CARDTRONICS INC
Form 424B3
June 17, 2008

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Registration No. 333-149236

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We will exchange all outstanding notes that are validly tendered and not validly withdrawn before the exchange offer expires for an equal principal amount of new notes.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 July 16, 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Tenders of outstanding notes may be withdrawn at any time prior to the expiration of the exchange offer.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 9 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 June 17, 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.

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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, 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

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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 our advanced-functionality Vcom™ terminals; 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 9 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. is a single-source provider of automated teller machine (ATM) solutions. We provide ATM management and equipment-related services (typically under multi-year contracts with initial terms generally of five to seven years) to large, nationally-known retail merchants as well as smaller retailers and operators of facilities such as shopping malls and airports. As of March 31, 2008, we operated over 32,600 ATMs throughout the United States, the United Kingdom, and Mexico, making us the operator of the world s largest network of ATMs.

We believe 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. As of March 31, 2008, over 10,000 of our Company-owned ATMs (discussed below) were under contract with well-known banks to place their logos on those machines and to provide convenient surcharge-free access to their customers. We also operate the Allpoint network, which we believe is the largest surcharge-free ATM network within the United States based on the number of participating ATMs. Allpoint provides surcharge-free ATM access to customers of participating financial institutions that lack a significant ATM network.

We deploy and operate ATMs under two distinct arrangements with our merchant customers: Company-owned and merchant-owned. Under Company-owned arrangements, we provide the ATM and are typically responsible for all aspects of its operation, including transaction processing, procuring cash, supplies, and telecommunications as well as routine and technical maintenance. Under merchant-owned arrangements, the merchant owns the ATM and is usually responsible for providing cash and performing simple maintenance tasks, while we provide more complex maintenance services, transaction processing, and connection to electronic funds transfer (EFT) networks. As of March 31, 2008, approximately 66% of our ATMs were Company-owned and 34% were merchant-owned. 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 remains 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.

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 terminals. 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 terminals in existing and future 7-Eleven store locations in the United States for 10 years following the acquisition date. 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 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 generate additional revenue by branding our ATMs with signage from banks and other financial institutions, resulting in surcharge-free access to our ATMs and added convenience for their customers, as well as increased usage of our ATMs. Our branding arrangements include relationships with leading national financial institutions, including Citibank, N.A., HSBC Bank USA, N.A., JPMorgan Chase Bank, N.A., Sovereign Bank, and Washington Mutual Bank. We also generate revenue by collecting fees from financial institutions that participate in our surcharge-free networks, the largest of which is the Allpoint Network.

For the three months ended March 31, 2008, we processed over 53.9 million cash withdrawal transactions, which resulted in approximately $5.1 billion in cash disbursements, and processed over 29.1 million of other ATM transactions, which included balance inquiries, fund transfers, and other non-withdrawal transactions. For the year ended December 31, 2007, and on a pro forma basis giving effect to the 7-Eleven ATM Transaction, we processed over 207.4 million cash withdrawal transactions, which resulted in approximately $19.4 billion in cash disbursements, and processed over 95.4 million of other ATM transactions. Excluding the pro forma effects of the 7-Eleven ATM Transaction, we processed over 166.2 million cash withdrawal transactions, resulting in approximately $15.6 billion in cash disbursements, and processed over 80.3 million of other ATM transactions.

For the three months ended March 31, 2008, we generated revenues of $120.6 million. For the year ended December 31, 2007, we generated pro forma revenues of $465.8 million, which included approximately $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 terminals. 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 the year ended December 31, 3007 would have totaled $461.6 million. Excluding the pro forma effects of the 7-Eleven ATM Transaction, we generated revenues of $378.3 million for the year ended December 31, 2007.

Our 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 negatively affected our 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 and the first quarter of 2008. 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 $5.7 million in impairment charges during the year ended December 31, 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 Years Ended December 31, 2007, 2006, and 2005 Amortization Expense.

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All these expenditures adversely impacted our income from operations, which totaled $15.2 million on a pro forma basis for the year ended December 31, 2007 (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, for the year ended December 31, 2007, our income from operations totaled $9.9 million, and we generated a net loss of $27.1 million.

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. Prior to our initial public offering, 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 279,955 shares of our common stock (on a split-adjusted basis). As a result of this conversion, no shares of preferred stock were 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 $137.3 million in cash. That amount included a $1.3 million payment for estimated acquired working capital and approximately $1.0 million in other related closing costs. 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 terminals 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. On March 19, 2008, we amended our revolving credit agreement to increase the authorized capital expenditure level that the Company may incur on a rolling 12-month basis from $75.0 million to $90.0 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 facility agreement) to allow for the new issuance of the Series B Notes, (iii) extend the term of the credit agreement

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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.

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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 July 16, 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: DTC has received your instructions to exchange your notes; and you agree to be bound by the terms of the letter of transmittal. 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.

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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.

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: junior in right of payment to all of our existing and future senior indebtedness, including borrowings under our bank credit facility; *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 senior in right of payment to any future subordinated debt. As of March 31, 2008, we had outstanding indebtedness of approximately \$345.9 million, net of applicable discounts. Of this amount, approximately \$49.7 million would have ranked senior in right of payment to the new Notes and guarantees, which consisted of \$39.5 million outstanding under our revolving credit facility, \$8.5 million outstanding under certain borrowing arrangement in place with respect to our Mexico subsidiary, including guarantees of such amounts, and \$1.7 million of capital lease obligations.

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: incur or guarantee additional indebtedness; incur senior subordinated debt; make certain restricted payments; consolidate or merge with or into other companies; conduct asset sales; restrict dividends or other payments to us; engage in transactions with affiliates or related persons; create liens; redeem or repurchase capital stock; and issue and sell preferred stock in restricted subsidiaries. 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.

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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 ATM transaction fees, including fees we receive through our bank branding and surcharge-free network 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.

During 2007, we saw a decline in the average number of ATMs that we operate in the United States. Such decline, which totaled approximately 1.6% for our consolidated U.S. ATM portfolio, 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 totaled approximately 6.2% during the year ended December 31, 2007, and was due primarily to (i) an internal initiative launched by us to identify and eliminate certain underperforming accounts, (ii) increased competition from local and regional independent ATM service organizations, and (iii) certain network security upgrade requirements.

Although we did not see as significant a decline in the average number of ATMs during the first quarter of 2008, 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.

In the United States, the proliferation of payment options other than cash, 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

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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 fiscal years and incurred a net loss of $4.6 million for the three months ended March 31, 2008. As of March 31, 2008, we had an accumulated deficit of $35.0 million. There can be no guarantee that we will achieve profitability in the future. 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.

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 29.3% of our ATM operating revenues for the three months ended March 31, 2008 and 27.8% of our total pro forma ATM operating revenues for the year ended December 31, 2007, 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 three months ended March 31,2008, we derived 44.7% of our total revenues from ATMs placed at the locations of our five largest merchants. For the year ended December 31, 2007, we derived 45.4% of our total pro forma revenues from ATMs placed at the locations of our five largest merchants. For the three months ended March 31, 2008 and the year ended December 31, 2007, our top five merchants (based on our total revenues) were 7-Eleven, CVS, Walgreens, Target, and ExxonMobil. 7-Eleven, which represents the single largest merchant customer in our portfolio, comprised 30.9% of our total revenues for the three months ended March 31, 2008 and 33.0% of our total pro forma revenues for the year ended December 31, 2007. 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. The contracts we have with our top five merchants, as outlined above, have expiration dates of July 20, 2017; January 19, 2012; 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.

