. Barone is independent.

## Executive Officer and Director Compensation

## Compensation Discussion and Analysis

### *Objectives of Executive Compensation Program*

The primary objectives of our executive compensation program are to attract, retain, and motivate qualified individuals who are capable of leading our company to meet its business objectives and to increase overall stockholder value. To achieve these objectives, our compensation committee s philosophy has been to implement a compensation program that aligns the interests of management with those of our investors and to provide a compensation program that creates incentives for and rewards performance of the executive officers based on our overall success. Specifically, our compensation program provides management with the incentive to increase our adjusted earnings before interest, taxes, depreciation, and amortization, or EBITDA (as defined in our credit facility). In addition, we intend for our compensation program to both compensate our executives on a level that is competitive with companies comparable to us (by use of benchmark studies, described later) as well as maintain a level of internal consistency and equity by paying higher amounts of compensation to our more senior executive officers (based on job role and complexity along with individual talent and performance).

Our executive compensation program consists of three primary elements: (1) base salary, (2) annual cash performance incentives, and (3) stock option and restricted stock awards. In addition to these primary components, we provide our executive officers with severance (see Severance and Change in Control Agreements below) and certain other benefits, such as healthcare plans, that are available to all employees. We believe that it is in the best interests of our investors and our executive officers that our compensation program remains relatively noncomplex and straightforward, which should reduce the time and cost involved in setting our compensation policies and calculating the payments under such policies, as well as reduce the time involved in furthering our investors understanding of such policies.

While our compensation committee reviews the total compensation package we provide to each of our executive officers, our Board of Directors and the compensation committee view each element of our compensation program to serve a specific purpose and to be distinct. In other words, a significant amount of compensation paid to an executive in the form of one element will not necessarily cause us to reduce another element of the executive s compensation. Accordingly, we have not adopted any formal or informal policy for allocating compensation between long-term and short-term, between cash and non-cash, or among the different forms of non-cash compensation.

In determining the level of total compensation to be set for each compensation component, our compensation committee considers a number of factors, including performing an informal benchmarking of our compensation levels to those paid by comparable companies, our most recent annual performance, each individual executive officer s performance, the desire to maintain internal equity and consistency among our executive officers, and other considerations that we deem to be relevant. While no benchmark study was performed relating to 2007 compensation decisions, benchmarking was done related to 2006 compensation to set and evaluate the competitiveness of our compensation program. The comparable companies selected for our 2006 benchmarking study included Alliance Data Systems Corporation, Certegy Inc., eFunds Corporation, Euronet Worldwide, Inc., Global Payments Inc., TNS, Inc., Total Systems Services, Inc., and TRM Corporation. These companies were selected based on the fact that (1) each operates in service lines similar to those in which we operate and (2) information regarding compensation for each company is publicly available. In our analysis, we reviewed the components of executive compensation paid by each company (e.g., base salary, annual cash performance incentives, and stock option awards) as well as the relative mix of the various components.

***Compensation Components***

*Base Salary.* The base salaries for our executive officers are set at levels believed to be sufficient to attract and retain qualified individuals. We believe that our base salaries are an important element of our executive compensation program because they provide our executive officers with a steady income stream that is not contingent upon our overall performance. Initial base salary levels, which are typically set or approved by the compensation committee, take into consideration the scope of an individual executive s responsibilities and experience as well as the compensation paid by other companies with which we believe we compete for executives. While there is no formal weighting of these elements, the compensation committee considers each in its analysis. Some of these base salaries are specified by employment agreements with our executive officers. For a listing of some of the companies with whom we believe we compete for executive-level talent, see Objectives of Executive Compensation Program above. For a description of employment agreements with our executive officers, see Employment-Related Agreements of Named Executive Officers.

The compensation committee reviews and approves subsequent changes in the base salaries of executive officers based on recommendations made by our Chief Executive Officer, who conducts annual performance reviews of each executive. Subsequent changes in the base salary of the Chief Executive Officer are determined by the compensation committee, which performs an analysis of the Chief Executive Officer s performance on an annual basis. Both the Chief Executive Officer s review and the compensation committee s review include an analysis of how the individual executive performed against his personalized goals (which are jointly set by the executive and the Chief Executive Officer at the beginning of each year, or, in the case of the Chief Executive Officer, by the Chief Executive Officer and the Board of Directors). Other achievements or accomplishments of the individual during the year are also considered, as well as any mitigating priorities during the year that may have resulted in a change in the executive s goals for the year. Performance is the primary driver (90%) of any increases in an executive s base salary, with base salary increases being targeted at 3% to 5% per annum. However, the Chief Executive Officer and the compensation committee also consider whether or not the responsibilities of the executive remained the same during the period or whether additional responsibilities were assigned. Additionally, market conditions may be considered and, if deemed necessary, salary adjustments may be recommended in order to help us retain the executive.

For 2007, the Chief Executive Officer proposed and the compensation committee approved a 5% increase in each named executive officer s base salary from 2006 to 2007, with the exception the Chief Financial Officer (further discussed below). The increases were consistent with the provisions of the employment agreements with each of our named executive officers (see Employment-Related Agreements of Named Executive Officers below.) In determining the base salary for the Chief Financial Officer for 2007, the Chief Executive Officer and the compensation committee considered the additional responsibilities that had been assumed by the Chief Financial Officer as a result of our registration of the Series A Notes in August 2006 (e.g., SEC reporting, Sarbanes-Oxley compliance, and investor relations management). Additionally, the market conditions in Houston, Texas (the location of our headquarters) for finance and accounting professionals were also considered. Based on his additional responsibilities and the feedback received regarding the strong market demand for highly-competent finance and accounting professionals, our Chief Financial Officer was awarded a total base salary increase of approximately 11% for 2007 over the base salary he earned in 2006.

*Annual Non-Equity Incentive Plan Compensation.* As noted above, the compensation committee seeks to align the interests of management with those of our investors. To accomplish this goal, the committee ties a portion of the annual cash compensation earned by each executive to a targeted level of financial operating results. For 2007, our company-level financial objectives involved the achievement of an adjusted EBITDA target goal for our consolidated operations (with the exception of the Managing Director of Bank Machine, as discussed further below). Under the terms of the 2007 Performance Bonus Plan, the annual bonus pool is targeted to be funded if our consolidated adjusted EBITDA is equal to at least 90% of the targeted adjusted EBITDA amount for the applicable period. If the consolidated adjusted EBITDA amount exceeds the targeted adjusted EBITDA amount, the pool is increased by a factor based on the excess amount (as expressed on a percentage basis). Each executive officer has a target bonus (based on a percentage of base salary) that is adjusted accordingly based on the actual consolidated adjusted EBITDA amount relative to the targeted adjusted EBITDA amount. If the consolidated adjusted EBITDA amount exceeds 90%, but is less than 100%, of the targeted adjusted EBITDA amount for the applicable period, the pool is decreased by a factor based on the deficiency amount (as expressed on a percentage basis). In the event our consolidated adjusted EBITDA falls below 90% of the targeted adjusted EBITDA amount, or if there is a violation of our bank covenants, the compensation committee, in its sole and absolute discretion, may or may not decide to pay bonuses. Specifically, the compensation committee acknowledges that circumstances or developments that may impact our overall performance relative to our EBITDA goal should not in all cases prohibit the payment of a bonus on a selective basis to individual officers who met or exceeded their performance goals, notwithstanding our failure to meet the EBITDA goal.

For the years ended December 31, 2007 and 2006, our initial targeted adjusted EBITDA amounts were $57.0 million and $52.4 million, respectively. The targeted adjusted EBITDA amount for a given period is typically set within or above the adjusted EBITDA range communicated to our investors at the beginning of each year ($53.0 million to $57.0 million for 2007.) During 2007, the targeted amount was set at the upper end of the guidance as an incentive for management to not only meet but to exceed company-level financial goals. In the event the Board of Directors formally approve actions, such as a material acquisition, that may affect the attainment of the originally forecasted 2007 budget EBITDA, the budget impact is determined and presented to the compensation committee for approval of a revised budgeted EBITDA figure for bonus calculation purposes. As a result of the 7-Eleven ATM Transaction in July 2007, the 2007 targeted adjusted EBITDA amount was subsequently increased to $62.6 million.

Our annual cash bonuses, as opposed to any equity grants, are designed to more immediately reward our executive officers for their performance during the most recent year. We believe that the immediacy of these cash bonuses, in contrast to our equity grants (which vest over a period of time), provides a significant incentive to our executives towards achieving their respective individual objectives and thus our company-level objectives on an annual basis. As such, we believe our cash bonuses are a significant motivating factor for our executive officers, in addition to being a significant factor in attracting and retaining our executive officers.

The compensation committee feels it is more appropriate to tie the annual bonus of the Managing Director of Bank Machine to the adjusted EBITDA contributed by our U.K. reportable segment rather than to our consolidated EBITDA targets, which we use to determine the bonus pool for our other named executive officers. For 2007 and 2006, the targeted adjusted EBITDA amount for our U.K. reportable segment was £7.9 million and £6.2 million, respectively.

*Long-Term Incentive Program.* We have two long-term incentive plans the 2007 Stock Incentive Plan (the 2007 Plan ) and the 2001 Stock Incentive Plan (the 2001 Plan ). The purpose of each of these plans is to provide directors and employees of our company and our affiliates additional incentive and reward opportunities designed to enhance the profitable growth of our company and affiliates. Equity awards granted under both plans generally vest ratably over four years based on continued employment and expire ten years from the date of grant. This vesting feature is designed to aid in officer retention as this feature provides an incentive for our executive officers to remain in our employment during the vesting period. Currently, there is no formal policy for granting stock options to our executive officers. Rather, such grants are discretionary and are made by the compensation committee, who administers the plans. In determining the size of equity grants to our executive officers, our compensation committee considers our company-level performance, the applicable executive officer s performance, comparative share ownership by comparable executives of our competitors (based upon a review of publicly available information), the amount of equity previously awarded to the applicable executive officer, the vesting of such awards, and the recommendations of management and any other consultants or advisors that our compensation committee may choose to consult.

*2007 Plan.* In August 2007, our Board of Directors and our stockholders approved our 2007 Plan. The adoption, approval, and effectiveness of this plan were contingent upon the successful completion of our initial public offering, which occurred in December 2007. The number of shares of common stock that may be issued under the 2007 Plan may not exceed 3,179,393 shares, subject to further adjustment to reflect stock dividends, stock splits, recapitalizations and similar changes in our capital structure. As of December 31, 2007, no equity awards had been granted under the 2007 Plan.

*2001 Plan.* In June 2001, our Board of Directors adopted our 2001 Plan. Various plan amendments have been approved since that time, the most recent being in November 2007. As a result of the adoption of the 2007 Plan, at the direction of the Board of Directors, no further awards will be granted under our 2001 Stock Incentive Plan. As of December 31, 2007, options to purchase an aggregate of 6,915,082 shares of common stock (net of options cancelled) had been granted pursuant to the 2001 Plan, all of which are classified as non-qualified stock options, and options to purchase 1,955,041 shares of common stock had been exercised.

In July 2007, the compensation committee awarded performance-based stock options to the Managing Director of Bank Machine under the 2001 Plan. These options become eligible for vesting only upon our U.K. reportable segment s achievement of certain levels of adjusted EBITDA, less an investment charge on the capital employed to achieve such results. Such options were awarded to further align the executive s interests with those of our company and to serve as an incentive for the executive to work to enhance the profitability of our Bank Machine operations. No other named executive officer received any equity-based awards in 2007.

*Long-Term Incentive Bonus Program U.K. Operations.* In connection with our acquisition of Bank Machine in May 2005, we established a special long-term incentive compensation program for the Managing Director of Bank Machine and three other members of the U.K. management team. This program was established to provide an incentive for the U.K. management team to achieve certain cumulative earnings objectives over a four-year period. In particular, the program seeks to compensate these employees if the cumulative EBITDA in the U.K., as defined under the program, for the four years in the period ending December 31, 2008, exceeds a benchmark adjusted EBITDA amount for the same period (£20.5 million), less an investment charge on the capital employed to achieve such results. In the event the cumulative EBITDA exceeds the cumulative benchmark EBITDA, less the applicable investment charge, the Managing Director of Bank Machine will be eligible to receive a cash bonus equal to 4.0% of such cumulative excess amount. In the event the cumulative EBITDA is less than the cumulative benchmark EBITDA, less the applicable investment charge, no bonus will be earned or paid under this program. The cash bonus target of 4.0% is less than the 5.0% target originally outlined in the bonus agreement between us and the executive and represents a subsequent modification to the agreement as agreed to by both parties.

*Severance and Change of Control Arrangements.* Under the terms of their employment agreements that were in effect as of December 31, 2007, our executive officers are entitled to certain benefits upon the termination of their respective employment. These provisions are intended to mitigate some of the risk that our executive officers may bear in working for a developing company like ours, including a change in control. Additionally, the severance provisions are intended to compensate an executive during the non-compete period (required under the terms of his employment agreement), which limit the executive s ability to work for a similar and/or competing company for the period subsequent to his termination. For further discussion, see Employment-Related Agreements of Named Executive Officers.

*Other benefits.* In addition to base salary, annual cash incentives, long-term equity-based incentives, and severance benefits, we provide the following benefits:

*401(k) Savings Plan.* We have a defined contribution 401(k) plan, which is designed to assist our employees in providing for their retirement. Each of our named executive officers is entitled to participate in this plan to the same extent that our other employees are entitled to participate. In 2007, we began matching 25% of employee contributions up to 6.0% of the employee s salary (for a maximum matching contribution of 1.5% of the executive s salary by the Company). Employees are immediately vested in their contributions while our matching contributions will vest at a rate of 20% per year.

*Health and Welfare Benefits.* Our executive officers are eligible to participate in medical, dental, vision, disability and life insurance, and flexible healthcare and dependent care spending accounts to meet their health and welfare needs under the same plans and terms as the rest of our employees. These

Table of Contents

benefits are provided so as to assure that we are able to maintain a competitive position in terms of attracting and retaining executive officers and other employees. This program is a fixed component of compensation and the benefits are provided on a non-discriminatory basis to all of our employees.

*Perquisites and Other Personal Benefits.* We believe that the total mix of compensation and benefits provided to our executive officers is competitive and perquisites should generally not play a large role in our executive officers total compensation. As a result, the perquisites and other personal benefits we provide to our executive officers are very limited in nature.

**Summary Compensation Table**

The following table summarizes, for the fiscal years ended December 31, 2007 and 2006, the compensation paid to or earned by our Chief Executive Officer, our Chief Financial Officer, and three other named executive officers serving as of December 31, 2007.

| Name & Principal Position | Year | Salary | Stock Awards[1] | Option Awards[2] | Non-Equity Incentive Plan Compensation | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|
| Jack Antonini - | 2007 | $ 364,651 | $ 11,025 | $ | $ [3] | $ | $ 375,676[3] |
| Chief Executive Officer and President | 2006 | $ 347,287 | $ 215,894 | $ | $ 223,653 | $ | $ 786,834 |
| J. Chris Brewster - | 2007 | $ 275,000 | | $ 132,449 | [3] | $ | $ 407,449[3] |
| Chief Financial Officer | 2006 | $ 248,063 | | $ 103,929 | $ 209,753 | $ | $ 561,745 |
| Michael H. Clinard - | 2007 | $ 243,101 | | $ 88,300 | [3] | $ 10,739[4] | $ 342,140[3] |
| Chief Operating Officer | 2006 | $ 231,525 | | $ 69,286 | $ 149,102 | $ 9,000[4] | $ 458,913 |
| Thomas E. Upton - | 2007 | $ 231,525 | | $ 88,300 | [3] | $ | $ 319,825[3] |
| Chief Administrative Officer | 2006 | $ 220,500 | | $ 69,286 | $ 234,902 | $ | $ 524,688 |
| Ronald Delnevo[5] - | 2007 | $ 353,714 | | $ 47,250[6] | [3] | $ 51,188[7] | $ 452,152[3] |
| Managing Director of Bank Machine | 2006 | $ 281,937 | | $ | $ 153,868 | $ 49,180[7] | $ 484,985 |

(1) Amounts represent the compensation expense recognized by our company for the years ended December 31, 2007 and 2006 related to restricted stock granted to Mr. Antonini in 2003.

(2) Amounts were calculated utilizing the provisions of SFAS No. 123R. For a description of the assumptions underlying the valuation of these option awards, see Note 3 in the notes to our consolidated financial statements included elsewhere herein. For purposes of this disclosure, estimates of forfeitures related to service-based vesting conditions have been omitted.

(3) The Board of Directors has determined that the non-equity incentive plan bonuses for the year ended December 31, 2007 are currently not calculable as our audited financial statements for fiscal 2007 have not been completed. It is expected that a final determination will be made on or before March 31, 2008. If these bonuses are determined to be payable, we will disclose the amounts in a Current Report on Form 8-K filed with the SEC. Additionally, as a result of our inability to determine the non-equity incentive plan bonuses for the year ended December 31, 2007, the total compensation amounts presented above for one or more of the named executive

officers will change if the bonuses are determined to be payable.

(4) Amount presented for 2007 represents a car allowance provided to Mr. Clinard in accordance with the terms of his employment agreement and matching contributions under our 401(k) plan. Amount presented for 2006 represents a car allowance provided in accordance with the terms of his employment agreement.

(5) Amounts presented for Mr. Delnevo in 2007 and 2006 were converted from pounds sterling to U.S. dollars at $2.0074 and $1.9613, respectively, which represent the exchange rate in effect as of December 31, 2007 and 2006, respectively.

(6) During 2007, the compensation committee granted option awards to Mr. Delnevo. For details on this grant, see Compensation Components Long-term Inventive Program above.

(7) Amounts presented represent a car allowance and monthly contributions made on behalf of Mr. Delnevo to a personal retirement account selected by Mr. Delnevo in accordance with the terms of his employment agreement.

The terms governing each of our executive s employment are outlined in individual employment agreements. Below is a description of the agreements that were in place as of December 31, 2007. Our agreements with Messrs. Antonini, Brewster, Clinard, and Upton expired on January 31, 2008. We are currently negotiating a renewal with each of these named executives and anticipate that each of the new agreements will include terms comparable to those discussed below; however, the general provisions of the new agreements will be consistent among named executive officers.

Table of Contents

### Employment-Related Agreements of Named Executive Officers

*Employment Agreement with Jack Antonini Chief Executive Officer and President.* In January 2003, we entered into an employment agreement with Jack Antonini. Mr. Antonini s January 2003 employment agreement was last amended in February 2005. Under his employment agreement, Mr. Antonini receives a current monthly salary of $30,388 and his term of employment runs through January 31, 2008. In addition, subject to our achieving certain performance standards set by our compensation committee, Mr. Antonini may be entitled to an annual bonus, targeted at 50% of his base salary. However, as this bonus is determined at the sole discretion of our compensation committee, the actual amount of the bonus awarded may exceed or fall short of the targeted level. (For additional information on the terms of our bonus plan, see *Annual Bonus* above.) Further, should we terminate Mr. Antonini s employment without cause, or should a change in control occur, as defined in the agreement, he will be entitled to receive severance pay equal to his base salary for the lesser of twelve months or the number of months remaining under his employment contract.

*Employment Agreement with J. Chris Brewster Chief Financial Officer.* In March 2004, we entered into an employment agreement with J. Chris Brewster. Mr. Brewster s March 2004 employment agreement was amended in February 2005. The amended agreement provides for an initial term ending January 31, 2008. Under the amended employment agreement, Mr. Brewster receives a current monthly base salary of $22,917, subject, on each anniversary of the agreement, to increases as determined by our Board of Directors in its sole discretion, with such increases being targeted to be 5% of the previous year s base salary. In addition, subject to our achieving certain performance standards set by our compensation committee, Mr. Brewster may be entitled to an annual bonus, targeted at 50% of his base salary. However, as this bonus is determined at the sole discretion of our compensation committee, the actual amount of the bonus awarded may exceed or fall short of the targeted level. (For additional information on the terms of our bonus plan, see *Annual Bonus* above.) Further, should we terminate Mr. Brewster s employment without cause, or should Mr. Brewster terminate his employment with us for good reason, as defined in the employment agreement, he will be entitled to receive severance pay equal to his base salary for twelve months.

*Employment Agreement with Michael H. Clinard Chief Operating Officer.* In June 2001, we entered into an employment agreement with Michael H. Clinard. Mr. Clinard s June 2001 employment agreement was amended in February 2005. Under his employment agreement, Mr. Clinard receives a current monthly salary of $20,258 and his term of employment runs through January 31, 2008. On each anniversary of the agreement, Mr. Clinard s annual compensation is subject to increases as determined by our compensation committee in its sole discretion, with such increases being targeted to be 5% of the previous year s base salary. In addition, subject to our achieving certain performance standards set by our compensation committee, Mr. Clinard may be entitled to an annual bonus, targeted at 50% of his base salary. However, as this bonus is determined at the sole discretion of our compensation committee, the actual amount of the bonus awarded may exceed or fall short of the targeted level. (For additional information on the terms of our bonus plan, see *Annual Bonus* above.) Further, (a) should we terminate Mr. Clinard s employment without cause, or should Mr. Clinard terminate his employment with us for good reason, as defined in the employment agreement, then he is entitled to receive severance pay equal to his base salary for the lesser of twelve months or the number of months remaining under his employment contract following his termination, and (b) if he dies or becomes totally disabled, as defined in the employment agreement, then he is entitled to receive the difference between his base salary and any disability benefits received by him under our disability benefit plans for the lesser of twelve months or the number of months remaining under his employment contract following his death or disability, as applicable.

*Employment Agreement with Thomas E. Upton Chief Administrative Officer.* In June 2001, we entered into an employment agreement with Thomas E. Upton. Mr. Upton s June 2001 employment agreement was amended in February 2005. Under his employment agreement, Mr. Upton receives a monthly salary of $19,294, subject to annual increases as determined by our compensation committee at its sole discretion, with such increases being targeted at 5% of the previous year s base salary. Mr. Upton s term of employment runs through January 31, 2008. In addition, subject to our achieving certain performance standards set by our compensation committee, Mr. Upton may be entitled to an annual bonus, targeted as being 50% of his base salary. However, as this bonus is determined at the sole discretion of our compensation committee, the actual amount of the bonus awarded may exceed or fall short of the targeted level. (For additional information on the terms of our bonus plan, see *Annual Bonus* above.) Further, should we terminate Mr. Upton s employment without cause or if he dies or becomes totally disabled, as defined in the employment agreement, then he is entitled to receive severance pay equal to his base salary for the lesser of twelve months or the number of months remaining under his employment following his termination.

*Employment Agreement with Ronald Delnevo Managing Director of Bank Machine.* In May 2005, we entered into an employment agreement with Ronald Delnevo which runs though May 17, 2009. Under the employment agreement, Mr. Delnevo receives a current monthly base salary of £14,788 ($29,684 based on December 31, 2007 exchange rates), subject to increases as determined by our Board of Directors its sole discretion, with such increases being targeted to be 5% of the previous year s base salary. In addition, subject to our achieving certain performance standards set by our compensation committee, Mr. Delnevo may be entitled to an annual bonus, targeted at 40% of his base salary. However, as this bonus is determined at the sole discretion of our compensation committee, the actual amount of the bonus awarded may exceed or fall short of the targeted level. (For additional information on terms of our bonus plan, see *Annual Bonus* above.) Further, should we terminate Mr. Delnevo without cause, or should Mr. Delnevo terminate his employment with us for good reason, as defined in the employment agreement, then he is entitled to continue to receive payments of base salary from us for the lesser of twelve months or the number of months remaining under his employment contract following his termination.

*Common Provisions of Employment-Related Agreements of Named Executive Officers.* Several provisions are common to the employment agreements of our named executive officers. For example:

(1) Each employment agreement requires the employee to protect the confidentiality of our proprietary and confidential information.

(2) Each employment agreement (with the exception of Mr. Delnevo s agreement) requires that the employee not compete with us or solicit our employees or customers for a period of 24 months following the term of his employment. Mr. Delnevo s agreement contains a non-compete period of 12 months following the term of his employment.

(3) Each employment agreement provides that the employee may be paid an annual bonus based on certain factors and objectives set by our compensation committee, with the ultimate amount of any bonus paid determined at the direction of our compensation committee.

**Grants of Plan-based Awards**

The following table sets forth certain information with respect to the options granted during or for the year ended December 31, 2007 to each of our named executive officers listed in the Summary Compensation Table . Such table also sets forth details regarding other plan-based awards granted in 2007:

| | | | Estimated Possible/Future Payouts Under Non-Equity Incentive Plan Awards(1) | | | All Other Option Awards: Number of Securities Underlying Options | Exercise or Base Price of Option Awards(2) | Grant Date Fair Value of Stock and Option Awards |
|---|---|---|---|---|---|---|---|---|
| **Name** | **Grant Date** | **Approval Date(3)** | **Threshold** | **Target(4)** | **Maximum** | **Options** | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| J. Antonini | | | $ | $ 182,326 | (5) | | | | |
| J. C. Brewster | | | $ | $ 137,500 | (5) | | | | |
| M. H. Clinard | | | $ | $ 121,551 | (5) | | | | |
| T. E. Upton | | | $ | $ 115,763 | (5) | | | | |
| R. Delnevo[(6)(7)] | 07-02-07 | 06-29-07 | | | | | 317,940 | $ 11.46 | $ 1,639,346 |
| | | | $ | $ 142,483 | (5) | | | | |

(1) Represents the dollar value of the applicable range (threshold, target and maximum amounts) of bonuses estimated to be awarded to each named executive officer for 2007. As the Board of Directors has determined that the non-equity incentive plan bonuses for the year ended December 31, 2007 are currently not calculable because our audited financial statements for fiscal 2007 have not been completed, no amounts have been reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. It is expected that a final determination will be made on or before March 31, 2008. If these bonuses are determined to be payable, we will disclose the amounts in a Current Report on Form 8-K filed with the SEC.

(2) There was no public market for our common stock prior to December 2007. As this award was granted in July 2007, the exercise price of $11.46 per share represented management s estimate of the fair value of our common stock at the date of grant. This fair value was estimated utilizing the probability-weighted expected return cash flow method, and included (a) estimates of fair value based on our anticipated future cash flows and (b) the enterprise value of other similar publicly-traded companies within our industry, including those that had been recently acquired.

(3) Represents the date the compensation committee formally approved the option grants.

(4) Represents the targeted bonus amount based on the terms of our 2007 Executive Bonus Plan, as the Board of Directors has determined that the non-equity incentive plan bonuses for the year ended December 31, 2007 are currently not calculable because our audited financial statements for fiscal 2007 have not been completed. It is expected that a final determination will be made on or before March 31, 2008. If these bonuses are determined to be payable, we will disclose such amounts in a Current Report on Form 8-K filed with the SEC.

(5) Under the 2007 Executive Bonus Plan, there is no formal cap on the amount of bonus an executive may receive. Rather, the annual bonuses for our executives are determined at the sole discretion of our compensation committee. As a result, the actual amounts awarded may exceed or fall short of the targeted level. As we are unable to predict the committee s ultimate actions regarding the bonus awards, we are unable to estimate the maximum possible grants that could potentially be made and paid out under the bonus plan.

(6) Amounts shown for Mr. Delnevo were converted from pounds sterling to U.S. dollars at $2.0074, which represents the exchange rate in effect as of December 31, 2007.

(7) The non-equity incentive plan awards information presented for Mr. Delnevo excludes amounts that may become payable under our U.K. long-term incentive bonus program (see Long-Term Incentive Bonus Program U.K. Operations above). Future payouts under such program, which was established to provide a long-term incentive for Mr. Delnevo and his direct reports to achieve certain cumulative earnings objectives over a four-year period, are contingent upon the actual results exceeding the cumulative earnings benchmark, less an investment charge on the capital employed to achieve such results. Under the terms of the incentive plan, such payouts would not occur until 2009 and are dependent on cumulative earnings for future periods. As a result, we are unable to estimate at this time what the ultimate payout will be, if any.

## Outstanding Equity Awards at Fiscal 2007 Year-end

The following table sets forth information for each of our named executive officers regarding the number of shares subject to both exercisable and unexercisable stock options as of December 31, 2007. None of our named executives own stock awards that have not vested as of December 31, 2007 and, as a result, we have omitted the Stock Awards section of the below table.

| | Option Awards | | | | |
|---|---|---|---|---|---|
| | # of Securities Underlying | # of Securities Underlying Unexercised Options | Equity Incentive Plan Awards: # of Securities Underlying Unexercised | Option Exercise | Option Expiration |

| | Unexercised Options | | | | |
|---|---|---|---|---|---|
| **Name** | **Exercisable** | **Unexercisable** | **Unearned Options** | **Price** | **Date** |
| J. C. Brewster | 357,682 | | | $ 6.54 | 03-31-2014 |
| | 29,807 | 89,420(1) | | $ 10.55 | 03-05-2016 |
| M. H. Clinard | 98,696 | | | $ 0.74 | 06-03-2011 |
| | 49,805 | | | $ 1.48 | 03-02-2012 |
| | 19,871 | 59,614(1) | | $ 10.55 | 03-05-2016 |
| T. E. Upton | 157,809 | | | $ 0.74 | 06-03-2011 |
| | 29,807 | | | $ 1.48 | 03-02-2012 |
| | 19,871 | 59,614(1) | | $ 10.55 | 03-05-2016 |
| R. Delnevo | 158,970 | 158,969(2) | | $ 10.55 | 05-16-2015 |
| | | | 317,940(3) | $ 11.46 | 06-30-2017 |

(1) These remaining options will vest in three equal annual installments, the first of which will occur on March 6, 2008 and the last of which will occur on March 6, 2010.

(2) These remaining options will vest in two equal annual installments, the first of which will occur on May 17, 2008 and the last of which will occur on May 17, 2009.

(3) These options are performance-based options granted in July 2007 that become eligible for vesting upon the achievement of certain EBITDA targets by our U.K. reportable segment for 2007, 2008, and 2009. It is uncertain as to whether the EBITDA targets will be met, including targets for 2007, and whether such options will become eligible for vesting. All options are considered unearned as of

December 31, 2007. In the event the EBITDA targets are met, the awards will continue to remain subject to service-based vesting conditions.