A substantial portion of our future revenues and operating profits will be generated by the 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 the single largest merchant customer in our portfolio, representing 30.9% of our total revenues for the three months ended March 31, 2008 and 33.0% of our total pro forma revenues for the years ended December 31, 2007. 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. Furthermore, if we fail to satisfy the terms and conditions contained in our ATM placement agreement with 7-Eleven, 7-Eleven has the right to terminate the placement agreement or our exclusive right to provide certain services.

We rely on EFT network providers, transaction processors, armored courier providers, 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, armored courier providers, 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 cash management and 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. For example, during the first quarter of 2008, our results of operations were negatively impacted by a higher percentage of downtime experienced by our ATMs in the United Kingdom as a result of certain third-party service-related issues and, while we expect such service-related issues to be resolved during 2008, it is likely that such issues will continue to negatively impact the operating results of our United Kingdom operations in the near-term. If such disruption of service is significant or continues longer than anticipated, our relationships with the affected merchants could be negatively impacted. Furthermore, any disruptions in service in any of our markets, whether caused by us or by third party providers, may result in a loss of revenues under certain of our contractual arrangements that contain minimum service-level requirements.

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 EFT processing platform, 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.

Our armored transport business in the United Kingdom exposes us to additional risks beyond those currently experienced by us in the ownership and operation of ATMs.

Our recent decision to create an in-house armored transport operation within the United Kingdom exposes us to significant risks, including the potential for cash-in-transit losses, as well as claims for personal injury, wrongful death, worker s compensation, punitive damages, and general liability. While we will seek to maintain appropriate levels of insurance to adequately protect us from such risks, there can be no assurance that we will avoid significant future claims or adverse publicity related thereto. Furthermore, there can be no assurance that our insurance coverage will be adequate to cover potential liabilities or that such insurance coverage will remain available at costs that are acceptable to us. The availability of quality and reliable insurance coverage is an important factor in our ability to successfully operate this aspect of our operations. A successful claim brought against us for which coverage is denied or which is in excess of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

If not done properly, the transitioning of our United Kingdom armored transport services from third-party service providers to our own internal operations could lead to service interruptions, which would harm our business and our relationships with our merchants.

We have no prior experience in providing armored transport services to the ATM industry. Accordingly, we have hired, and will continue to hire, additional personnel with experience in running armored transport services, including personnel with the requisite industry and security-related experience. Because this is a new business for us, there is an increased risk that our transition efforts will not be successful, thus resulting in service interruptions for our merchants. Furthermore, if not performed properly, the provisioning of armored transport services to our ATMs could result in such ATMs either running out of cash, thereby resulting in lost transactions and revenues, or having excess cash, thereby unnecessarily increasing our operating costs. Furthermore, if such issues were to occur, it could damage our relationships with the affected merchants, thus negatively impacting our business, financial condition and results of operations.

If not done properly, the transitioning of our ATMs from third-party processors to our own in-house EFT processing platform 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.

As of March 31, 2008, we had transitioned approximately 20,300 of our Company- and merchant-owned ATMs from third-party processors to our own in-house EFT processing platform, and we expect to have the remainder of the ATMs in our portfolio converted over by December 31, 2008. Historically, we had limited experience in ATM transaction processing and, therefore, hired additional personnel with experience in running an ATM transaction processing operation during 2006 and 2007, including personnel we hired in connection with the 7-Eleven ATM Transaction. Because EFT processing 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 in-house EFT processing services, thus damaging our relationships with our merchant customers and exposing us to liability.

As part of our in-house EFT processing services, we electronically process, store, and transmit sensitive cardholder information utilizing our ATMs. In recent years, companies that process and maintain such cardholder information have been specifically and increasingly targeted by sophisticated criminal organizations in an effort to obtain such information and utilize it for fraudulent transactions. Unauthorized access to our computer systems, or those of our third-party service providers, 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 and other security 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 several preventative and detective security controls in our network, 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 in-house ETF processing facilities could harm our business and our relationships with our merchant customers.

An operational failure in our in-house EFT 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 United States, we rely on agreements with Bank of America, N.A. (Bank of America), Wells Fargo, N.A. (Wells Fargo), and Palm Desert National Bank (PDNB) to provide us with the cash that we use in approximately 18,000 of our domestic ATMs where cash is not provided by the merchant (vault cash). In the United Kingdom, we rely on a vault cash agreement with Alliance & Leicester Commercial Bank (ALCB) to provide us with the cash that we use in approximately 2,200 of our U.K. ATMs where cash is not provided by the merchant. Finally, Bansi, S.A. Institucion de Banca Multiple (Bansi), a regional bank in Mexico and a minority interest owner in Cardtronics Mexico, is our sole vault cash provider in Mexico and provides us with the cash that we use in approximately 1,200 of our Mexico ATMs. As of March 31, 2008, the balance of vault cash held in our U.S, U.K., and Mexico ATMs was approximately $747.3 million, $164.5 million, and $14.3 million, respectively.

Under our vault cash agreements, we pay a vault cash rental fee 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 2009 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. Additionally, while our current agreement with ALCB does not expire until January 2009, it contains certain provisions, which, if triggered, may allow ALCB to terminate its agreement with us and demand the return of its cash upon 180 days prior written notice. We recently renewed our agreement with Bansi, which now expires in March 2009.

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.

The recent deterioration experienced in global credit markets could have a negative impact on financial institutions that we conduct business with.

We have a significant number of customer and vendor relationships with financial institutions in all of our key markets, including relationships in which those financial institutions pay us for the right to place their brands on our ATMs. Additionally, we rely on a select few financial institution partners to provide us with the vast majority of the cash that we maintain in our Company-owned ATMs. While we have not experienced any significant changes in our relationships with such financial institutions to date, and do not expect any deterioration, the continued turmoil seen in the global credit markets could have a negative impact on those financial institutions and our relationships. In particular, if the liquidity positions of the financial institutions with whom we conduct business were to deteriorate significantly, such institutions may be unable to perform under their existing agreements with us. In the case of our financial institution branding partners, we would likely be required to find alternative financial institutions to brand the ATMs negatively impacted by any contractual defaults that may result from a continued deterioration in global credit markets. If such defaults were to occur, we can provide no guarantee that we would be successful in our efforts to identify new branding partners, or that the underlying economics of any new branding arrangements would be consistent with our current branding arrangements. Furthermore, the current credit environment may make it more difficult for us to negotiate new branding arrangements with financial institutions, or to renew or extend existing branding arrangements on terms and conditions that are acceptable to us. With respect to our vault cash providers, reference is made to the risk factor included immediately above for the potential impact on our business if our financial institution partners were no longer able to meet our ATM vault cash needs.

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 and swing line credit facilities is based on floating interest rates, and our vault cash rental expense is based on market interest rates. 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) to Bank of America and PDNB in the U.S. and ALCB in the U.K., and based on the federal funds effective rate to 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. Although we currently hedge a significant portion of our vault cash interest rate risk related to our domestic operations through December 31, 2012, 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 included elsewhere in this prospectus.

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 March 31, 2008, there was approximately $926.1 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. 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

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under our insurance policies. Furthermore, increases 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, damages 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. Finally, affected merchants may request that we permanently remove ATMs from store locations that have suffered damage as a result of any ATM-related thefts, thus negatively impacting our financial results.

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.