***Option Exercises and Stock Vested during Fiscal Year 2007***

During the fiscal year ended December 31, 2007, none of our named executive officers exercised any stock options. However, 158,970 shares of a restricted stock grant made to our chief Executive Officer in 2003 vested in February 2007. These 158,970 shares, which were purchased by Mr. Antonini in 2003, had a value of approximately $1,821,796 at the time of vesting, the value of which was determined by management.

***Pension Benefits***

Currently, Cardtronics does not offer, and, therefore, none of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us. In the future, however, the compensation committee may elect to adopt qualified or non-qualified defined benefit plans if it determines that doing so is in our company s best interests (e.g., in order to attract and retain employees.)

***Nonqualified Deferred Compensation***

Currently, Cardtronics does not offer, and, therefore, none of our named executive officers participate in or have account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us. In the future, however, the compensation committee may elect to provide our officers and other employees with non-qualified defined contribution or deferred compensation benefits if it determines that doing so is in our best interests.

**Potential Payments upon Termination or Change in Control**

The table below reflects the amount of compensation payable to our named executive officers in the event of a termination of employment or a change in control of our company. The amount of compensation payable to each named executive officer for each situation is listed. The amounts shown assume that such termination was effective as of December 31, 2007:

| Executive | Benefits | Involuntary, Not-for-Cause Termination | Good Reason Termination by Executive | Termination in Connection with a Change in Control | Termination by Executive upon a Change in Control | Death or Disability |
|---|---|---|---|---|---|---|
| J. Antonini | Base salary(1) | $ 30,388(2) | $ | $ 30,388(3) | $ 30,388(3) | $ |
| | Bonus | (4) | $ | (4) | (4) | (4) |
| J. C. Brewster | Base salary(1)(5) | $ 275,000(5) | $ 275,000 | $ 275,000 | $ 275,000 | $ |
| | Bonus | (4) | (4) | (4) | (4) | (4) |
| | Post-employment health care(6) | $ 8,672 | $ 8,672 | $ 8,672 | $ 8,672 | $ |
| M. H. Clinard | Base salary(1) | $ 20,258(2) | $ 20,258 | $ | $ | $ 15,925(7) |
| | Bonus | (4) | $ | $ | $ | (4) |

| | | | | | | |
|---|---|---|---|---|---|---|
| T. E. Upton | Base salary(1) | $ 19,294(2) | $ | $ | $ | $ 19,294 |
| | Bonus | (4) | $ | $ | $ | (4) |
| R. Delnevo(8) | Base salary(1) | $ 356,207(2) | $ 356,207 | $ | $ | $ 109,602(9) |
| | Bonus | (4) | $ | $ | $ | $ |
| | Accrued vacation | $ 6,850 | $ 6,850 | $ 6,850 | $ | $ 6,850 |

(1) Upon the occurrence of any of the termination events listed, or in the event of a for-cause termination or a voluntary termination (neither of which are not shown in the above table), the terminated executive would receive any base salary amount that had been earned but had not been paid at the time of termination. The total amounts shown above do not include such amounts.

(2) In the event of a not-for-cause termination, a terminated executive would receive severance pay equal to his current base salary for the lesser of a period of 12 months or the number of months remaining under the executive s employment agreement. The employment agreements of Messrs. Antonini, Brewster, Clinard, and Upton expired on January 31, 2008. As a result, only one month of salary is reflected in the above table for Messrs. Antonini, Clinard, and Upton. See footnote (5) below for information on the amount shown for

Mr. Brewster in the event of an involuntary not-for-cause termination. The employment agreement of Mr. Delnevo expires on May 17, 2009. For each executive, such amount would be payable in bi-weekly installments with the exception of Mr. Delnevo, whose employment agreement calls for such amount to be paid within 14 days of receiving a notice of termination. Additionally, each executive would receive a pro-rata bonus for services provided during the year.

(3) In the event of a termination upon a change in control, Mr. Antonini would receive severance pay equal to his current base salary for the lesser of a period of 12 months or the number of months remaining under his employment agreement (i.e., one month as of December 31, 2007). There is no specified time period following a change in control in which Mr. Antonini must notify us of his intention to terminate his employment with us.

(4) The Board of Directors has determined that the non-equity incentive plan bonuses for the year ended December 31, 2007 are currently not calculable. It is expected that a final determination will be made on or before March 31, 2008. If these bonuses are determined to be payable, we will disclose such amounts in a Current Report on Form 8-K filed with the SEC. As a result of our inability to determine the non-equity incentive plan bonuses for the year ended December 31, 2007, the amounts presented above for one or more of the named executive officers will change if such bonuses are determined to be payable.

(5) Under the terms of his employment agreement, in the event of a not-for-cause termination, a good reason termination, or termination upon a change in control, Mr. Brewster would receive payment in the amount of his base salary for a period of 12 months. To be eligible to receive such payments in the event of a good reason termination or a termination by the executive upon a change in control, Mr. Brewster must notify us within one year of the occurrence that he intends to terminate his employment with us. However, in the event he accepts another full-time employment position (defined as 20 hours per week) within one year after termination, remaining payments to be made by us would be reduced by the gross amount being earned under his new employment arrangement.

(6) If Mr. Brewster, in the event of a not-for-cause termination, a good reason termination, or a termination in connection with a change in control, elected to continue benefits coverage through our group health plan under the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA), we would partially subsidize Mr. Brewster s incremental healthcare premiums. Amount shown represents the difference in Mr. Brewster s current insurance premiums and current COBRA rates for a similar plan.

(7) In the event Mr. Clinard s employment is terminated as a result of death or disability, Mr. Clinard would be entitled to receive payments equal to the difference between his base salary and any disability benefits received by him under our disability benefits plans (under which benefits are calculated as the lesser of 60% of base salary or $52,000) for the lessor of 12 months or the number of months remaining in his contract. As his contract expired on January 31, 2008, only one month of benefits is reflected in the above table.

(8) Amounts shown for Mr. Delnevo were converted from pounds sterling to U.S. dollars at $2.0074, which represents the exchange rate in effect as of December 31, 2007.

(9) In the event Mr. Delnevo becomes disabled, Mr. Delveno would be entitled to receive payments equal to his base salary for a maximum of 16 weeks (i.e., 80 work days.)

*Change in control.* For purposes of the above disclosure, a change in control is defined as the following: from and after the date of an IPO, (1) a merger of Cardtronics, Inc. with another entity, a consolidation involving Cardtronics, Inc., or the sale of all or substantially all of the assets of Cardtronics, Inc. to another entity if, in any such case, (A) the holders of equity securities of Cardtronics, Inc. immediately prior to such transaction or event do not beneficially own immediately after such transaction or event equity securities of the resulting entity entitled to 60% or more of the votes then eligible to be cast in the election of directors generally (or comparable governing body) of the resulting entity in substantially the same proportions that they owned the equity securities of Cardtronics, Inc. immediately prior to such transaction or event or (B) the persons who were members of the Board immediately prior to such transaction or event shall not constitute at least a majority of the board of directors of the resulting entity immediately after such transaction or event; (2) the dissolution or liquidation of Cardtronics, Inc.; (3) when any person or entity, including a group as contemplated by Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (other than the CapStreet Investors) acquires or gains ownership or control (including, without limitation, power to vote) of more than 50% of the combined voting power of the outstanding securities of, (A) if Cardtronics, Inc. has not engaged in a merger or consolidation, Cardtronics, Inc. or (B) if Cardtronics, Inc. has engaged in a merger or consolidation, the resulting entity; or (4) as a result of or in connection with a contested election of directors, the persons who were members of the Board immediately before such election shall cease to constitute a majority of the Board.

Additionally, pursuant to the terms of our 2007 Stock Incentive Plan and our 2001 Stock Incentive Plan, the compensation committee, at its sole discretion, may take action related to and/or make changes to such options and the related options agreements upon the occurrence of an event that qualifies as a change in control. Such actions and/or changes could include (but are not limited to) (1) acceleration of the vesting of the outstanding, non-vested options; (2) modifications to the number and price of shares subject to the option

Table of Contents

agreements; and/or (3) the requirement for mandatory cash out of the options (i.e., surrender by an executive of all or some of his outstanding options, whether vested or not, in return for consideration deemed adequate and appropriate based on the specific change in control event). Such actions and/or changes may vary among plan participants. As a result of their discretionary nature, these potential changes have not been estimated and are not reflected in the above table.

***Director Compensation***

The following table provides compensation information for each individual who served on as a member of our Board of Directors during the year ended December 31, 2007:

| **Name** | **Fees Earned or Paid in Cash** |
|---|---|
| Fred R. Lummis | |
| Jack Antonini | |
| Robert P. Barone | $ 2,000 |
| Frederick W. Brazelton | |
| Ralph H. Clinard | |
| Ronald Coben | |
| Ronald Delnevo | |
| Jorge M. Diaz | $ 2,000 |
| Roger B. Kafker | |
| Michael A.R. Wilson | |

During 2007, we paid Messrs. Barone and Diaz $1,000 per Board meeting attended. Our other Directors were not compensated during 2007 for Board services due to their employment and/or stockholder relationships us. Additionally, Mr. Coben received no payment for services on our Board during 2007 as a result of his resignation from the Company s Board of Directors in January 2007. Mr. Coben s resignation was not caused by any disagreements with us relating to our operations, policies or procedures. All of our Directors are reimbursed for their reasonable expenses in attending Board and committee meetings.

On December 13, 2007, Frederick R. Brazelton, Ralph H. Clinard, Ronald Delnevo, and Roger B. Kafker resigned from our Board of Directors in connection with the closing of our initial public. Messrs. Brazelton, Clinard, Delnevo, and Kafker s resignations were not caused by any disagreements with us relating to our operations, policies or procedures.

Beginning in 2008, each of our non-employee Directors, with the exception of Messrs. Lummis and Wilson, will earn a $30,000 annual retainer for their services. Additionally, each non-employee Director will receive an additional $10,000 annual retainer for each committee on which he serves during the year, as well as $5,000 for chairing a committee of our Board of Directors. These amounts will be paid on a monthly basis in the form of cash. Messrs. Lummis and Wilson have waived their rights to receive payment for services rendered as members of our Board as each of these Directors are affiliated with and/or employed by companies that have a significant ownership interest in our company.

***Compensation Committee Interlocks and Insider Participation***

During 2007, none of our executive officers (current or former) served as a member of the compensation committee. Additionally, none of our executive officers has served as a director or member of the compensation committee of any other entity whose executive officers served as a director or member of our compensation committee.

## PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of December 31, 2007 for:

- each person known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all directors and executive officers as a group.

Footnote 1 below provides a brief explanation of what is meant by the term beneficial ownership. The number of shares of common stock and the percentages of beneficial ownership are based on 41,376,188 shares of common stock, which are comprised of 38,566,207 shares of common stock outstanding as of December 31, 2007 and 2,809,981 shares of common stock subject to options held by beneficial owners that are exercisable or that will be exercisable within 60 days of December 31, 2007. All amounts presented give effect to the 7.9485 stock split of our common stock that occurred prior to the closing of the offering. Additionally, amounts presented may not add due to rounding.

To our knowledge and except as indicated in the footnotes to this table and subject to applicable community property laws, the persons named in this table have the sole voting power with respect to all shares of common stock listed as beneficially owned by them. The address for each executive officer and director set forth below, unless otherwise indicated, is c/o Cardtronics, Inc., 3110 Hayes Road, Suite 300, Houston, Texas 77082. The address of The CapStreet Group, LLC, CapStreet II, L.P., CapStreet Parallel II, L.P., and Mr. Lummis is c/o The CapStreet Group, LLC, 600 Travis Street, Suite 6110, Houston, Texas 77002. The address of TA Associates, Inc., TA IX, L.P., TA/Atlantic and Pacific IV L.P., TA/Atlantic and Pacific V L.P., TA Strategic Partners Fund A L.P., TA Investors II, L.P., TA Strategic Partners Fund B L.P., and Mr. Wilson is c/o TA Associates, John Hancock Tower, 56th Floor, 200 Clarendon Street, Boston, Massachusetts 02116.

| Name of Beneficial Owner(1) | Number of Shares of Common Stock Beneficially Owned(2) | Percent of Common Stock Beneficially Owned |
|---|---|---|
| **5% Stockholders:** | | |
| The CapStreet Group, LLC(3) | 9,041,074 | 21.9% |
| CapStreet II, L.P. | 8,091,222 | 19.6% |
| CapStreet Parallel II, L.P. | 949,852 | 2.3% |
| TA Associates, Inc.(4) | 12,259,286 | 29.6% |
| TA IX, L.P. | 7,583,447 | 18.3% |
| TA/Atlantic and Pacific V L.P. | 3,033,370 | 7.3% |
| TA/Atlantic and Pacific IV L.P. | 1,307,663 | 3.2% |
| TA Strategic Partners Fund A L.P. | 155,268 | * |
| TA Investors II, L.P. | 151,663 | * |
| TA Strategic Partners Fund B L.P. | 27,675 | * |
| Ralph H. Clinard(5) | 2,798,990 | 6.8% |
| Laura Clinard(6) | 2,798,986 | 6.8% |
| **Directors and Executive Officers:** | | |
| Fred R. Lummis(7) | 9,041,074 | 21.9% |
| Michael A.R. Wilson(8) | 12,259,286 | 29.6% |
| Michael H. Clinard(9) | 1,270,469 | 3.1% |
| J. Chris Brewster(10) | 387,489 | * |
| Jack Antonini | 316,969 | * |
| Thomas E. Upton(11) | 300,755 | * |
| Ronald Delnevo(12) | 263,962 | * |
| Robert P. Barone(13) | 34,306 | * |
| Jorge M. Diaz(14) | 29,807 | * |
| Rick Updyke | | |
| Tim Arnoult | | |
| Dennis F. Lynch | | |
| **All directors and executive officers as a group (13 persons)** | 26,567,815 | 64.2% |

* Less than 1.0% of the outstanding common stock

(1) Beneficial ownership is a term broadly defined by the SEC in Rule 13d-3 under the Exchange Act and includes more than the typical forms of stock ownership, that is, stock held in the person s name. The term also includes what is referred to as indirect ownership , meaning ownership of shares as to which a person has or shares investment or voting power. For the purpose of this table, a person or group of persons is deemed to have beneficial ownership of any shares as of December 31, 2007, if that person or group has the right to acquire shares within 60 days after such date.

(2) The share information presented above gives effect to the stock split and conversion of the Series B Convertible Preferred Stock into shares of our common stock in conjunction with the offering. The stock split

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 7.9485 to 1 stock split for all common shares, which was effected in conjunction with the offering.

(3) The shares owned by The CapStreet Group, LLC are owned through its affiliated funds, CapStreet II, L.P. and CapStreet Parallel II, L.P.

(4) The shares owned by TA Associates, Inc. through its affiliated funds, including TA IX L.P., TA/Atlantic and Pacific IV L.P., TA/Atlantic and Pacific V L.P., TA Strategic Partners Fund A L.P., TA Strategic Partners Fund B L.P., and TA Investors II, L.P., which we collectively refer to as the TA Funds, represent common shares issued upon the conversion of Series B Convertible Preferred Stock into shares of our common stock. See Certain Relationships and Related Party Transactions.