If our acquisitions do not achieve anticipated financial contributions, we may be required to write down the carrying value of the intangible assets associated with any acquired company, which would adversely affect our reported earnings. For example, in 2007, we recorded a $5.1 million pre-tax impairment charge to write-off the unamortized intangible asset value associated with our merchant contract with Target, which we acquired in 2004.

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

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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.

Any inability on our part to effectively manage 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.

As of March 31, 2008, approximately 11.6% of our ATMs were located in the United Kingdom and Mexico. During the year ended December 31, 2007, our international ATMs contributed the following to our gross profit measures:

- 22.7% of our gross profits exclusive of depreciation, accretion, and amortization;
- 18.5% of our pro forma gross profits exclusive of depreciation, accretion, and amortization;
- 23.4% of our gross profits inclusive of depreciation, accretion, and amortization; and
- 18.2% of our pro forma gross profits inclusive of depreciation, accretion, and amortization.

We expect to continue to expand in the United Kingdom. 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 those in the Central and Eastern Europe, Central and South America, and Asia-Pacific regions. 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 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. 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 a non-bank ATM deployer to provide ATM services in Mexico, the deployer must be affiliated with Promocion y Operacion S.A. de C.V. (PROSA-RED) or E-Global, which are credit card and debit card proprietary networks that transmit information and settle ATM transactions between its participants. As only financial institutions are allowed to be participants of PROSA-RED or E-Global, 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, consumer activists have from time to time attempted to impose local bans or limits 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 (to be provided by multiple ATM providers) were required to be installed in low income areas throughout the U.K. While this is less than a 2% 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.

In November 2006, a U.S. District Court 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 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 2006 ruling, the Justice Department 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. In May 2008, the U.S Court of Appeals for the District of Columbia Circuit upheld the November 2006 ruling. While it is still uncertain at this time whether this decision will be appealed to the U.S Supreme Court and what the outcome of that appeals process would be, depending on the specific remediation efforts agreed to, participants in the ATM industry (including us) could be forced to incur significant costs to upgrade current ATM 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.

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. The advanced functionalities provided by the Vcom machines include check cashing, money transfer, remote deposit capture, and bill payment services (collectively, the Vcom

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Services). Additional growth opportunities that we believe to be associated with the acquisition of Vcom machines, including the expansion of such services to our existing ATMs, may be impaired if we cannot achieve market acceptance among users of those services.

The Vcom Services generated an operating loss of $1.3 million during the three months ended March 31, 2008 and we have estimated that the Vcom Services generated an operating loss of $6.4 million for the year ended December 31, 2007. However, excluding upfront placement fees, which may not continue in the future, the Vcom Services generated an operating loss of $10.6 million for the year ended December 31, 2007. For the period from our acquisition (July 20, 2007) through December 31, 2007, the Vcom Services generated an operating loss of $5.0 million. By continuing to provide the Vcom Services, we currently expect that we may incur up to $10.0 million in 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 terminals and restructure the Vcom operations to improve the financial results of such operations; however, we may be unsuccessful in those efforts, and 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. In addition, in the event we decide to terminate the Vcom Services, we may be required to pay up to $1.0 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.

We have identified material weaknesses in our internal control over financial reporting. These material weaknesses, if not corrected, could affect the reliability of our financial statements and have other adverse consequences.

Section 404 of the Sarbanes-Oxley Act of 2002, and the SEC rules with respect thereto, require management of public companies to assess the effectiveness of their internal control over financial reporting annually and to include in their Annual Reports on Form 10-K a management report on that assessment. To that end, our management assessment as of December 31, 2007 has been reflected in our Annual Report on Form 10-K for the year ended December 31, 2007. Additionally, because we are currently a non-accelerated filer, as defined by the SEC, we are not required to include an attestation report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting until we file our Annual Report on Form 10-K for the year ending December 31, 2008. Under Section 404 and the SEC s rules, a company cannot find that its internal control over financial reporting is effective if any material weaknesses exist in its controls over financial reporting. A material weakness is a control deficiency, or combination of control deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected.

We have identified material weaknesses in our internal control over financial reporting as of December 31, 2007, including material weaknesses associated with our control environment over financial reporting, our expenditures and accounts payable cycle, and the controls surrounding end-user developed applications. We have taken, and will continue to take, actions to remediate the material weaknesses and improve the effectiveness of our internal control over financial reporting; however, we cannot assure you that we will be able to correct these material weaknesses by the end of 2008. Any failure in the effectiveness of internal control over financial reporting, if it results in misstatements in our financial statements, could have a material adverse effect on financial reporting or cause us to fail to meet reporting obligations, and could negatively impact investor perceptions.

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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. As of March 31, 2008, we had goodwill and other intangible assets of $360.6 million, or 59.9% of our total assets. We periodically evaluate the recoverability and the amortization period of our intangible assets under accounting principles generally accepted in the United States (GAAP). Some of the 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 any changes in them could result in an impairment of our goodwill and other intangible assets. In the event that we determine our goodwill or amortizable intangible assets are impaired, we may be required to record a significant charge to earnings in our financial statements, which would negatively impact our results of operations and that impact could be material. For example, during the year ended December 31, 2007, we recorded approximately $5.7 million of impairment charges related to certain previously-acquired merchant contracts, including $5.1 million associated with our previously acquired merchant contract with Target. 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.

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 March 31, 2008, we had outstanding indebtedness of approximately $345.9 million, which represents approximately 79.8% of our total capitalization of $433.7 million. Our substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including financial and other restrictive covenants, could result in an event of default under the indentures governing our senior subordinated notes and the agreements governing our other indebtedness;

- require us to dedicate a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes;

- limit our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;

- make us more vulnerable to adverse changes in general economic, industry and competitive conditions, and adverse changes in government regulation;

- limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy, research and development costs, or other purposes; and

- place us at a disadvantage compared to our competitors who have less debt.

Any of these 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 March 31, 2008, the Notes and the guarantees would have been subordinated to $49.7 million of senior indebtedness, which consisted of $39.5 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 $1.7 million of capital lease obligations. As of March 31, 2008, our available borrowing capacity under the credit facility totaled approximately $128.3 million. We are permitted to incur substantial other indebtedness, including senior debt, in the future.

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

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 The CapStreet Group, LLC, TA Associates, Inc. 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.

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.

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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 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

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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 July 16, 2008, unless, in our sole discretion, we extend it.

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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.

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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;

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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.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The following selected historical consolidated financial and operating data should be read together with Unaudited Pro Forma Condensed Consolidated Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2006 and 2007 and the selected consolidated statements of operations data for the years ended December 31, 2005, 2006 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The balance sheet data as of December 31, 2003, 2004 and 2005, and the statements of operations data for the years ended December 31, 2003 and 2004 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The selected consolidated balance sheet data as of March 31, 2008, and the selected consolidated statements of operations data for the three months ended March 31, 2008 and 2007 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited balance sheet data as of March 31, 2007 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 three months ended March 31, 2008 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,					Three Months Ended March 31,	
	2003	**2004**	**2005**	**2006**	**2007**	**2007**	**2008**
						(unaudited)	
	(in thousands, except share and per share amounts, ratios, and number of ATMs)						
Consolidated Statements of Operations Data:							
Revenues:							
ATM operating revenues	$ 101,950	$ 182,711	$ 258,979	$ 280,985	$ 364,071	$ 71,656	$ 115,062
Vcom operating revenues					1,251		1,235
ATM product sales and other revenues	8,493	10,204	9,986	12,620	12,976	2,862	4,278
Total revenues	110,443	192,915	268,965	293,605	378,298	74,518	120,575
Cost of revenues:							
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)(1)	80,286	143,504	199,767	209,850	275,286	54,736	86,832
Cost of Vcom operating revenues					6,065		2,269
Cost of ATM product sales and other revenues	7,903	8,703	9,681	11,443	11,942	2,797	4,164