(5) Mr. Clinard is currently a member of our Board of Directors. The shares indicated as being beneficially owned by Mr. Clinard include 1,209,290 shares owned directly by him, 541,168 shares owned by four family trusts for the benefit of his children of which Mr. Clinard is a co-trustee and has shared voting power, and 1,048,532 shares owned by Mr. Clinard s wife (Laura Clinard) of which Mr. Clinard may be deemed to be the beneficial owner.

(6) The shares indicated as being beneficially owned by Laura Clinard include 1,048,532 shares owned directly by her, 541,164 shares owned by the Ralph Clinard Family Trust of which Laura Clinard is a co-trustee and has shared voting power, and 1,209,290 shares owned by Laura Clinard s husband (Ralph Clinard) of which Laura Clinard may be deemed to be the beneficial owner.

(7) The shares indicated as being beneficially owned by Mr. Lummis are owned directly by CapStreet II, L.P. and CapStreet Parallel II, L.P. Mr. Lummis serves as a senior advisor of The CapStreet Group, LLC, the ultimate general partner of both CapStreet II, L.P. and CapStreet Parallel II, L.P. As such, Mr. Lummis may be deemed to have a beneficial ownership of the shares owned by CapStreet II, L.P. and CapStreet Parallel II, L.P. Mr. Lummis disclaims beneficial ownership of such shares.

(8) Mr. Wilson serves as a Managing Director of TA Associates, Inc., the ultimate general partner of the TA Funds. As such, Mr. Wilson may be deemed to have a beneficial ownership of the shares owned by the TA Funds. Mr. Wilson disclaims beneficial ownership of such shares, except to the extent of his pecuniary interest therein and 22,310 shares of our common stock.

(9) Includes 425,641 shares owned directly by Michael Clinard and 168,372 options that are exercisable within 60 days of December 31, 2007. Also included in the shares indicated as being beneficially owned by Michael Clinard are 541,164 shares owned by the Ralph Clinard Family Trust and 135,292 shares owned by a trust for the benefit of Michael Clinard, of which Michael Clinard is a co-trustee of and has shared voting power of and of which he may be deemed to be the beneficial owner.

(10) Includes 387,489 options that are exercisable within 60 days of December 31, 2007.

(11) Includes 207,487 options that are exercisable within 60 days of December 31, 2007.

(12) Includes 158,970 options that are exercisable within 60 days of December 31, 2007.

(13) Includes 34,306 options that are exercisable within 60 days of December 31, 2007.

(14) Includes 29,807 options that are exercisable within 60 days of December 31, 2007.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Preferred Stock Private Placement with TA Associates

In February 2005, we issued 894,568 shares of our Series B Convertible Preferred Stock to investment funds controlled by TA Associates, Inc. (the TA Funds ) for a per share price of $83.8394 resulting in aggregate gross proceeds of $75.0 million. In connection with the offering, we also appointed Michael Wilson and Roger Kafker, who are designees of the TA Funds, to our Board of Directors. Approximately $24.8 million of the net proceeds of the offering were used to redeem all of the outstanding shares of our Series A Preferred Stock from affiliates of The CapStreet Group, LLC. The remaining net proceeds were used to repurchase approximately 24% of our outstanding shares of common stock and vested options to purchase our common stock at a price per share of $10.5478, pursuant to an offer to purchase such shares of stock from all of our stockholders on a pro rata basis. As part of this transaction, we repurchased 2,812,794 shares of our common stock (on a split adjusted basis for our initial public offering) from affiliates of CapStreet for $29.7 million. We also repurchased shares of common stock from our executive officers and Directors as described below under Transactions with Our Directors and Officers.

In connection with obtaining the approval of TA Funds to the July 2007 7-Eleven ATM Transaction, we modified the original conversion ratio applicable to the TA Funds Series B Preferred Stock so that the common stock issuable upon conversion thereof, at the time of an initial public offering of the Company, would be valued at no less than $131,250,000 (175% of the TA Funds original $75 million cost of the Series B Convertible Preferred Stock). This modification was contained in our amended Certificate of Incorporation filed on July 19, 2007. Importantly, the conversion price modification gave us the ability to require the conversion of the Series B Convertible Preferred Stock to common stock in connection with an initial public offering even if the IPO per share price would not itself give the TA Funds common shares with a $131,250,000 value. Our stockholders who received Series B Preferred Stock in connection with the Bank Machine acquisition agreed that the conversion price modification would only apply to holders of at least 100,000 shares of Series B Preferred Stock.

In connection with the initial public offering, the terms of the Series B Redeemable Convertible Preferred Stock held by the TA Funds was further amended so that at an assumed initial public offering price below $12.00 per share, the TA Funds agreed to receive common shares with a value of less than $131,250,000. Pursuant to this amendment and based on the initial public offering price of $10.00 per share, each share of Series B Convertible Preferred Stock held by the TA Funds was converted into 1.7241 shares of common stock so that the shares of common stock held by the TA Funds represented 46.1% of our pre-IPO outstanding common shares (the Pre-IPO Common Stock Pool ). All other shares of Series B Convertible Preferred Stock were converted on a one for one basis. Following the conversion of the Series B Convertible Preferred Stock, we affected a 7.9485 to 1 common stock split to result in the total post-offering capitalization. These conversion mechanics did not increase the number of shares of our common stock in the Pre-IPO Common Stock Pool.

### Investors Agreement

In connection with our issuance of Series B Redeemable Convertible Preferred Stock to the TA Funds in February 2005, all our existing stockholders entered into an investors agreement relating to several matters. However, upon the completion of our initial public offering in December 2007, only the registration rights provision of investors agreement continue to be in force. The material terms of that agreement are set forth below.

*Registration Rights.* The investors agreement grants CapStreet II, L.P. (on behalf of itself, CapStreet Parallel II, L.P., and permitted transferees thereof) and TA Associates the right to demand that we file a registration statement with the

SEC to register the sale of all or part of the shares of common stock beneficially owned by them. Subject to certain limitations, we will be obligated to register these shares upon CapStreet II, L.P. s or TA Associates demand, for which we will be required to pay the registration expenses. In connection with any such demand registration, the stockholders who are parties to the investors agreement may be entitled to include their shares in that registration. In addition, if we propose to register securities for our own account, the stockholders who are parties to the investors agreement may be entitled to include their shares in that registration.

All of these registration rights are subject to conditions and limitations, which include certain rights to limit the number of shares included in a registration under some circumstances.

### Transactions with our Directors and Officers

*General.* During 2006, each of our independent Board members, unless otherwise indicated in the Compensation Discussion and Analysis Director Compensation, were paid a fee of $1,000 per Board meeting attended. Furthermore, all Board members were reimbursed for customary travel expenses and meals.

*Fred R. Lummis,* the Chairman of our Board of Directors, is a senior advisor to The CapStreet Group, LLC, the ultimate general partner of CapStreet II and CapStreet Parallel II, which collectively own 23.4% of the Company s outstanding common stock as of December 31, 2007.

*Michael Wilson*, who is on our Board of Directors, is the managing director of TA Associates, affiliates of which are Cardtronics stockholders and own 31.8% of the Company s outstanding common stock as of December 31, 2007.

*Jorge Diaz,* a member of our Board of Directors, is the President and Chief Executive Officer of Personix, a division of Fiserv. In 2006, both Personix (though indirectly) and Fiserv provided third party services during the normal course of business for Cardtronics. Amounts paid to Personix and Fiserv represented less than 0.2% of the Company s total operating and selling, general and administrative expenses for the year.

*Subscriptions Receivable.* The Company currently has loans outstanding with certain employees related to past exercises of employee stock options and purchases of the Company s common stock, as applicable. Such loans, which were initiated in 2003, are reflected as subscriptions receivable in the consolidated balance sheets contained elsewhere within this prospectus. During 2006 and 2007, the rate of interest on each of these loans was 5% per annum. In connection with the investment by TA Associates in February 2005 and the concurrent redemption of a portion of the Company s common stock, approximately $0.4 million of the outstanding loans were repaid to the Company. Additionally, in the third quarter of 2006, the Company repurchased 121,254 shares (on a split-adjusted basis for our initial public offering) of the Company s common stock held by certain of the Company s executive officers for approximately $1.3 million in proceeds. Such proceeds were primarily utilized by the executive officers to repay the majority of the above-discussed subscriptions receivable, including all accrued and unpaid interest related thereto. Such loans were required to be repaid pursuant to SEC rules and regulations prohibiting registrants from having loans with executive officers. As a result of the repayments, the total remaining amount outstanding under such loans, including accrued interest, was approximately $0.3 million as of December 31, 2006 and September 30, 2007.

*Restricted Stock.* Pursuant to a restricted stock agreement dated January 20, 2003, the Company sold Jack Antonini, President and Chief Executive Officer of the Company, 635,879 shares of common stock (on a split-adjusted basis for our initial public offering) in exchange for a promissory note in the amount of $940,800, or $1.48 per share. The agreement permitted the Company to repurchase a portion of such shares prior to January 20, 2007 in certain circumstances. The agreement also contained a provision allowing the shares to be put to the Company in an amount sufficient to retire the entire unpaid principal balance of the promissory note plus accrued interest. On February 4, 2004, the Company amended the restricted stock agreement to remove such put right. The Company recognized approximately $0.2 million, $0.5 million, and $0.9 million in compensation expense in the accompanying consolidated statements of operations for the years ended December 31, 2006, 2005, and 2004, respectively, and approximately $11,000 during the first nine months of 2007, associated with such restricted stock grant.

*Common Stock Repurchase.* Pursuant to our offer to repurchase shares of our common stock using a portion of the net proceeds from our February 2005 preferred stock offering, we purchased shares of our common stock from each of our executive officers and directors at a price per share of $10.5478. We

**Table of Contents**

repurchased 1,364,262 shares of our common stock (on a split-adjusted basis for our initial public offering) from our executive officers and Directors for $14.4 million, which consisted of 75,447 shares repurchased from Jack Antonini, Chief Executive Officer, President, and Director; 186,416 shares from Michael Clinard, Chief Operating Officer; 63,238 shares from Thomas Upton, Chief Administrative Officer; and 1,039,161 shares from Ralph Clinard, Director.

*Other.* Bansi, an entity that owns a minority interest in our subsidiary Cardtronics Mexico, provided various ATM management services to Cardtronics Mexico during the normal course of business in 2006, including serving as the vault cash provider, bank sponsor, and the landlord for Cardtronics Mexico as well as providing other services. Amounts paid to Bansi represented less than 0.1% of the Company s total operating and selling, general, and administrative expenses for the year.

**Approval of Related Party Transactions**

A Related Party Transaction is a transaction, arrangement or relationship in which we or any of our subsidiaries was, is or will be a participant, the amount of which involved exceeds $120,000, and in which any related party had, has or will have a direct or indirect material interest. A Related Person means:

- any person who is, or at any time during the applicable period was, one of our directors;
- any person who is known by us to be the beneficial owner of more than 5.0% of our common stock;
- any immediate family member of any of the foregoing persons, which means any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a director or a more than 5.0% beneficial owner of our common stock, and any person (other than a tenant or employee) sharing the household of such director or a more than 5.0% beneficial owner of our common stock; and
- any firm, corporation or other entity in which any of the foregoing persons is a partner or principal or in a similar position or in which such person has a 10.0% or greater beneficial ownership interest.

In the ordinary course of business, we may enter into a Related Party Transaction. The policies and procedures relating to the approval of Related Party Transactions are not in writing. Given the relatively small size of our organization, any material Related Party Transactions entered into generally are known about and discussed with management and our board of directors prior to entering into the transaction. Typically, a Related Party Transaction does not require formal approval by our board of directors; however, prior to entering into a Related Party Transaction, the Company determines that such an arrangement is conducted at arm s length and is reasonable and fair to the Company. Additionally, any material agreement related to our Mexico operations is reviewed and approved by the board of directors of our Mexico subsidiary.

In conjunction with our compensation programs, we may enter into stock-based transactions with our employees. Each grant, redemption or otherwise is reviewed and approved by the compensation committee of our Board of Directors.

## DESCRIPTION OF OTHER INDEBTEDNESS

### Revolving Credit Facility

On May 17, 2005, in connection with the acquisition of Bank Machine, we replaced our then-existing bank credit facility with new facilities provided by BNP Paribas and Bank of America, N.A. Such facilities were comprised of (i) a revolving credit facility of up to $100.0 million, (ii) a first lien term facility of up to $125.0 million, and (iii) a second lien term facility of up to $75.0 million. Borrowings under the facilities were utilized to repay our existing bank credit facility and to fund the acquisition of Bank Machine. In connection with the issuance of the senior subordinated notes in August 2005 (as discussed below), the first and second lien term loan facilities were repaid in full, and the revolving credit facility was increased to a maximum borrowing capacity of $150.0 million. Borrowings under our revolving credit facility bear interest at a variable rate based upon LIBOR, or base rate, at our option. At September 30, 2007, the weighted average interest rate on our outstanding facility borrowings was approximately 7.9%.

In February 2006, we amended the 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. Although the maximum borrowing capacity was reduced, the overall effect of the amendment was to increase our liquidity and financial flexibility through the removal and modification of certain restrictive covenants contained in the previous revolving credit facility. Such covenants, which were originally structured to accommodate an acquisitive growth strategy, have either been eliminated or modified to reflect a greater reliance on our internal growth initiatives. The primary restrictive covenants within the facility now 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, including dividends, and (iv) limitations on the amount of capital expenditures that we can incur on a rolling 12-month basis.

Substantially all of our assets, including the stock of our wholly-owned domestic subsidiaries and 66% 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.

In May 2007, we 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. As a result of this amendment, the interest we incur on outstanding borrowings under the facility is now based on spreads that are comparable to the market pricing for a company with a debt profile and a credit standing as that of Cardtronics. Such modification should allow for reduced interest expense in future periods, assuming a constant level of borrowings. Furthermore, the amendment increased the amount of capital expenditures that we can incur on a rolling 12-month basis from $50.0 million to $60.0 million.

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.

As of September 30, 2007, we were in compliance with all applicable covenants and ratios in effect at that time under the facility. As of September 30, 2007, we had $105.6 million outstanding under the facility,

Table of Contents

and we had approximately $61.9 million in additional funds available based on the covenants contained in our revolving credit facility, as amended. As a result of the use of the proceeds from our initial public offering in December 2007 to repay amounts previously outstanding under our revolving credit facility, the balance outstanding under this facility as of December 31, 2007 was approximately $4 million, and we had approximately $163.5 million in additional borrowing capacity available under the facility. Additionally, as of December 31, 2007, we were in compliance with all applicable covenants and rations in effect under the facility.

**Senior Subordinated Notes**

In October 2006, we completed the registration of $200.0 million in senior subordinated notes (the Series A Notes ), which were originally issued in August 2005 pursuant to Rule 144A of the Securities Act of 1933, as amended. The Series A Notes, which are subordinate to borrowings made under the revolving credit facility, mature in August 2013 and carry a 9.25% coupon with an effective yield of 9.375%. Interest under the Series A Notes is paid semi-annually in arrears on February 15th and August 15th of each year. The Series A 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. As of September 30, 2007, we were in compliance with all applicable covenants required under the Series A Notes.

**Other Borrowing Facilities**

In addition to the revolving credit facility, our wholly-owned United Kingdom subsidiary, Bank Machine, has a £2.0 million unsecured overdraft facility, the term of which was recently extended to July 2008. Such facility, which bears interest at 1.75% over the bank s base rate (5.75% as of September 30, 2007), is utilized for general corporate purposes for our United Kingdom operations. As of September 30, 2007 and December 31, 2006, approximately £1.9 million ($3.8 million U.S. and $3.7 million U.S., respectively) of this overdraft facility had been utilized to help fund certain working capital commitments and to post a £275,000 bond. Amounts outstanding under the overdraft facility (other than those amounts utilized for posting bonds) have been reflected in accounts payable in the accompanying financial statements, as such amounts are automatically repaid once cash deposits are made to the underlying bank accounts.

During 2006 and 2007, our majority-owned subsidiary, Cardtronics Mexico, entered into four separate five-year equipment financing agreements. Such agreements, which are denominated in Mexican pesos and bear interest at an average fixed rate of 11.03%, were utilized for the purchase of additional ATMs to support the Company s Mexico operations. As of September 30, 2007 and December 31, 2006, approximately $53.6 million pesos ($4.9 million U.S.) and $9.3 million pesos ($0.9 million U.S.), respectively, were outstanding under these facilities, with future borrowings to be individually negotiated between the lender and Cardtronics. Pursuant to the terms of the agreements, we have issued a guaranty for 51.0% of the obligations under these agreements (consistent with our ownership percentage in Cardtronics Mexico.) Amounts outstanding under the agreements are due in November 2011, January 2012, and May 2012. As of September 30, 2007, the total amount of the guaranty was $27.3 million pesos ($2.5 million U.S.).

As a result of the 7-Eleven ATM Transaction, we assumed responsibility for certain capital and operating lease contracts that will expire at various times during the next three years. Upon the fulfillment of certain payment obligations related to the capital leases, ownership of the ATMs transfers to us. As of September 30, 2007, approximately $2.3 million of capital lease obligations were included within our condensed consolidated balance sheet.

Table of Contents

## DESCRIPTION OF THE NEW NOTES

The new notes will be issued, and the outstanding notes were issued, under an indenture dated as of July 20, 2007 (the Indenture ) among the Company, the Initial Guarantors, and Wells Fargo National Bank, National Association, as trustee (the Trustee ). The outstanding notes were issued in a private transaction that is not subject to the registration requirements of the Securities Act. The terms of the new notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act ).

The following description is a summary of the material provisions of the Indenture. It does not restate that agreement in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the new notes. The Company has filed the Indenture for an exhibit to the registration statement of which this prospectus is a part.

You can find the definitions of certain terms used in this description below under the caption Certain Definitions. Certain defined terms used in this description but not defined below under the caption Certain Definitions have the meanings assigned to them in the Indenture. In this description, the word Company refers only to Cardtronics, Inc. and not to any of its subsidiaries and the Notes refer equally to the new notes and the outstanding notes.

If the exchange offer contemplated by this prospectus (the Exchange Offer ) is consummated, Holders of outstanding notes who do not exchange those notes for new notes in the Exchange Offer will vote together with Holders of new notes for all relevant purposes under the Indenture. In that regard, the Indenture requires that certain actions by the Holders thereunder (including acceleration following an Event of Default) must be taken, and certain rights must be exercised, by specified minimum percentages of the aggregate principal amount of the outstanding securities issued under the Indenture. In determining whether Holders of the requisite percentage in principal amount have given any notice, consent or waiver or taken any other action permitted under the Indenture, any outstanding notes that remain outstanding after the Exchange Offer will be aggregated with the new notes, and the Holders of such outstanding notes and the new notes will vote together as a single series for all such purposes. Accordingly, all references herein to specified percentages in aggregate principal amount of the notes outstanding shall be deemed to mean, at any time after the Exchange Offer is consummated, such percentages in aggregate principal amount of the outstanding notes and the new notes then outstanding.

### Brief Description of the New Notes

The new notes will be:

- general unsecured obligations of the Company;
- subordinated in right of payment to all existing and future Senior Debt of the Company, including the Indebtedness of the Company under the Credit Agreement;
- *pari passu* in right of payment with all existing and any future senior subordinated Indebtedness of the Company, including the $200.0 million aggregate principal amount of 9.250% senior subordinated notes due 2013 issued under the indenture dated as of August 12, 2005 (the Series A Notes );
- senior in right of payment to any future subordinated Indebtedness of the Company
- guaranteed by the Guarantors as described under Note Guarantees ; and

effectively subordinated to all existing and any future Indebtedness and other liabilities of the Company s Subsidiaries that are not Guarantors.

As of December 31, 2007, the Company and Initial Guarantors had $302.2 million of Indebtedness outstanding, which was comprised of $4.0 million in Senior Debt, $198.9 million of the Series A Notes, $97.2 million of the outstanding notes, which are the notes subject to the exchange offer described herein, and $2.1 million in capital lease obligations. Additionally, the Company s subsidiaries that are not guaranteeing the new notes had approximately $8.5 million of indebtedness and other liabilities, not including intercompany liabilities.

As of the date of this prospectus, all of our subsidiaries are Restricted Subsidiaries. However, under the circumstances described below under the caption Certain Covenants Designation of Restricted and Unrestricted Subsidiaries, we will be permitted to designate certain of our subsidiaries as Unrestricted Subsidiaries. Any Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the new notes.

Any outstanding notes that remain outstanding after the completion of the Exchange Offer, together with the new notes issued in connection with the Exchange Offer and any other notes issued under the indenture then outstanding, will be treated as a single class of securities under the Indenture.

**Principal, Maturity and Interest**

The Indenture provides for the issuance by the Company of Notes with an unlimited principal amount, of which $100.0 million were issued on July 20, 2007. The Company may issue additional notes (the Additional Notes ) from time to time. Any offering of Additional Notes is subject to all of the covenants of the Indenture, including the covenant described below under the caption Certain Covenants Incurrence of Indebtedness . The Notes and any Additional Notes subsequently issued under the Indenture would be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The Company will issue Notes in denominations of $1,000 and integral multiples of $1,000. The Notes will mature on August 15, 2013.

Interest on the new notes will accrue at the rate of 9.250% per annum from February 15, 2008 and will be payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2008. The Company will make each interest payment to the Holders of record on the immediately preceding February 1 and August 1. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

**Methods of Receiving Payments on the Notes**

If a Holder has given wire transfer instructions to the Company, the Company will pay all principal, interest and premium on that Holder s Notes in accordance with those instructions. All other payments on Notes will be made at the office or agency of the Paying Agent and Registrar within The City and State of New York unless the Company elects to make interest payments by check mailed to the Holders at their addresses set forth in the register of Holders.

**Paying Agent and Registrar for the Notes**

The Trustee also acts as Paying Agent and Registrar. The Company may change the Paying Agent or Registrar without prior notice to the Holders, and the Company or any of its Subsidiaries may act as Paying Agent or Registrar.

**Transfer and Exchange**

A Holder may transfer or exchange Notes in accordance with the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a Holder to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Note selected for redemption. Also, the Company is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

**Note Guarantees**

The Notes are guaranteed, jointly and severally, by the Initial Guarantors. Each Note Guarantee:

- is a general unsecured obligation of that Guarantor;

is subordinated in right of payment to all existing and future Senior Debt of that Guarantor, including the Guarantee by that Guarantor of Indebtedness under the Credit Agreement;

is *pari passu* in right of payment with all existing and any future senior subordinated Indebtedness of that Guarantor, including the Guarantee by that Guarantor of the Series A notes; and

is senior in right of payment to any future subordinated Indebtedness of that Guarantor.

Each Note Guarantee will be subordinated to the prior payment in full of all Senior Debt of that Guarantor. The obligations of each Guarantor under its Note Guarantee will be limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance under applicable law. See Risk Factors The guarantees may not be enforceable because of fraudulent conveyance laws. As of December 31, 2007, the Initial Guarantors had outstanding Indebtedness of approximately $302.2 million, of which $4.0 million was Guarantees of Indebtedness under the Credit Agreement $198.9 million was Guarantees of the Series A Notes, $97.2 million was Guarantees of the outstanding notes, and $2.1 million was obligations under capital leases. Additionally, the Company s subsidiaries that are not guaranteeing the Notes had approximately $8.5 million of indebtedness and other liabilities, not including intercompany liabilities. See Certain Covenants Guarantees.

**Subordination**

The payment of principal, interest and premium on the Notes is subordinated to the prior payment in full in cash or Cash Equivalents of all Senior Debt of the Company, including Senior Debt of the Company Incurred after the Issue Date.

The holders of Senior Debt of the Company are entitled to receive payment in full in cash or Cash Equivalents of all Obligations due in respect of Senior Debt of the Company (including interest after the commencement of any bankruptcy proceeding at the rate specified in the documentation for the applicable Senior Debt of the Company) before the Holders of Notes are entitled to receive any payment with respect to the Notes (except that Holders of Notes may receive and retain Permitted Junior Securities and payments made from the trusts described below under the captions Legal Defeasance and Covenant Defeasance or Satisfaction and Discharge ), in the event of any distribution to creditors of the Company in connection with:

(1) any liquidation or dissolution of the Company;

(2) any bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property;

(3) any assignment for the benefit of creditors; or

(4) any marshaling of the Company s assets and liabilities.

The Company also may not make any payment in respect of the Notes (except in Permitted Junior Securities or from the trusts described under the captions Legal Defeasance and Covenant Defeasance ) if:

(1) a default (a payment default ) in the payment of principal, premium or interest on Designated Senior Debt of the Company occurs and is continuing; or

(2) any other default (a nonpayment default ) occurs and is continuing on any series of Designated Senior Debt of the Company that permits holders of that series of Designated Senior Debt of the Company to accelerate its maturity, and the Trustee receives a notice of such default (a Payment Blockage Notice ) from a representative of the holders of such Designated Senior Debt.

Payments on the Notes may and will be resumed:

(1) in the case of a payment default on Designated Senior Debt of the Company, upon the date on which such default is cured or waived; and

(2) in case of a nonpayment default on Designated Senior Debt of the Company, the earlier of (x) the date on which such default is cured or waived, (y) 179 days after the date on which the applicable Payment Blockage Notice is received and (z) the date the Trustee receives notice from the representative for such Designated Senior Debt rescinding the Payment Blockage Notice, unless, in each case, the maturity of such Designated Senior Debt of the Company has been accelerated.

No new Payment Blockage Notice may be delivered unless and until:

(1) 360 days have elapsed since the delivery of the immediately prior Payment Blockage Notice; and

(2) all scheduled payments of principal, interest and premium and Additional Interest, if any, on the Notes that have come due have been paid in full in cash or Cash Equivalents.

No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee will be, or be made, the basis for a subsequent Payment Blockage Notice unless such default has been cured or waived for a period of not less than 90 days.

If the Trustee or any Holder of the Notes receives a payment in respect of the Notes (except in Permitted Junior Securities or from the trusts described below under the captions Legal Defeasance and Covenant Defeasance ) when:

(1) the payment is prohibited by these subordination provisions; and

(2) the Trustee or the Holder has actual knowledge that the payment is prohibited (*provided* that such actual knowledge will not be required in the case of any payment default on Designated Senior Debt),

the Trustee or the Holder, as the case may be, will hold such payment in trust for the benefit of the holders of Senior Debt of the Company. Upon the proper written request of the holders of Senior Debt of the Company or, if there is any payment default on any Designated Senior Debt, the Trustee or the Holder, as the case may be, will deliver the amounts in trust to the holders of Senior Debt of the Company or their proper representative.

The Company must promptly notify holders of its Senior Debt if payment of the Notes is accelerated because of an Event of Default.

As a result of the subordination provisions described above, in the event of a bankruptcy, liquidation or reorganization of the Company, Holders of Notes may recover less ratably than other creditors of the Company.

Payments under the Note Guarantee of each Guarantor are subordinated to the prior payment in full of all Senior Debt of such Guarantor, including Senior Debt of such Guarantor Incurred after the Issue Date, on the same basis as provided above with respect to the subordination of payments on the Notes by the Company to the prior payment in full of Senior Debt of the Company. See Risk Factors Your right to receive payments on the notes will be junior to our existing and future senior debt, and the guarantees of the notes are junior to all of the guarantors existing and future senior debt.

*Designated Senior Debt* means:

(1) any Indebtedness outstanding under the Credit Agreement; and

(2) to the extent permitted under the Credit Agreement, any other Senior Debt permitted under the Indenture the amount of which is $25.0 million or more and that has been designated by the Company as Designated Senior Debt.

*Permitted Junior Securities* means:

(1) Equity Interests in the Company or any Guarantor or any other business entity provided for by a plan or reorganization; and

Table of Contents

(2) debt securities of the Company or any Guarantor or any other business entity provided for by a plan of reorganization that are subordinated to all Senior Debt and any debt securities issued in exchange for Senior Debt to the same extent as, or to a greater extent than, the Notes and the Note Guarantees are subordinated to Senior Debt under the Indenture.

*Senior Debt* of any Person means:

(1) all Indebtedness of such Person outstanding under the Credit Agreement and all Hedging Obligations with respect thereto, whether outstanding on the Issue Date or Incurred thereafter;

(2) any other Indebtedness of such Person permitted to be Incurred under the terms of the Indenture, unless the instrument under which such Indebtedness is Incurred expressly provides that it is on a parity with or is subordinated in right of payment to the Notes or any Note Guarantee; and

(3) all Obligations with respect to the items listed in the preceding clauses (1) and (2) (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law).

Notwithstanding anything to the contrary in the preceding paragraph, Senior Debt will not include:

(1) any liability for federal, state, local or other taxes owed or owing by the Company or any Guarantor;

(2) any Indebtedness of the Company or any Guarantor to any of their Subsidiaries or other Affiliates;

(3) any trade payables;

(4) the portion of any Indebtedness that is Incurred in violation of the Indenture, provided that a good faith determination by the Board of Directors of the Company evidenced by a Board Resolution, or a good faith determination by the Chief Financial Officer of the Company evidenced by an officer s certificate, that any Indebtedness being incurred under the Credit Agreement is permitted by the Indenture will be conclusive;

(5) any Indebtedness of the Company or any Guarantor that, when Incurred, was without recourse to the Company or such Guarantor;

(6) any repurchase, redemption or other obligation in respect of Disqualified Stock or Preferred Stock; or

(7) any Indebtedness owed to any employee of the Company or any of its Subsidiaries.

(8) any Indebtedness of the Company or any Guarantor under the Company s 9.250% senior subordinated notes due 2013 issued under the indenture dated August 12, 2005.

For the avoidance of doubt, the new notes shall rank *pari passu* with the Company s 9.250% senior subordinated notes due 2013 issued under the indenture dated August 12, 2005 and each related Note Guarantee of a Guarantor shall rank *pari passu* with that Guarantor s Guarantee of such notes.

**Optional Redemption**

At any time prior to August 15, 2008, the Company may redeem up to 35% of the aggregate principal amount of Notes issued under the Indenture (including any Additional Notes) at a redemption price of 109.250% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the redemption date, with the net cash proceeds of one or more Equity Offerings; *provided* that:

(1) at least 65% of the aggregate principal amount of Notes issued under the Indenture (including any Additional Notes) remains outstanding immediately after the occurrence of such redemption (excluding Notes held by the Company or its Affiliates); and

(2) the redemption must occur within 45 days of the date of the closing of such Equity Offering.