Total cost of revenues	88,189	152,207	209,448	221,293	293,293	57,533	93,265
Gross profit	22,254	40,708	59,517	72,312	85,005	16,985	27,310
Operating expenses:							
Selling, general, and administrative expenses(2)(3)	7,229	13,571	17,865	21,667	29,357	6,444	8,551
Depreciation and accretion expense	3,632	6,785	12,951	18,595	26,859	6,398	9,082
Amortization expense(4)	3,842	5,508	8,980	11,983	18,870	2,486	4,503
Total operating expenses	14,703	25,864	39,796	52,245	75,086	15,328	22,136
Income from operations	7,551	14,844	19,721	20,067	9,919	1,657	5,174
Other expense:							
Interest expense(5)	2,157	5,235	22,426	25,072	31,164	5,892	7,632
Minority interest in subsidiary		19	15	(225)	(376)	356	508
Other(6)	106	209	968	(4,761)	1,585	(231)	1,061
Total other expense	2,263	5,463	23,409	20,086	32,373	6,017	9,201
Income (loss) before income taxes	5,288	9,381	(3,688)	(19)	(22,454)	(4,360)	(4,027)
Income tax provision (benefit)	1,955	3,576	(1,270)	512	4,636	(973)	565
Income (loss) before cumulative effect of change in accounting principle	3,333	5,805	(2,418)	(531)	(27,090)	(3,387)	(4,592)
Cumulative effect of change in accounting principle for asset retirement obligations, net of related income tax benefit of $80(7)	134						
Net income (loss)	3,199	5,805	(2,418)	(531)	(27,090)	(3,387)	(4,592)
Preferred stock conversion, dividends and accretion expense(8)	2,089	2,312	1,395	265	36,272	67	

	Years Ended December 31, 2003	2004	2005	2006	2007	Three Months Ended March 31, 2007	2008
						(unaudited)	
	(in thousands, except share and per share amounts, ratios, and number of ATMs)						
income (loss) ilable to nmon ckholders	$ 1,110	$ 3,493	$ (3,813)	$ (796)	$ (63,362)	$ (3,454)	$ (4,59
income (loss) common share:							
ic	$ 0.07	$ 0.20	$ (0.27)	$ (0.06)	$ (4.11)	$ (0.25)	$ (0.1
uted	$ 0.06	$ 0.19	$ (0.27)	$ (0.06)	$ (4.11)	$ (0.25)	$ (0.1
ighted average res outstanding:							
ic	16,521,361	17,795,073	14,040,353	13,904,505	15,423,744	13,965,875	38,589,87
uted	17,262,708	18,855,425	14,040,353	13,904,505	15,423,744	13,965,875	38,589,87
her Financial a (unaudited):							
io of earnings to ed charges(9)	1.3x	1.5x					
h flows from rating activities	$ 21,629	$ 20,466	$ 33,227	$ 25,446	$ 55,462	$ 2,642	$ (10,32
h flows from esting activities	(29,663)	(118,926)	(139,960)	(35,973)	(202,883)	(9,269)	(26,08
h flows from ancing activities	10,404	94,318	107,214	11,192	158,155	5,704	31,85
erating Data audited):							
al number of Ms (at period)	12,021	24,581	26,208	25,259	32,319	25,438	32,57
al transactions	64,605	111,577	158,851	172,808	246,595	44,449	83,03
al cash ndrawal nsactions	49,859	86,821	118,960	125,078	166,248	31,180	53,89
nsolidated ance Sheet a:							
	$ 5,554	$ 1,412	$ 1,699	$ 2,718	$ 13,439	$ 1,782	$ 8,90

h and cash ivalents							
al assets	65,295	197,667	343,751	367,756	591,285	363,572	601,52
al long-term t, including rent portion	31,371	128,541	247,624	252,895	308,615	263,051	344,17
ferred stock(10)	21,322	23,634	76,329	76,594		76,661	
al stockholders ity (deficit)	(6,329)	(340)	(49,084)	(37,168)	107,111	(42,185)	87,77

(1) Excludes depreciation, accretion, and amortization expense of $6.8 million, $11.4 million, $20.6 million, $29.2 million, and $43.1 million for the years ended December 31, 2003, 2004, 2005, 2006 and 2007, respectively, and $8.5 million and $12.5 million for the three months periods ended March 31, 2007 and 2008, respectively.

(2) Includes non-cash stock-based compensation totaling $1.6 million, $1.0 million, $2.2 million, $0.8 million, and $1.0 million in 2003, 2004, 2005, 2006, and 2007, respectively, and $0.2 million in each of the three months periods ended March 31, 2007 and 2008, 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. 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, $2.8 million, and $5.7 million in 2005, 2006 and 2007, respectively, and $0.1 million during the three months ended March 31, 2007.

(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 for the years ended December 31, 2003, 2004, and 2005 and the three months ended March 31, 2008 primarily consists of losses on the disposal of fixed assets that were incurred in conjunction with the deinstallation of ATMs during the period. 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 in 2007 includes $2.2 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. Other income for the three months ended March 31, 2007 included $0.6 million in gains on the sale of equity securities awarded to Cardtronics pursuant to the bankruptcy plan of reorganization of Winn-Dixie Stores, Inc., one of the Company s merchant customers. This amount was partially offset by $0.5 million in losses on the disposal of fixed assets that were incurred in conjunction with the deinstallation of ATMs during the period.

(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) Includes a one-time, non-cash charge of $36.0 million for the year ended December 31, 2007 associated with the conversion of the Company s Series B redeemable convertible preferred stock into shares of the Company s common stock in conjunction with the Company s initial public offering.

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(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 $5.4 million, $0.2 million, and $22.8 million for the years ended December 31, 2005, 2006, and 2007, respectively, and $4.5 million and $4.0 million for the three months periods ended March 31, 2007 and 2008, respectively.

(10) The amount reflected on our balance sheet is shown net of issuance costs of $1.4 million as of December 31, 2006. During December 2007, the Company s Series B Redeemable Convertible Preferred Stock were converted into shares of the Company s common stock in conjunction with the Company s initial public offering.

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Supplemental Selected Quarterly Financial Information (Unaudited)

Financial information by quarter is summarized below for the quarter ended March 31, 2008 and each of the four quarters in the years ended December 31, 2007 and 2006.