At any time prior to August 15, 2009, the Company may redeem all or part of the Notes upon not less than 30 nor more than 60 days prior notice at a redemption price equal to the sum of (1) 100% of the principal amount thereof, *plus* (2) the Applicable Premium as of the date of redemption, *plus* accrued and unpaid interest, if any, to the date of redemption.

Except pursuant to the preceding paragraphs, the Notes will not be redeemable at the Company s option prior to August 15, 2009.

On or after August 15, 2009, at any time or from time to time, the Company may redeem all or a part of the Notes upon not less than 30 nor more than 60 days notice, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest, if any, thereon, to the applicable redemption date, if redeemed during the twelve-month period beginning on August 15 of the years indicated below:

| **Year** | **Percentage** |
|---|---|
| 2009 | 104.625% |
| 2010 | 102.313% |
| 2011 and thereafter | 100.000% |

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(1) if the Notes are listed on any national securities exchange, in compliance with the requirements of such principal national securities exchange; or

(2) if the Notes are not so listed, on a pro rata basis, by lot or by such method as the Trustee will deem fair and appropriate.

No Notes of $1,000 or less will be redeemed in part. Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the Holder thereof upon cancellation of the original Note. Notes called for redemption will become due on the date fixed for redemption. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

**Mandatory Redemption**

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

**Repurchase at the Option of Holders**

***Change of Control***

If a Change of Control occurs, each Holder of Notes will have the right to require the Company to repurchase all or any part (equal to $1,000 or an integral multiple thereof) of that Holder s Notes pursuant to an offer (a Change of Control Offer ) on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment (a Change of Control Payment ) in cash equal to not less than 101% of the aggregate principal amount of Notes repurchased plus accrued and unpaid interest and Additional Interest, if any, thereon, to the date of repurchase (the Change of Control Payment Date, which date will be no earlier than the date of such Change of Control). No later than 30 days following any Change of Control, the Company will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control and offering to repurchase Notes on the Change of Control Payment Date specified in such notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed, pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Company.

The Paying Agent will promptly mail or wire transfer to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each Holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of $1,000 or an integral multiple thereof.

Prior to complying with the provisions of this covenant, but in any event no later than 30 days following a Change of Control, the Company will either repay all outstanding Senior Debt or obtain the requisite consents, if any, under all agreements governing outstanding Senior Debt to permit the repurchase of Notes required by this covenant. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Credit Agreement currently prohibits the Company from purchasing any Notes, and also provides that certain change of control events with respect to the Company would constitute a default under the Credit Agreement. Any future credit agreements or other agreements relating to Senior Debt to which the Company becomes a party may contain similar restrictions and provisions. In the event a Change of Control occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such consent or repay such borrowings, the Company will remain prohibited from purchasing Notes. In such case, the Company s failure to purchase tendered Notes would constitute an Event of Default under the Indenture which would, in turn, constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the Holders of Notes.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable regardless of whether any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of all or substantially all of the properties or assets of the Company and its

Table of Contents

Restricted Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Company to repurchase such Notes as a result of a sale, transfer, conveyance or other disposition of less than all of the assets of the Company and its Restricted Subsidiaries taken as a whole to another Person or group may be uncertain.

***Asset Sales***

The Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(1) the Company (or the Restricted Subsidiary, as the case may be) receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and

(2) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash, Cash Equivalents or Replacement Assets or a combination of both. For purposes of this provision, each of the following will be deemed to be cash:

(a) any liabilities (as shown on the Company s or such Restricted Subsidiary s most recent balance sheet) of the Company or any Restricted Subsidiary (other than contingent liabilities, Indebtedness that is by its terms subordinated to the Notes or any Note Guarantee and liabilities to the extent owed to the Company or any Affiliate of the Company) that are assumed by the transferee of any such assets or Equity Interests pursuant to a written novation agreement that releases the Company or such Restricted Subsidiary from further liability therefor;

(b) any securities, notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are contemporaneously (subject to ordinary settlement periods) converted by the Company or such Restricted Subsidiary into cash (to the extent of the cash received in that conversion); and

(c) any Designated Non-Cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale having an aggregated Fair Market Value, taken together with all other Designated Non-Cash consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of (x) 5.0% of the Company s Consolidated Net Assets as of the date or receipt of such Designated Non-Cash Consideration and (y) $15.0 million (with the Fair Market Value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

Within 540 days after the receipt of any Net Proceeds from an Asset Sale, the Company may apply such Net Proceeds at its option:

(1) to repay Senior Debt and, if the Senior Debt repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto; or

(2) to purchase Replacement Assets (or enter into a binding agreement to purchase such Replacement Assets; provided that (x) such purchase is consummated within 90 days after the date of such binding agreement and (y) if such purchase is not consummated, within the period set forth in subclause (x), the Net Proceeds not so applied will be deemed to be Excess Proceeds (as defined below)).

Pending the final application of any such Net Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture.

On the 541st day after an Asset Sale or such earlier date, if any, as the Company determines not to apply the Net Proceeds relating to such Asset Sale as set forth in the preceding paragraph (each such date being referred to as an Excess Proceeds Trigger Date ), such aggregate amount of Net Proceeds that has not been applied on or before the Excess Proceeds Trigger Date as permitted in the preceding paragraph ( Excess Proceeds ) will be applied by the Company to make an offer (an Asset Sale Offer ) to all Holders of Notes and all holders of other Indebtedness that ranks *pari passu* in right of payment with the Notes or any Note Guarantee containing provisions similar to those set forth in the Indenture with respect to offers to purchase with the proceeds of sales of assets, to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased using the Excess Proceeds. The offer price in any Asset Sale Offer will be equal to 100% of the principal amount of the Notes and such other *pari passu* Indebtedness plus accrued and unpaid interest and Additional Interest, if any, to the date of purchase, and will be payable in cash.

The Company may defer the Asset Sale Offer until there are aggregate unutilized Excess Proceeds equal to or in excess of $10.0 million resulting from one or more Asset Sales, at which time the entire unutilized amount of Excess Proceeds (not only the amount in excess of $10.0 million) will be applied as provided in the preceding paragraph. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Company may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and such other *pari passu* Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased on a pro rata basis based on the principal amount of Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Asset Sale Offer, Excess Proceeds subject to such Asset Sale and still held by the Company will no longer be deemed to be Excess Proceeds.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sales provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such compliance.

The Credit Agreement currently prohibits the Company from purchasing any Notes, and also provides that certain asset sale events with respect to the Company would constitute a default under the Credit Agreement. Any future credit agreements or other agreements relating to Senior Debt to which the Company becomes a party may contain similar restrictions and provisions. In the event an Asset Sale occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such a consent or repay such borrowings, the Company will remain prohibited from purchasing Notes. In such case, the Company s failure to purchase tendered Notes would constitute an Event of Default under the Indenture which would, in turn, constitute a default under such Senior Debt. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the Holders of Notes.

**Certain Covenants**

***Restricted Payments***

(A) The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay (without duplication) any dividend or make any other payment or distribution on account of the Company s or any of its Restricted Subsidiaries Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Company s or any of its Restricted Subsidiaries Equity Interests in their capacity as such (other than dividends, payments or distributions (x) payable in Equity Interests (other than Disqualified Stock) of the Company or (y) to the Company or a Restricted Subsidiary of the Company);

(2) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company or any of its Restricted Subsidiaries)

any Equity Interests of the Company, or any Restricted Subsidiary thereof held by Persons other than the Company or any of its Restricted Subsidiaries;

(3) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness that is subordinated to the Notes or any Note Guarantees, except (a) a payment of interest or principal at the Stated Maturity thereof or (b) the purchase, repurchase or other acquisition of any such Indebtedness in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition; or

(4) make any Restricted Investment (all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as Restricted Payments ),

unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default will have occurred and be continuing or would occur as a consequence thereof; and

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to Incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described below under the caption Incurrence of Indebtedness ; and

(3) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Issue Date (excluding Restricted Payments permitted by clauses (3), (4), (5), (6) and (10) of the next succeeding paragraph (B)), is less than the sum, without duplication, of:

(a) 50% of the Consolidated Net Income of the Company for the period (taken as one accounting period) from the beginning of the first fiscal quarter commencing after the Issue Date to the end of the Company s most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit), *plus*

(b) 100% of the aggregate net cash proceeds and the Fair Market Value of assets other than cash received by the Company since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests (other than Disqualified Stock) of the Company or from the Incurrence of Indebtedness of the Company that has been converted into or exchanged for such Equity Interests (other than Equity Interests sold to, or Indebtedness held by, a Subsidiary of the Company), *plus*

(c) with respect to Restricted Investments made by the Company and its Restricted Subsidiaries after the Issue Date, an amount equal to the net reduction in such Restricted Investments in any Person resulting from repayments of loans or advances, or other transfers of assets, in each case to the Company or any Restricted Subsidiary or from the net cash proceeds from the sale of any such Restricted Investment (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), from the release of any Guarantee (except to the extent any amounts are paid under such Guarantee) or from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Restricted Investments previously made by the Company or any Restricted Subsidiary in such Person or Unrestricted Subsidiary after the Issue Date; *plus*

(d) the amount by which Indebtedness of the Company is reduced on the Company s most recent quarterly balance sheet upon the conversion or exchange subsequent to the Issue Date of any Indebtedness of the Company convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash or the Fair Market Value of any other property distributed by the Company upon such conversion or exchange) plus the amount of any cash received

by the Company upon such conversion or exchange; *provided, however,* that such amount may not exceed the net proceeds received by the Company or any of its Restricted Subsidiaries from the conversion or exchange of such Indebtedness (excluding net proceeds from conversion or exchange by a Subsidiary of the Company or by an employee ownership plan or by a trust established by the Company or any of its Subsidiaries for the benefit of their employees).

(B) The preceding provisions will not prohibit, so long as, in the case of clauses (7) and (12) below, no Default has occurred and is continuing or would be caused thereby:

(1) the payment of any dividend within 60 days after the date of declaration thereof, if at said date of declaration such payment would have complied with the provisions of the Indenture;

(2) the payment of any dividend by a Restricted Subsidiary of the Company to the holders of its Common Stock on a pro rata basis;

(3) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness or Disqualified Stock of the Company or any Guarantor or of any Equity Interests of the Company or any Restricted Subsidiary in exchange for, or out of the net cash proceeds of a contribution to the Equity Interests (other than Disqualified Stock) of the Company or a substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests (other than Disqualified Stock) of the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, repurchase, retirement, defeasance or other acquisition will be excluded from clause (3) (b) of the preceding paragraph (A);

(4) the defeasance, redemption, repurchase or other acquisition of Indebtedness subordinated to the Notes or the Note Guarantees with the net cash proceeds from an Incurrence of Permitted Refinancing Indebtedness;

(5) Investments acquired as a capital contribution to, or in exchange for, or out of the net cash proceeds of a substantially concurrent offering of, Equity Interests (other than Disqualified Stock) of the Company; *provided* that the amount of any such net cash proceeds that are utilized for any such acquisition or exchange will be excluded from clause (3) (b) of the preceding paragraph (A);

(6) the repurchase of Capital Stock deemed to occur upon the exercise of options or warrants to the extent that such Capital Stock represents all or a portion of the exercise price thereof;

(7) the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company held by any current or former employee or director of the Company (or any of its Restricted Subsidiaries) pursuant to the terms of any employee equity subscription agreement, stock option agreement or similar agreement entered into in the ordinary course of business; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests in a calendar year does not exceed $2.0 million (with unused amounts in any calendar year after the Old Notes Issue Date being carried over to succeeding calendar years (without giving effect to the following proviso)) and does not exceed $6.0 million in aggregate; *provided further* that such amount in any calendar year may be increased by an amount not to exceed (A) the net cash proceeds received by the Company from the sale of Equity Interests (other than Disqualified Stock) of the Company to members of management or directors of the Company and its Restricted Subsidiaries that occurs after the Old Notes Issue Date (to the extent such cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments) plus (B) the net cash proceeds of key man life insurance policies received by the Company and its Restricted Subsidiaries after the Old Notes Issue Date, less (C) the amount of any Restricted Payments made pursuant to clauses (A) and (B) of this clause (7) after the Old Notes Issue Date;

(8) payments in respect of management fees to any of the Principals pursuant to agreements in effect on the Issue Date as described in this prospectus in an amount not to exceed an aggregate amount of $500,000 in any calendar year;

(9) payments of dividends on Disqualified Stock otherwise permitted under Indenture;

(10) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company;

(11) payments of dividends on the Company s common stock following the first bona fide underwritten public offering of common stock of the Company after the Closing Date, of up to 6% per annum of the net cash proceeds received by the Company from such public offering; *provided however,* that (A) at the time of payment of any such dividend, no Default will have occurred and be continuing (or result therefrom), and (B) the aggregate amount of all dividends paid under this clause (11) will not exceed the aggregate amount of net proceeds received by the Company from such public offering; and

(12) other Restricted Payments in an aggregate amount not to exceed $10.0 million since the Old Notes Issue Date.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued to or by the Company or such Subsidiary, as the case may be, pursuant to the Restricted Payment. Not later than the date of making any Restricted Payment, the Company will deliver to the Trustee an Officers Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this Restricted Payments covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

***Incurrence of Indebtedness***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness; *provided, however,* that the Company or any Guarantor may Incur Indebtedness or Disqualified Stock if the Fixed Charge Coverage Ratio for the Company s most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness or Disqualified Stock is Incurred would have been at least 2.0 to 1, determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness or Disqualified Stock had been Incurred at the beginning of such four-quarter period.

The first paragraph of this covenant will not prohibit the Incurrence of the following items of Indebtedness (collectively, Permitted Debt ):

(1) the Incurrence by the Company or any Guarantor of Indebtedness under Credit Facilities (including, without limitation, the Incurrence by the Company and the Guarantors of Guarantees thereof) in an aggregate amount at any one time outstanding pursuant to this clause (1) not to exceed $200.0 million, *less* the aggregate amount of all Net Proceeds of Asset Sales applied by the Company or any Restricted Subsidiary thereof to permanently repay any such Indebtedness pursuant to the covenant described above under the caption Repurchase at the Option of Holders Asset Sales ; provided that a Restricted Subsidiary that is not a Domestic Subsidiary or a Guarantor of Indebtedness under the Credit Facilities may incur Indebtedness pursuant to this clause (1), together with Indebtedness Incurred pursuant to clause (9) of this Incurrence of Indebtedness covenant, in an aggregate amount, after giving effect to such Incurrence, at any time outstanding not to exceed the greater of (a) $25.0 million or (b) 40% of the aggregate Consolidated Net Assets of such Restricted Subsidiaries;

(2) the Incurrence of Existing Indebtedness;

(3) the Incurrence by the Company and the Guarantors of Indebtedness represented by the Notes and the related Note Guarantees issued on the Issue Date;

(4) the Incurrence by the Company or any Guarantor of Indebtedness represented by Capital Lease Obligations, mortgage financings, construction loans or purchase money obligations for property acquired in the ordinary course of business, in each case Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used by the Company or any such Guarantor, in an aggregate amount, including all Permitted Refinancing

Table of Contents

Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (4), not to exceed 7.5% of the Company s Consolidated Net Assets at any time outstanding;

(5) the Incurrence by the Company or any Restricted Subsidiary of the Company of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to refund, refinance or replace Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be Incurred under the first paragraph of this covenant or clause (2), (3), (4), (5), or (10) of this paragraph;

(6) the Incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness owing to and held by the Company or any of its Restricted Subsidiaries; *provided, however,* that:

(a) if the Company or any Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, in the case of the Company, or the Note Guarantee, in the case of a Guarantor;

(b) Indebtedness owed to the Company or any Guarantor must be evidenced by an unsubordinated promissory note, unless the obligor under such Indebtedness is the Company or a Guarantor; and

(c) (i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary thereof and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary thereof, will be deemed, in each case, to constitute an Incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

(7) the Guarantee by the Company or any of the Guarantors of Indebtedness of the Company or a Restricted Subsidiary of the Company that was permitted to be Incurred by another provision of this covenant; or

(8) the Incurrence by the Company or any of its Restricted Subsidiaries of Hedging Obligations that are Incurred for the purpose of fixing, hedging or swapping interest rate, commodity price or foreign currency exchange rate risk (or to reverse or amend any such agreements previously made for such purposes), and not for speculative purposes, and that do not increase the Indebtedness of the obligor outstanding at any time other than as a result of fluctuations in interest rates, commodity prices or foreign currency exchange rates or by reason of fees, indemnities and compensation payable thereunder;

(9) the Incurrence by any Restricted Subsidiary other than a Domestic Subsidiary of Indebtedness in an aggregate amount at any time outstanding, after giving effect to such Incurrence and together with any Indebtedness Incurred under the proviso in clause (1) of this Incurrence of Indebtedness covenant, not to exceed the greater of (a) $25 million or (b) 40% of the Consolidated Net Assets of any such Restricted Subsidiaries; or

(10) the Incurrence by the Company or any Guarantor of additional Indebtedness in an aggregate amount at any time outstanding, including all Permitted Refinancing Indebtedness Incurred to refund, refinance or replace any Indebtedness Incurred pursuant to this clause (10), not to exceed the greater of (a) $15.0 million or (b) 5% of the Consolidated Net Assets of the Company.

For purposes of determining compliance with this covenant, in the event that any proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in clauses (1) through (10) above, or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Company will be permitted to classify such item of Indebtedness at the time of its Incurrence in any manner that complies with this covenant. In addition, any Indebtedness originally classified as Incurred pursuant to clauses (1) through (10) above may later be reclassified by the Company such that it will be deemed as having been Incurred pursuant to another of such clauses to the extent that such reclassified Indebtedness could be incurred pursuant to such new clause at the time of such reclassification. Notwithstanding the foregoing, Indebtedness under the

Credit Agreement outstanding on the Issue Date will be deemed to have been Incurred on such date in reliance on the exception provided by clause (1) of the definition of Permitted Debt.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

***Limitation on Senior Subordinated Debt***

The Company will not Incur any Indebtedness that is subordinate in right of payment to any Senior Debt of the Company unless it ranks *pari passu* or subordinate in right of payment to the Notes. No Guarantor will incur any Indebtedness that is subordinate or junior in right of payment to the Senior Debt of such Guarantor unless it ranks *pari passu* or subordinate in right of payment to such Guarantor s Note Guarantee. For purposes of the foregoing, no Indebtedness will be deemed to be subordinated in right of payment to any other Indebtedness of the Company or any Guarantor, as applicable, solely by reason of Liens or Guarantees arising or created in respect of such other Indebtedness of the Company or any Guarantor or by virtue of the fact that the holders of any secured Indebtedness have entered into intercreditor agreements giving one or more of such holders priority over the other holders in the collateral held by them.

***Liens***

The Company will not, and will not permit any of its Restricted Subsidiaries to, create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing Indebtedness (other than Permitted Liens) upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligations so secured (or, in the case of Indebtedness subordinated to the Notes or the Note Guarantees, prior or senior thereto, with the same relative priority as the Notes will have with respect to such subordinated Indebtedness) until such time as such obligations are no longer secured by a Lien.

***Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock (or with respect to any other interest or participation in, or measured by, its profits) to the Company or any of its Restricted Subsidiaries or pay any liabilities owed to the Company or any of its Restricted Subsidiaries;

(2) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(3) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries.

However, the preceding restrictions will not apply to encumbrances or restrictions:

(1) existing under, by reason of or with respect to the Credit Agreement, Existing Indebtedness or any other agreements in effect on the Issue Date and any amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacements or refinancings thereof, *provided* that the encumbrances and restrictions in any such amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, than those contained in the Credit Agreement, Existing

Indebtedness or such other agreements, as the case may be, as in effect on the Issue Date;

(2) set forth in the Indenture, the Notes and the Note Guarantees;

(3) existing under, by reason of or with respect to applicable law;

(4) with respect to any Person or the property or assets of a Person acquired by the Company or any of its Restricted Subsidiaries existing at the time of such acquisition and not incurred in connection with

or in contemplation of such acquisition, which encumbrance or restriction is not applicable to any Person or the properties or assets of any Person, other than the Person, or the property or assets of the Person so acquired and any amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacements or refinancings thereof; *provided* that the encumbrances and restrictions in any such amendments, modifications, restatements, renewals, extensions, supplements, refundings, replacement or refinancings are no more restrictive, taken as a whole, than those in effect on the date of the acquisition;

(5) in the case of clause (3) of the first paragraph of this covenant:

(a) that restrict in a customary manner the subletting, assignment or transfer of any property or asset that is a lease, license, conveyance or contract or similar property or asset,

(b) existing by virtue of any transfer of, agreement to transfer, option or right with respect to, or Lien on, any property or assets of the Company or any Restricted Subsidiary thereof not otherwise prohibited by the Indenture;

(c) any encumbrance or restriction arising or existing by reason of construction loans or purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations, in each case to the extent permitted under the Indenture;

(d) customary restrictions imposed on the transfer of intellectual property in connection with licenses of such intellectual property in the ordinary course of business;

(e) encumbrances or restrictions existing under or by reason of provisions with respect to the disposition or distribution of assets or property in joint venture agreements and other similar agreements, in each case to the extent permitted under the Indenture, so long as any such encumbrances or restrictions are not applicable to any Person (to its property or assets) other than such joint venture or a Subsidiary thereof; or

(f) arising or agreed to in the ordinary course of business, not relating to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary thereof in any manner material to the Company or any Restricted Subsidiary thereof;

(6) existing under, by reason of or with respect to any agreement for the sale or other disposition of all or substantially all of the Capital Stock of, or property and assets of, a Restricted Subsidiary that restrict distributions by that Restricted Subsidiary pending such sale or other disposition; and

(7) on cash or other deposits or net worth imposed by customers or required by insurance, surety or bonding companies, in each case, under contracts entered into in the ordinary course of business.

***Merger, Consolidation or Sale of Assets***

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving Person) or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties and assets of the Company and its Restricted Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving Person; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition will have been made (i) is a Person organized or existing under the laws of the United States, any state thereof or the District of Columbia and (ii) assumes all the obligations of the Company under the Notes, the Indenture and, to the

extent applicable, the Registration Rights Agreement pursuant to agreements reasonably satisfactory to the Trustee;

(2) immediately after giving effect to such transaction no Default or Event of Default exists;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which

such sale, assignment, transfer, conveyance or other disposition will have been made, will be permitted to Incur at least $1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption Incurrence of Indebtedness.

(4) each Guarantor, unless such Guarantor is the Person with which the Company has entered into a transaction under this covenant, will have by amendment to its Note Guarantee confirmed that its Note Guarantee will apply to the obligations of the Company or the surviving Person in accordance with the Notes and the Indenture.

(5) the Company delivers to the Trustee an Officers Certificate (attaching the arithmetic computation to demonstrate compliance with clause (3) above) and Opinion of Counsel, in each case stating that such transaction and such agreement complies with this covenant and that all conditions precedent provided for in this covenant relating to such transaction have been complied with.

Upon any consolidation or merger, or any sale, assignment, transfer, conveyance or other disposition of all or substantially all of the assets of the Company in accordance with this covenant, the successor corporation formed by such consolidation or into or with which the Company is merged or to which such sale, assignment, transfer, conveyance or other disposition is made will succeed to, and be substituted for (so that from and after the date of such consolidation, merger, sale, assignment, conveyance or other disposition, the provisions of the Indenture referring to the Company will refer instead to the successor corporation and not to the Company), and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor Person had been named as the Company in the Indenture.

In addition, the Company and its Restricted Subsidiaries may not, directly or indirectly, lease all or substantially all the properties or assets of the Company and its Restricted Subsidiaries considered as one enterprise, in one or more related transactions, to any other Person. Clause (3) above of this covenant will not apply to any merger, consolidation or sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any of its Restricted Subsidiaries.

***Transactions with Affiliates***

The Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into, make, amend, renew or extend any transaction, contract, agreement, understanding, loan, advance or Guarantee with, or for the benefit of, any Affiliate (each, an Affiliate Transaction ), unless:

(1) such Affiliate Transaction is on terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm s-length transaction by the Company or such Restricted Subsidiary with a Person that is not an Affiliate of the Company or any of its Restricted Subsidiaries; and

(2) the Company delivers to the Trustee:

(a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $5.0 million, a Board Resolution set forth in an Officers Certificate certifying that such Affiliate Transaction or series of related Affiliate Transactions complies with this covenant, and that such Affiliate Transaction or series of related Affiliate Transactions has been approved by a majority of the disinterested members of the Board of Directors of the Company; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of $25.0 million, an opinion as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction or series of related Affiliate Transactions from a financial point of view issued by an independent accounting, appraisal or investment banking firm of national standing.

Table of Contents

The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of the prior paragraph:

(1) transactions between or among the Company and/or its Restricted Subsidiaries;

(2) payment of reasonable and customary fees to, and reasonable and customary indemnification and similar payments on behalf of, directors of the Company;

(3) Restricted Payments that are permitted by the provisions of the Indenture described above under the covenants described under the caption Restricted Payments including, without limitation, payments included in the definition of Permitted Investments ; and

(4) any sale of Equity Interests (other than Disqualified Stock) of the Company;

(5) the receipt by the Company of any capital contribution from its shareholders;

(6) transactions pursuant to agreements or arrangements in effect on the Old Notes Issue Date and described in the Old Notes prospectus, or any amendment, modification, or supplement thereto or replacement thereof, as long as such agreement or arrangement, as so amended, modified or supplemented or replaced, taken as a whole, is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreements or arrangements in existence on the Old Notes Issue Date;

(7) payment by the Company of management or other similar fees to any of the Principals pursuant to any agreement or arrangement in an aggregate amount not to exceed $500,000 in any calendar year; and

(8) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company or any of its Restricted Subsidiaries with officers and employees of the Company or any of its Restricted Subsidiaries and the payment of compensation to officers and employees of the Company or any of its Restricted Subsidiaries (including amounts paid pursuant to employee benefit plans, employee stock option or similar plans), so long as such agreement or payment has been approved by the Board of Directors of the Company.

***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors of the Company may designate any Restricted Subsidiary of the Company to be an Unrestricted Subsidiary; *provided* that:

(1) any Guarantee by the Company or any Restricted Subsidiary thereof of any Indebtedness of the Subsidiary being so designated will be deemed to be an Incurrence of Indebtedness by the Company or such Restricted Subsidiary (or both, if applicable) at the time of such designation, and such Incurrence of Indebtedness would be permitted under the covenant described above under the caption Incurrence of Indebtedness, and any lien on the property of the Restricted Subsidiary will be permitted to exist under the covenant described above under the caption Liens;

(2) the aggregate Fair Market Value of all outstanding Investments owned by the Company and its Restricted Subsidiaries in the Subsidiary being so designated (including any Guarantee by the Company or any Restricted Subsidiary of any Indebtedness of such Subsidiary) will be deemed to be a Restricted Investment made as of the time of such designation and that such Investment would be permitted under the covenant described above under the caption Restricted Payments ;

(3) the Subsidiary being so designated:

(a) except as permitted by the covenant described above under the caption Transaction with Affiliates, is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to the Company or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Company;

(b) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (i) to subscribe for additional Equity Interests or (ii) to maintain or preserve such Person s financial condition or to cause such Person to achieve any specified levels of operating results; and

(c) has not Guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of the Company or any of its Restricted Subsidiaries, except to the extent such Guarantee or credit support would be released upon such designation; and

(4) no Default or Event of Default would be in existence following such designation.

Any designation of a Restricted Subsidiary of the Company as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee the Board Resolution giving effect to such designation and an Officers Certificate certifying that such designation complied with the preceding conditions and was permitted by the Indenture. If, at any time, any Unrestricted Subsidiary would fail to meet any of the preceding requirements and such failure continues for a period of 30 days, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness, Investments, or Liens on the property, of such Subsidiary will be deemed to be Incurred or made by a Restricted Subsidiary of the Company as of such date and, if such Indebtedness, Investments or Liens are not permitted to be Incurred or made as of such date under the Indenture, the Company will be in default under the Indenture.

The Board of Directors of the Company may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that:

(1) such designation will be deemed to be an Incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if such Indebtedness is permitted under the covenant described under the caption Incurrence of Indebtedness;

(2) all outstanding Investments owned by such Unrestricted Subsidiary will be deemed to be made as of the time of such designation and such designation will only be permitted if such Investments would be permitted under the covenant described above under the caption Restricted Payments ;

(3) all Liens upon property or assets of such Unrestricted Subsidiary existing at the time of such designation would be permitted under the covenant described under the caption Liens ; and

(4) no Default or Event of Default would be in existence following such designation.

***Limitation on Issuances and Sales of Preferred Stock in Restricted Subsidiaries***

The Company will not, and will not permit any Restricted Subsidiary to, transfer, convey, sell, lease or otherwise dispose of any Preferred Stock in any Restricted Subsidiary of the Company that is not a Guarantor to any Person (other than the Company or a Restricted Subsidiary of the Company), unless:

(1) such transfer, conveyance, sale, lease or other disposition is of all the Equity Interest in such Restricted Subsidiary owned by the Company and its Restricted Subsidiaries; and

(2) the cash Net Proceeds from such transfer, conveyance, sale, lease or other disposition are applied in accordance with the covenant described above under the caption Repurchase at the Option of Holders Asset Sales.

In addition, the Company will not permit any Restricted Subsidiary of the Company that is not a Guarantor to issue any of its Preferred Stock (other than, if necessary, shares of its Capital Stock constituting directors qualifying shares or issuances of shares of Capital Stock of foreign Restricted Subsidiaries to foreign nationals, to the extent required by applicable law) to any Person other than to the Company or a Restricted Subsidiary of the Company.

Table of Contents

*Guarantees*

If the Company or any of its Restricted Subsidiaries acquires or creates another Domestic Subsidiary (other than an Immaterial Subsidiary) on or after the Issue Date, then that newly acquired or created Domestic Subsidiary must become a Guarantor of the Notes and execute a supplemental indenture and deliver an Opinion of Counsel with respect to such Guarantee. Any Immaterial Subsidiary that no longer meets the definition of Immaterial Subsidiary must become a Guarantor of the Notes in accordance with the following paragraph.