	Quarters Ended				
	March 31	June 30	September 30	December 31	Total
	(in thousands, except per share amounts)				
2008					
Total revenues	$ 120,575	N/A	N/A	N/A	$ 120,575
Gross profit (exclusive of depreciation, accretion, and amortization)(1)	27,310	N/A	N/A	N/A	27,310
Net loss and net loss available to common stockholders	(4,592)	N/A	N/A	N/A	(4,592)
Net loss per common share:					
Basic	$ (0.12)	N/A	N/A	N/A	$ (0.12)
Diluted	$ (0.12)	N/A	N/A	N/A	$ (0.12)
2007					
Total revenues	$ 74,518	$ 77,239	$ 110,587	$ 115,954	$ 378,298
Gross profit (exclusive of depreciation, accretion, and amortization)(2)	16,985	17,607	24,866	25,547	85,005
Net loss(3)	(3,387)	(5,615)	(10,683)	(7,405)	(27,090)
Net loss available to common stockholders(3)	(3,454)	(5,681)	(10,750)	(43,477)	(63,362)
Net loss per common share(3):					
Basic	$ (0.25)	$ (0.41)	$ (0.77)	$ (2.22)	$ (4.11)
Diluted	$ (0.25)	$ (0.41)	$ (0.77)	$ (2.22)	$ (4.11)
2006					
Total revenues	$ 69,141	$ 73,254	$ 76,365	$ 74,845	$ 293,605
Gross profit (exclusive of depreciation, accretion, and amortization)(4)	16,043	18,370	18,980	18,919	72,312
Net income (loss)(5)	(3,124)	769	(327)	2,151	(531)
Net income (loss) available to common stockholders(5)	(3,190)	703	(394)	2,085	(796)
Net income (loss) per common share(5):					
Basic	$ (0.23)	$ 0.05	$ (0.03)	$ 0.15	$ (0.06)
Diluted	$ (0.23)	$ 0.03	$ (0.03)	$ 0.09	$ (0.06)

(1) Excludes $12.5 million of depreciation, accretion, and amortization for the quarter ended March 31, 2008.

(2) Excludes $8.5 million, $7.1 million, $15.7 million, and $11.8 million of depreciation, accretion, and amortization for the quarters ended March 31, 2007, June 30, 2007, September 30, 2007, and December 31, 2007,

respectively.

(3) Includes pre-tax impairment charges of $0.1 million, $5.2 million, and $0.4 million for the quarters ended March 31, 2007, September 30, 2007, and December 31, 2007, respectively, related to certain contract-based intangible assets. Also, the Net loss available to common stockholders includes a one-time, non-cash charge of $36.0 million for the quarter ended December 31, 2007 associated with the conversion of the Company s Series B Redeemable Convertible Preferred Stock into shares of the Company s common stock in conjunction with the Company s initial public offering.

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

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

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated financial statements give effect to the 7-Eleven ATM Transaction and the related financing transactions. The pro forma financial statements do not reflect the impact of our initial public offering completed on December 14, 2007.

On July 20, 2007, we purchased substantially all of the assets of the 7-Eleven Financial Services Business for approximately $137.3 million in cash. That amount included a $1.3 million payment for estimated acquired working capital and approximately $1.0 million in other related closing costs. 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. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2007 gives effect to the 7-Eleven ATM Transaction and the related financing transactions as if they occurred on January 1, 2007. No unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2008 has been presented as the effects of the above transactions have been fully reflected in our consolidated statement of operations for such period included elsewhere in this prospectus. Additionally, no unaudited pro forma condensed consolidated balance sheet has been presented as the effects of the above transactions have been fully reflected in our March 31, 2008 and December 31, 2007 consolidated balance sheets 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.

We acquired substantially all of the assets of the 7-Eleven Financial Services Business, which, at the time of our acquisition, operated 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. By continuing to provide the Vcom Services, we currently expect that we may incur up to $10.0 million in 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 terminals and restructure the Vcom operations to improve the financial results of such operations. To that end, we have made significant progress in our restructuring efforts through March 31, 2008, including the relocation and concentration of many of the Vcom units into selected markets and the achievement of significant cost reductions associated with the maintenance and operation of such units. However, if we are ultimately unsuccessful in our restructuring efforts, 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. In addition, in the event we decide to terminate the Vcom Services, we may be required to pay up to $1.0 million of contract termination payments, and may incur additional costs and expenses, which could negatively impact our future operating results and financial condition.

The unaudited pro forma condensed consolidated statement of operations presented below is based on the assumptions and adjustments described in the accompanying notes. The unaudited pro forma condensed consolidated statement of operations is presented for illustrative purposes only and is not necessarily indicative of what our results of operations would have been had the 7-Eleven ATM Transaction and the related

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financing transactions been consummated on the date indicated, nor is it necessarily indicative of what our results of operations will be in future periods. The unaudited pro forma condensed consolidated statement of operations does not contain any adjustments to reflect anticipated changes in operating costs or synergies anticipated as a result of the 7-Eleven ATM Transaction. The unaudited pro forma condensed consolidated statement of operations, and accompanying notes thereto, should be read in conjunction with the historical audited and unaudited financial statements, and accompanying notes thereto, of Cardtronics and the 7-Eleven Financial Services Business, all of which are included elsewhere in this prospectus.

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CARDTRONICS, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2007 (in thousands)

	Cardtronics Historical	7-Eleven Financial Services Business (See Note 1)	Pro Forma Adjustments	Notes	Pro Forma
Revenues:					
ATM operating revenues	$ 364,071	$ 79,313	$		$ 443,384
Vcom operating revenues	1,251	8,197			9,448
ATM product sales and other revenues	12,976				12,976
Total revenues	378,298	87,510			465,808
Cost of revenues:					
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below. See Note 7)	275,286	63,234	(4,389)	2	334,131
Cost of Vcom operating revenues	6,065	9,126			15,191
Cost of ATM product sales and other revenues	11,942				11,942
Total cost of revenues	293,293	72,360	(4,389)		361,264
Gross profit	85,005	15,150	4,389		104,544
Operating expenses:					
Selling, general, and administrative expenses	29,357	2,437			31,794
Depreciation and accretion expense	26,859	9,739	(6,923)	4	29,675
Amortization expense	18,870	346	4,495	4	23,711
Total operating expenses	75,086	12,522	(2,428)		85,180
Income from operations	9,919	2,628	6,817		19,364
Interest expense, net	31,164	100	7,480	3	38,744
Other expense, net	1,209				1,209
Income (loss) before income taxes	(22,454)	2,528	(663)		(20,589)
Income tax provision (benefit)	4,636	976	(976)	5	4,636
Net income (loss)	(27,090)	1,552	313		(25,225)
Preferred stock conversion and accretion expense	36,272				36,272

Net income (loss) available to common stockholders	$ (63,362)	$ 1,552	$ 313	$ (61,497)
Net income (loss) per common share (see Note 6):				
Basic	$ (4.11)			$ (3.99)
Diluted	$ (4.11)			$ (3.99)
Weighted average shares outstanding:				
Basic	15,423,744			15,423,744
Diluted	15,423,744			15,423,744

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

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CARDTRONICS, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) The unaudited pro forma condensed consolidated financial statements combine the historical results of Cardtronics and the 7-Eleven Financial Services Business, and assume, for purposes of the pro forma condensed consolidated statements of operations, that the 7-Eleven ATM Transaction and the related financing transactions all occurred on January 1, 2007.

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, 2007, the 7-Eleven Financial Services Business recognized approximately $4.8 million in revenues associated with such upfront placement fees, approximately $4.2 million of which 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, $10.6 million for the year ended December 31, 2007. For the period from the acquisition (July 20, 2007) through December 31, 2007, the Vcom Services generated an operating loss of $5.0 million. Despite these losses, we plan to continue to operate the Vcom terminals and restructure the Vcom operations to improve the financial results of such operations. To that end, we have made significant progress in our restructuring efforts through March 31, 2008, including the relocation and concentration of many of the Vcom units into selected markets and the achievement of significant cost reductions associated with the maintenance and operation of such units. However, if we are ultimately unsuccessful in our restructuring efforts, 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. In addition, in the event we decide to terminate the Vcom Services, we may be required to pay up to $1.0 million of contract termination payments, and may incur additional costs and expenses, which could negatively impact our future operating results and financial condition.