The Company will not permit any Domestic Subsidiary (including any Immaterial Subsidiary), directly or indirectly, to Guarantee or pledge any assets to secure the payment of any other Indebtedness of the Company or any other Restricted Subsidiary thereof unless such Restricted Subsidiary is a Guarantor or simultaneously executes and delivers to the Trustee an Opinion of Counsel and a supplemental indenture providing for the Guarantee of the payment of the Notes by such Restricted Subsidiary, which Guarantee will be senior to, or *pari passu* with, such Subsidiary s Guarantee of such other Indebtedness unless such other Indebtedness is Senior Debt, in which case the Guarantee of the Notes may be subordinated to the Guarantee of such Senior Debt to the same extent as the Notes are subordinated to such Senior Debt.

A Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person), another Person, other than the Company or another Guarantor, unless:

(1) immediately after giving effect to that transaction, no Default or Event of Default exists; and

(2) either:

(a) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger (if other than the Guarantor) is organized or existing under the laws of the United States, any state thereof or the District of Columbia and assumes all the obligations of that Guarantor under the Indenture, its Note Guarantee and the Registration Rights Agreement pursuant to a supplemental indenture satisfactory to the Trustee; or

(b) such sale or other disposition or consolidation or merger complies with the covenant described above under the caption Repurchase at the Option of Holders Asset Sales.

The Note Guarantee of a Guarantor will be released:

(1) in connection with any sale or other disposition of all of the Capital Stock of a Guarantor to a Person that is not (either before or after giving effect to such transaction) a Restricted Subsidiary of the Company, if the sale of all such Capital Stock of that Guarantor complies with the covenant described above under the caption Repurchase at the Option of Holders Asset Sales ;

(2) if the Company properly designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary under the Indenture; or

(3) solely in the case of a Note Guarantee created pursuant to the second paragraph of this covenant, upon the release or discharge of the Guarantee which resulted in the creation of such Note Guarantee pursuant to this covenant, except a discharge or release by or as a result of payment under such Guarantee.

***Business Activities***

The Company will not, and will not permit any Restricted Subsidiary thereof to, engage in any business other than Permitted Businesses, except to such extent as would not be material to the Company and its Restricted Subsidiaries taken as a whole.

*Payments for Consent*

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

*Reports*

The Company will furnish to the Trustee and, upon request, to the Holders a copy of all of the information and reports referred to in clauses (1) and (2) below, if such information and reports are not filed electronically with the Commission, within the time periods specified in the Commission s rules and regulations:

(1) all quarterly and annual financial information that would be required to be contained in a filing with the Commission on Forms 10-Q and 10-K if the Company were required to file such Forms, including a Management s Discussion and Analysis of Financial Condition and Results of Operations and, with respect to the annual information only, a report on the annual financial statements by the Company s certified independent accountants; and

(2) all current reports that would be required to be filed with the Commission on Form 8-K if the Company were required to file such reports.

After consummation of this Exchange Offer, whether or not required by the Commission, the Company will comply with the periodic reporting requirements of the Exchange Act and will file the reports specified in the preceding paragraph with the Commission within the time periods specified above unless the Commission will not accept such a filing. The Company agrees that it will not take any action for the purpose of causing the Commission not to accept any such filings. If, notwithstanding the foregoing, the Commission will not accept the Company s filings for any reason, the Company will post the reports referred to in the preceding paragraph on its website within the time periods that would apply if the Company were required to file those reports with the Commission.

If the Company has designated any of its Subsidiaries as Unrestricted Subsidiaries or if any of the Company s Subsidiaries are not Guarantors, then the Company will include a reasonably detailed discussion of the financial condition and results of operations of such Unrestricted Subsidiary, or if more than one, of such Unrestricted Subsidiaries, taken as a whole and of such non-Guarantor Subsidiaries taken as a whole, separately in each case, in the section of the Company s quarterly and annual financial information required by this covenant under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations, and further, in the case of the non-Guarantor Subsidiaries, also include a presentation of the financial condition and results of operations of such non-Guarantor Subsidiaries on the face of the financial statements or in the footnotes thereto, separate from the financial condition and results of operations of the Company and its Restricted Subsidiaries.

In addition, the Company and the Guarantors have agreed that, for so long as any Notes remain outstanding, they will furnish to the Holders and to prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

**Events of Default and Remedies**

Each of the following is an Event of Default:

(1) default for 30 days in the payment when due of interest on, or Additional Interest with respect to, the Notes whether or not prohibited by the subordination provisions of the Indenture;

(2) default in payment when due (whether at maturity, upon acceleration, redemption or otherwise) of the principal of, or premium, if any, on the Notes, whether or not prohibited by the subordination provisions of the Indenture;

(3) failure by the Company or any of its Restricted Subsidiaries to consummate a purchase of the Notes when required by the provisions described under the captions Repurchase at the Option of Holders Change of Control, or Repurchase at the Option of Holders Asset Sales or failure to comply with Certain Covenants Merger, Consolidation or Sale of Assets ;

(4) failure by the Company or any of its Restricted Subsidiaries for 60 days after written notice by the Trustee or Holders representing 25% or more of the aggregate principal amount of Notes outstanding to comply with any of the other agreements in the Indenture;

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary (or any Restricted Subsidiaries that together would constitute a Significant Subsidiary) (or the payment of which is Guaranteed by the Company or any of its Restricted Subsidiaries) whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, if that default:

(a) is caused by a failure to make any payment when due at the final maturity of such Indebtedness (a Payment Default ); or

(b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates $10.0 million or more;

(6) failure by the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary (or any Restricted Subsidiaries that together would constitute a Significant Subsidiary) to pay final judgments (to the extent such judgments are not paid or covered by insurance provided by a reputable carrier that has the ability to perform and has acknowledged coverage in writing) aggregating in excess of $10.0 million, which judgments are not paid, discharged or stayed for a period of 60 days;

(7) except as permitted by the Indenture, any Note Guarantee will be held in any judicial proceeding to be unenforceable or invalid or will cease for any reason to be in full force and effect or any Guarantor, or any Person acting on behalf of any Guarantor, will deny or disaffirm its obligations under its Note Guarantee; and

(8) certain events of bankruptcy or insolvency with respect to the Company, any Guarantor or any Restricted Subsidiary that is a Significant Subsidiary of the Company (or any Restricted Subsidiaries that together would constitute a Significant Subsidiary).

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Guarantor or any Restricted Subsidiary that is a Significant Subsidiary of the Company (or any Restricted Subsidiaries that together would constitute a Significant Subsidiary), all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately by notice in writing to the Company specifying the event of default; *provided, however,* that so long as any Indebtedness permitted to be Incurred pursuant to the Credit Agreement will be outstanding, that acceleration will not be effective until the earlier of (1) an acceleration of Indebtedness under the Credit Agreement; or (2) five Business Days after receipt by the Company, and Agent under the Credit Agreement of written notice of the acceleration of the Notes.

In the event of a declaration or acceleration of the Notes because an Event of Default described in clause (5) above has occurred and is continuing, the declaration of acceleration of the notes will be automatically annulled if the payment default or other default triggering such Event of Default pursuant to clause (5) above is remedied or cured by the Company or any of its Restricted Subsidiaries or waived by the holders of the relevant Indebtedness within 60 days after the declaration of acceleration with respect thereto and if (a) annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (b) all existing Events of Default, except nonpayment of principal,

Table of Contents

premium or interest on the notes that became due solely because of the acceleration of the Notes, have been cured or waived.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders of the Notes notice of any Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest or Additional Interest) if it determines that withholding notice is in their interest.

The Holders of a majority in aggregate principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the Holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of interest or Additional Interest on, or the principal of, the Notes. The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders of Notes not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders of Notes. A Holder may not pursue any remedy with respect to the Indenture or the Notes unless:

(1) the Holder gives the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity satisfactory to the Trustee against any costs, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium or Additional Interest, if any, or interest on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right will not be impaired or affected without the consent of the Holder.

In the case of any Event of Default occurring by reason of any willful action or inaction taken or not taken by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium will also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes. If an Event of Default occurs during any time that the Notes are outstanding, by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Notes, then the premium specified in the first paragraph of Optional Redemption will also become immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The Company is required to deliver to the Trustee annually within 90 days after the end of each fiscal year a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

Table of Contents

**No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator, stockholder, member, manager or partner of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture, the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws.

**Legal Defeasance and Covenant Defeasance**

The Company may, at its option and at any time, elect to have all of its obligations discharged with respect to the outstanding Notes and all obligations of the Guarantors discharged with respect to their Note Guarantees ( Legal Defeasance ) except for:

(1) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, or interest or premium and Additional Interest, if any, on such Notes when such payments are due from the trust referred to below;

(2) the Company s obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee, and the Company s and the Guarantors obligations in connection therewith; and

(4) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and the Guarantors released with respect to certain covenants that are described in the Indenture ( Covenant Defeasance ) and all obligations of the Guarantors with respect to the Guarantees discharged, and; thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes or the Guarantees. In the event Covenant Defeasance occurs, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under Events of Default will no longer constitute Events of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants, to pay the principal of, or interest and premium and Additional Interest, if any, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company will have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that (a) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Legal

Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company will have delivered to the Trustee an Opinion of Counsel reasonably acceptable to the Trustee confirming that the Holders of the outstanding Notes will not recognize income, gain or loss for federal income tax purposes as a result of such Covenant

Defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default will have occurred and be continuing either: (a) on the date of such deposit; or (b) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 123rd day after the date of deposit (other than a Default resulting from the borrowing of funds to be applied to such deposit);

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(6) the Company must have delivered to the Trustee an Opinion of Counsel to the effect that, (1) assuming no intervening bankruptcy of the Company or any Guarantor between the date of deposit and the 123rd day following the deposit and assuming that no Holder or the Trustee is deemed to be an insider of the Company under the United States Bankruptcy Code and the New York Debtor and Creditor Law, and assuming that the deposit is not otherwise deemed to be to or for the benefit of an insider of the Company under the United States Bankruptcy Code and the New York Debtor and Creditor Law, and assuming that no Holder or the Trustee is deemed to be an initial transferee or mediate transferee of a transfer within the meaning of Section 550 of the United States Bankruptcy Code, after the 123rd day following the deposit, the transfer of the trust funds pursuant to such deposit will not be subject to avoidance pursuant to Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law and (2) the creation of the defeasance trust does not violate the Investment Company Act of 1940;

(7) the Company must deliver to the Trustee an Officers Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(8) the Company must deliver to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

**Amendment, Supplement and Waiver**

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes and the Guarantees may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing default or compliance with any provision of the Indenture, the Notes and the Guarantees may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of each Holder affected, an amendment or waiver may not (with respect to any Notes held by a non-consenting Holder):

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter the provisions, or waive any payment, with respect to the redemption of the Notes (other than any provision with respect to the covenant described under the caption Repurchase at the Options of Holders Asset Sales or Repurchase at the Option of Holders Change of Control or Merger, Consolidation and Sale of Assets );

(3) reduce the rate of, or change the time for payment of, interest on any Note;

Table of Contents

(4) waive a Default or Event of Default in the payment of principal of, or interest, or premium or Additional Interest, if any, on, the Notes (except a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than U.S. dollars;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Holders of Notes to receive payments of principal of, or interest or premium or Additional Interest, if any, on, the Notes;

(7) release any Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture;

(8) impair the right to institute suit for the enforcement of any payment on or with respect to the Notes or the Note Guarantees;

(9) except as otherwise permitted under the covenants described under the captions Certain Covenants Guarantees, consent to the assignment or transfer by the Company or any Guarantor of any of their rights or obligations under the Indenture; or

(10) make any change in the preceding amendment and waiver provisions.

In addition, any amendment to or waiver of, any of the provisions of the Indenture or the related definitions affecting the subordination or ranking of the Notes or any Note Guarantee in any manner adverse to the Holders will require the consent of the Holders of at least 75% in the aggregate amount of the Notes then outstanding, otherwise the Company may not amend or waive any such provisions.

Notwithstanding the preceding, without the consent of any Holder of Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of certificated Notes;

(3) to provide for the assumption of the Company s or any Guarantor s obligations to Holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Company s or such Guarantor s assets;

(4) to make any change that would provide any additional rights or benefits to the Holders of Notes or that does not materially adversely affect the legal rights under the Indenture of any such Holder, including the addition of any new Note Guarantee;

(5) to comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act;

(6) to comply with the provisions described under Certain Covenants Guarantees, including to reflect the release of a Guarantee of the Notes in accordance with the Indenture;

(7) to secure the Notes and/or Guarantees of the Notes;

(8) to evidence and provide for the acceptance of appointment by a successor Trustee; or

(9) to provide for the issuance of Additional Notes in accordance with the Indenture.

### Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company) have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, non-callable Government Securities, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation for principal, premium and Additional Interest, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company or any Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Company must deliver an Officers Certificate and an Opinion of Counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

### Concerning the Trustee

If the Trustee becomes a creditor of the Company or any Guarantor, the Indenture and the Trust Indenture Act limit its right to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days, apply to the Commission for permission to continue or resign.

The Indenture provides that in case an Event of Default will occur and be continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes, unless such Holder will have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

### Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

*Additional Interest* means all additional interest owing on the Notes pursuant to the Registration Rights Agreement.

*Affiliate* of any specified Person means (1) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person or (2) any executive officer or director of such specified Person. For purposes of this definition, control, as used with respect to any Person, will mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise; *provided* that beneficial ownership of 10% or more of the Voting Stock of a Person will be deemed to be control. For purposes of this definition, the terms controlling, controlled by and under common control with will have correlative meanings.

*Applicable Premium* means, with respect to a Note at any date of redemption, the greater of (1) 1.0% of the principal amount of such Note and (2) the excess of (A) the present value at such date of redemption of (i) the redemption price of such Note at August 15, 2009 (such redemption price being described under Optional Redemption ) *plus* (ii) all remaining required interest payments due on such Note through August 15, 2009 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (B) the principal amount of such Note.

*Asset Sale* means:

(1) the sale, lease, conveyance or other disposition of any assets, other than a transaction governed by the provisions of the Indenture described above under the caption Repurchase at the Option of Holders Change of Control and/or the provisions described above under the caption Certain Covenants Merger, Consolidation or Sale of Assets; and

(2) the issuance of Equity Interests by any of the Company s Restricted Subsidiaries or the sale by the Company or any Restricted Subsidiary thereof of Equity Interests in any of its Subsidiaries (other than directors qualifying shares and shares issued to foreign nationals to the extent required by applicable law).

Notwithstanding the preceding, the following items will be deemed not to be Asset Sales:

(1) any single transaction or series of related transactions that involves assets or Equity Interests having a Fair Market Value of less than $1.0 million;

(2) a transfer of assets or Equity Interests between or among the Company and its Restricted Subsidiaries;

(3) an issuance or sale of Equity Interests by a Restricted Subsidiary of the Company to the Company or to another Restricted Subsidiary;

(4) the sale or lease of equipment, inventory, accounts receivable or other assets in the ordinary course of business;