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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	2,312
Total estimated purchase price of acquisition	$ 137,312

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

Current assets	$ 13,260
Property and equipment	22,588
Intangible assets:	
Customer contracts and relationships	78,000
Goodwill	62,191
Current liabilities	(19,540)
Other non-current liabilities	(19,187)
Total purchase price of acquisition	$ 137,312

The purchase price allocation reflected above includes $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 statement of operations includes expense reductions of $6.0 million for the pro forma year ended December 31, 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 statement of operations assumes such debt was issued or borrowed on January 1, 2007.

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CARDTRONICS, INC.

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

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

$200.0 million 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

On December 14, 2007, the Company completed its initial public offering of 12,000,000 shares of common stock at a price of $10.00 per share. The net proceeds from the offering were approximately $110.1 million and were used to pay down amounts previously outstanding under the Company s revolving credit facility. The effects of such pay down have been reflected in the historical financial statements of Cardtronics, Inc. included in the accompanying pro forma financial statements for the period from December 14, 2007, the initial public offering date, through December 31, 2007. However, as discussed in more detail below, the interest savings realized by the Company for such period have not been reflected in the final pro forma interest expense amounts.

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 years ended December 31, 2007 and 2006.

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CARDTRONICS, INC.

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

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

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
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
Interest expense associated with the pro forma revolving credit facility balance ($103.0 million at an effective interest rate of 7.8%)	8,030
Interest expense associated with other indebtedness, including acquired capital lease obligations	721
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
Amortization of discount associated with the Series B Notes issued in July 2007	500
Amortization of deferred financing costs associated with the senior subordinated notes issued in August 2005 and revolving credit facility	1,270
Pro forma interest expense	38,744
Elimination of the historical interest expense of Cardtronics, Inc. and the 7-Eleven Financial Services Business	(31,264)
Pro forma interest expense adjustment	$ 7,480

The pro forma interest expense amount reflected above does not reflect the use of the $110.1 million in net proceeds received by the Company as part of its initial public offering on December 14, 2007. Such proceeds, which were utilized to the pay down substantially all of the Company s outstanding revolving credit facility borrowings on such date, resulted in approximately $0.4 million in interest expense savings for the period from December 14, 2007 through December 31, 2007.

Reference is made to Note 13, *Long-term Debt*, in the accompanying audited consolidated financial statements of Cardtronics, Inc. included elsewhere in this prospectus for a schedule of the Company s outstanding debt maturities as of December 31, 2007.

(4) The reported amounts reflect the adjustments to the historical depreciation and amortization expense resulting from the effects of the purchase price allocations associated with the 7-Eleven ATM Transaction. 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/relationships are estimated to have a ten year life and are 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 terminals.

(5) The adjustment to income taxes reflects rates of 0.0% for our U.S. and Mexico operations and 28.0% for our U.K. operations. Additionally, during the year ended December 31, 2007, we determined that a valuation allowance of approximately $4.8 million, net of amounts provided for current year benefits, should be established for our net deferred tax asset amounts in the U.S. due to uncertainties surrounding our ability to utilize the related tax benefits in future periods. For our Mexico operations, all current and deferred tax

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CARDTRONICS, INC.

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

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, 2007, the total depreciation, accretion, and amortization excluded from cost of ATM operating revenues and gross profit is $50.8 million. This amount includes 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 prior to the initial public offering, 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.

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 $36.0 million in value based on the $10.00 initial public offering price per share. 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.

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

Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that are based on management s current expectations, 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. Additionally, 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
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- New Accounting Pronouncements
- Commitments and Contingencies
- Disclosure about Market Risk

We have also included a discussion of the 7-Eleven ATM Transaction and the related financing transactions that occurred in 2007 in certain portions of the following sections 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 our historical audited financial statements, and accompanying notes thereto, as well as our unaudited pro forma financial statements, each of which are included elsewhere within this prospectus.

Overview of Business

As of March 31, 2008, we operated a network of approximately 32,600 ATMs throughout the United States, 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 Arrangements. 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, transaction processing, 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, Chevron, Costco, CVS/Pharmacy, Duane Reade, ExxonMobil, Hess Corporation, Rite Aid, Safeway, Sunoco, Target, and Walgreens in the United States; Alfred Jones, Martin McColl, McDonalds, The Noble Organisation, Odeon Cinemas, Punch Taverns, Spar, Tates, and Vue Cinemas in the United Kingdom; 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 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 such machines. As of March 31, 2008, we operated over 21,500 ATMs under Company-owned arrangements.

Merchant-owned Arrangements. Under a merchant-owned arrangement, the merchant owns the ATM and is responsible for its first-line maintenance and the majority of the operating costs; however, we generally continue to provide all transaction processing services, second-line maintenance, 24-hour per day monitoring and customer service, 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 March 31, 2008, we operated approximately 11,100 ATMs under merchant-owned arrangements.

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 Electronic Funds Transfer (EFT) Processing Operations. In the fourth quarter of 2006, we began developing our own in-house EFT processing platform that provides us with the ability to control the processing of transactions conducted on our network of ATMs. Our in-house EFT processing operations 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. While our in-house EFT processing operations 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 generic back-end connections to the EFT networks and various fund settlement and reconciliation processes for our Company-owned accounts. However, we expect that this move will provide us with future operational cost savings in terms of lower overall processing costs once our conversion efforts are completed.

As of March 31, 2008, we had converted approximately 20,300 of our Company- and merchant-owned ATMs from third party processors to our in-house EFT processing platform, including the ATMs in our United Kingdom portfolio and our advanced-functionality financial self-service kiosks, which are branded as Vcom terminals. Additionally, we are processing transactions for 675 ATMs owned by a third party who has engaged us to serve as the processor for a portion of its ATM portfolio. During 2007, we incurred $2.4 million in costs associated with our efforts to transition our current network of ATMs over to our in-house EFT processing platform, and we incurred $0.2 million during the first quarter of 2008. We currently expect to spend an additional $0.8 million this year to complete this conversion.

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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, surcharge-free network offerings, sales of ATM equipment, and now, as a result of the 7-Eleven ATM Transaction, the provision of advanced-functionality services conducted at our Vcom terminals. We have historically classified revenues into two primary categories: ATM operating revenues and ATM product sales and other revenues. However, as a result of the 7-Eleven ATM Transaction, we now have a separate category, Vcom operating revenues, for the advanced-functionality services provided through the acquired Vcom terminals.

ATM Operating Revenues. We present revenues from ATM services, branding arrangements, and surcharge-free network offerings as ATM operating revenues in our consolidated statements of operations. These revenues include the fees we earn per transaction on our network, fees we generate from bank branding arrangements and our surcharge-free networks, 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. We expect that our ATM operating revenues will significantly increase in 2008 as a result of the 7-Eleven ATM Transaction and the deployment of additional Company-owned ATMs in the U.K. and Mexico.

ATM operating revenues primarily consist of the three following components: (1) surcharge revenue, (2) interchange revenue, and (3) branding and surcharge-free network 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 cash 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 an ATM owned by another operator and 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 for balance inquiries and fund transfers and higher for cash withdrawal transactions.
>
> *Branding and surcharge-free network revenue.* 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. Historically, this type of branding arrangement has resulted 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

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earn interchange fees on those transactions along with the monthly branding fee, and typically enjoy an increase in surcharge-bearing transactions from users who are not customers of the branding institution as a result of having a bank brand on our ATMs. Overall, based on the above, we believe a branding arrangement can substantially increase the profitability of an ATM versus operating the same machine in an unbranded mode. Fees paid for branding an ATM vary widely within our industry, as well as within our own operations. We expect that this variance in branding fees will continue in the future. However, because our strategy is to set branding fees at levels well above that required to offset lost surcharge revenue, we do not expect any such variance to cause a decrease in our total revenues.

A surcharge-free network is an arrangement which allows a financial institution s customers to use the majority of the ATMs in our network on a surcharge-free basis. We currently operate two such networks: our nationwide surcharge-free Allpoint network, of which we are the owner and largest member, and our MasterCard surcharge-free network. Under 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. These fees are meant to compensate us for the loss of surcharge revenues. Although we forego surcharge revenues on those transactions, we do continue to earn interchange revenues. We believe that many of these surcharge-free transactions represent cash withdrawal transactions from cardholders who have not previously utilized the underlying ATMs, with increased transaction counts more than offsetting the foregone surcharge. Consequently, we believe that our surcharge-free network arrangements enable us to profitably operate in that portion of the ATM transaction market that does not involve a surcharge.

In addition to our Allpoint and MasterCard networks, the ATMs and Vcom machines that we acquired in the 7-Eleven ATM Transaction participate in the CO-OP® network, the nation s largest surcharge-free network devoted exclusively to credit unions. Additionally, the Vcom machines located in 7-Eleven stores are under an arrangement with Financial Services Center Cooperative, Inc. (FSCC), a cooperative service organization that provides shared branching services for credit unions, to provide virtual branching services through the Vcom machines for members of the FSCC network.

The following table sets forth, on a historical and pro forma basis, information on our surcharge, interchange, branding and surcharge-free networks fees, and other revenues per withdrawal transaction for the periods indicated. The pro forma information presented below assumes the 7-Eleven ATM Transaction occurred effective January 1, 2007 but excludes any revenues and transactions associated with the Vcom advanced-functionality services for such periods.

	2005	2006	2007	Pro Forma 2007	Three Months Ended March 31, 2008
Per withdrawal transaction(1):					
Surcharge revenue(2)	$ 1.52	$ 1.52	$ 1.36	$ 1.31	$ 1.22
Interchange revenue(3)	0.56	0.55	0.59	0.59	0.63
Branding and surcharge-free network revenue(4)	0.06	0.13	0.21	0.21	0.26
Other revenue(5)	0.04	0.05	0.03	0.03	0.03

Total ATM operating revenues	$ 2.18	$ 2.25	$ 2.19	$ 2.14	$ 2.14

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

(2) Excluding surcharge-free cash withdrawal transactions, per transaction amounts would have been $1.70, $1.80, and $1.88 for the years ended December 31, 2005, 2006, and 2007, respectively, $1.86 for the pro forma year ended December 31, 2007, and $1.88 for the three months ended March 31, 2008.

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

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

(5) Amounts include other miscellaneous ATM operating revenues.

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

	2005	2006	2007	Pro Forma 2007	Three Months Ended March 31, 2008
Surcharge revenue	69.9%	67.5%	62.0%	61.0%	57.1%
Interchange revenue	25.7	24.5	26.8	27.8	29.3
Branding and surcharge-free network revenue	2.6	6.0	9.7	10.0	12.4
Other revenue	1.8	2.0	1.5	1.2	1.2
Total ATM operating revenues	100.0%	100.0%	100.0%	100.0%	100.0%

Vcom Operating Revenues. The 7-Eleven ATM Transaction initially provided us with approximately 2,000 advanced-functionality financial self-service kiosks referred to as Vcom terminals that, in addition to standard ATM services, offer more sophisticated financial services, including check cashing, money transfer, remote deposit capture, and bill payment services. The substantial majority of the historical revenues from the Vcom Services consisted of upfront placement fees, which represented upfront payments from third-party service providers associated with providing certain of the advanced-functionality services. Most of these fees were 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 our 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 (VAR) 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 primarily consists of those costs directly associated with transactions completed on our ATM network. These costs, which are incurred to handle transactions completed on both our ATM and Vcom terminals, include merchant fees, processing fees, cost of cash, communications expense, repairs and maintenance expense, and direct operations expense. To a lesser extent, cost of revenues also includes those costs associated with the sales of

ATMs. The following is a description of our primary cost categories:

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. For the three months ended March 31, 2008 and the year ended December 31, 2007, merchant fees represented 34.7% and 36.5%, respectively, of our ATM operating revenues.

Processing Fees. Although we are in the process of transitioning our Company-owned and merchant-owned ATMs onto our in-house EFT processing platform, we continue to pay fees to third-party vendors for processing transactions originated at ATMs in our network that have not been transitioned to our platform. These vendors, which include Star Systems, Fiserv, Lynk, and Elan Financial Services in the United States, LINK and Euronet in the United Kingdom, and PROSA-RED in Mexico, communicate with the cardholder s financial institution through EFT networks to gain transaction authorization and to settle transactions. As we have converted most of our domestic Company-owned ATMs over to our own in-house EFT processing platform, all of our Vcom terminals, and all of our U.K. ATMs, we expect to see a slight reduction in our overall processing costs on a go-forward basis. However, the ATMs acquired in the 7-Eleven Transaction will not be converted over to our in-house processing platform until 2010, as we have a contract with a third party to provide the transaction processing services for these machines through December 2009. For the three months ended March 31, 2008 and the year ended December 31, 2007, processing fees represented 2.5% and 2.9%, respectively, of our ATM operating revenues.

Cost of Cash. Cost of cash includes all costs associated with the provision of cash for our ATMs, including fees for the use of cash, armored courier services, insurance, cash reconciliation, associated wire fees, and other costs. As the fees we pay under our contracts with our vault cash providers are based on market rates of interest, changes in interest rates affect our cost of cash. In order to limit our exposure to increases in interest rates, we have entered into a number of interest rate swaps on varying amounts of our current and anticipated outstanding domestic ATM cash balances through 2010. For the three months ended March 31, 2008 and the year ended December 31, 2007, cost of cash represented 19.7% and 19.0%, respectively, of our ATM operating revenues.

Communications. Under our Company-owned arrangements, we are responsible for expenses associated with providing telecommunications capabilities to the ATMs, allowing the ATMs to connect with the applicable EFT network. For the three months ended March 31, 2008 and the year ended December 31, 2007, communications costs represented 3.4% and 3.2%, respectively, of our ATM operating revenues.

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. For the three months ended March 31, 2008 and the year ended December 31, 2007, repairs and maintenance expense represented 7.7% and 7.0%, respectively, of our ATM operating revenues.

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 49.3% and 52.2% of our cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization related to ATMs and ATM-related assets) for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and 52.9% for the year ended December 31, 2007 on a pro forma basis for the 7-Eleven ATM Transaction. Therefore, we estimate that 50.7% and 47.8% of our cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization related to ATMs and ATM-related assets) for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and 47.1% for the year ended December 31, 2007 on a pro forma basis 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. We currently exclude depreciation, accretion, and amortization from ATMs and ATM-related assets from our cost of ATM revenues. However, the inclusion of such costs would have increased the percentage of our cost of ATM operating revenues that we consider fixed in nature by approximately 6.2% for the three months ended March 31, 2008, 7.1% for the year ended December 31, 2007, and 7.0% for the year ended December 31, 2007 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 and surcharge-free network 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 revenues, surcharge-free network fees, or other ancillary revenues, or by changes in our cost structure. Because a variance in our average surcharge fee or our average interchange fee is not necessarily indicative of a commensurate change in our profitability, you should consider these measures only in the context of our overall financial results.

Indirect Operating Expenses

Our indirect operating expenses include general and administrative expenses related to administration, salaries, benefits, advertising and marketing, depreciation and accretion of the ATMs, ATM-related assets, and other assets that we own, amortization of our acquired merchant contracts and other amortizable intangible assets, and interest expense related to borrowings under our revolving credit facility and our $300.0 million in 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 intangible assets over the estimated lives of such assets.

Recent Events

7-Eleven ATM Transaction. In July 2007, the Company acquired the 7-Eleven Financial Services Business for approximately $137.3 million in cash. The acquisition included approximately 5,500 ATMs located in 7-Eleven stores throughout the United States, of which approximately 2,000 are Vcom machines that are capable of providing more sophisticated financial services, such as check cashing, money transfer, remote deposit capture, and bill payment services (collectively, the Vcom Services). Additionally, in connection with the 7-Eleven ATM Transaction, we entered into a placement agreement that provides us with, subject to certain conditions, a 10-year exclusive right to operate all ATMs and Vcom terminals 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 7-Eleven Financial Services Business, including the traditional ATM activities conducted on the Vcom terminals. Additionally, as a result of the different functionality provided by the Vcom terminals, and the expected continued near-term operating losses associated with providing the Vcom Services, such operations have been identified as a separate reporting segment. Because of the significance of this acquisition, our operating results for the three months ended March 31, 2008 will not be comparable to our historical results for the three months ended March 31, 2007. In particular, our revenues and gross profits will be substantially higher, but these increased revenue and gross profit amounts will initially be substantially offset by higher operating expense amounts, including higher selling, general, and administrative expenses associated with running the combined operations. In addition, depreciation, accretion, and amortization expense amounts are significantly higher as a result of the tangible and intangible assets recorded as part of the acquisition.

Merchant-owned Account Attrition. In 2006 and 2007, we experienced significant attrition rates among our smaller merchant-owned customers in the United States. While part of the attrition was due to our initiative 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 were 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 a second initiative to identify and retain those merchant-owned accounts where we believed it made economic sense to do so. Our retention efforts have been successful, as evident in the fact that the attrition of approximately 750 ATMs in 2007 was significantly lower than the attrition of over 1,900 experienced in 2006.

In the first quarter of 2008, our U.S. merchant-owned portfolio declined by over 550 machines, over 90% of which was the result of the EFT networks mandate that all ATMs be compliant with a relatively new data encryption standard (Triple-DES). Rather than incurring the costs to update or replace their existing machines to be Triple-DES compliant, merchants with lower transacting ATMs decided to dispose of their ATMs. Specifically, the machines lost during the first quarter of 2008 due to Triple-DES were performing, on average, less than 120 cash withdrawal transactions per month during 2007, which is significantly lower than the approximately 285 cash withdrawal transactions per month that our U.S. merchant-owned ATMs averaged

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as a whole during the same period. Excluding the impact of Triple-DES, attrition levels significantly declined during the first quarter. Despite this decline, we cannot predict whether we will continue to see reduced attrition rates in the future or whether our retention efforts will be continue to be successful. Furthermore, because of our efforts to eliminate certain underperforming accounts, we may continue to experience a downward trend in our merchant-owned account base in future periods.

Results of Operations

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

	Years Ended December 31,			Three Months Ended March 31,	
	2005	2006	2007	2007	2008
Revenues:					
ATM operating revenues	96.3%	95.7%	96.2%	96.2%	95.4%
Vcom operating revenues			0.3		1.0
ATM product sales and other revenues	3.7	4.3	3.4	3.8	3.5
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)	74.3	71.5	72.8	73.5	72.0
Cost of Vcom operating revenues			1.6		1.9
Cost of ATM product sales and other revenues	3.6	3.9	3.2	3.8	3.5
Total cost of revenues	77.9	75.4	77.5	77.2	77.4
Gross profit	22.1	24.6	22.5	22.8	22.6
Operating expenses:					
Selling, general, and administrative expenses	6.6	7.4	7.8	8.6	7.1
Depreciation and accretion expense	4.8	6.3	7.1	8.6	7.5
Amortization expense(2)	3.3	4.1	5.0	3.3	3.7
Total operating expenses	14.8	17.8	19.8	20.6	18.4
Income from operations	7.3	6.8	2.6	2.2	4.3
Other (income) expense:					
Interest expense, net	8.3	8.5	8.2	8.4	6.8
Minority interest in subsidiary		(0.1)	(0.1)	(0.2)	
Other	0.4	(1.6)	0.4	(0.2)	0.9
Total other expense	8.7	6.8	8.6	8.1	7.6
Loss before income taxes	(1.4)		(5.9)	(5.9)	(3.3)

Income tax expense (benefit)	(0.5)	0.2	1.2	(1.3)	0.5
Net loss	(0.9)%	(0.2)%	(7.2)%	(4.5)%	(3.8)%

(1) Excludes effects of depreciation, accretion, and amortization expense of $20.6 million, $29.2 million, and $43.1 million for the years ended December 31, 2005, 2006, and 2007, respectively, and $8.5 million and $12.5 million for the three months periods ended March 31, 2007 and 2008, 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 7.7%, 9.9%, and 11.4% for the years ended December 31, 2005, 2006, and 2007, respectively, and 10.3% and 11.4% for the three months ended March 31, 2008 and 2007, respectively.

(2) Includes pretax impairment charges of $1.2 million, $2.8 million, and $5.7 million for the years ended December 31, 2005, 2006, and 2007, respectively, and $0.1 million during the three months ended March 31, 2007.

Key Operating Metrics

We rely on certain key measures to gauge our operating performance, including total transactions, total cash withdrawal transactions, ATM operating revenues per ATM per month, and ATM operating gross profit margin. The following table sets forth information regarding certain of these key measures for the periods indicated.

	Years Ended December 31,			Three Months Ended March 31	
	2005	**2006**	**2007**	**2007**	**2008**
Average number of transacting ATMs:					
United States: Company-owned	10,521	11,265	11,563	11,542	12,182
United States: Merchant-owned	14,604	13,016	11,632	11,843	10,947
United States: 7-Eleven Financial Services Business(1)			2,585		5,672
United Kingdom	1,039	1,194	1,718	1,419	2,252
Mexico		303	784	424	1,422
Total average number of transacting ATMs	26,164	25,778	28,282	25,228	32,475
Total transactions *(in thousands)*	156,851	172,808	246,595	44,449	83,037
Total cash withdrawal transactions *(in thousands)*	118,960	125,078	166,248	31,180	53,890
Average monthly cash withdrawal transactions per average transacting ATM	379	404	490	412	553
Per ATM per month:					
ATM operating revenues	$ 825	$ 908	$ 1,073	$ 947	$ 1,181
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization)(2)	636	678	811	723	891
ATM operating gross profit(2)(3)	$ 189	$ 230	$ 262	$ 224	$ 290
ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization)(4)	22.9%	25.3%	24.4%	23.6%	24.5%
ATM operating gross profit margin (inclusive of depreciation, accretion,	14.9%	14.9%	12.5%	11.7%	13.7%

and amortization)(5)

(1) The 2007 year-to-date average for the 7-Eleven Financial Services Business represents the 12-month average of ATMs and Vcom terminals under Cardtronics ownership. The low figure is due to the fact that Cardtronics did not acquire the portfolio until July 20, 2007. The actual average number of transacting ATMs from the acquisition date to December 31, 2007 was 5,602.

(2) Excludes effects of depreciation, accretion, and amortization expense of $20.6 million, $29.2 million, and $43.1 million for the years ended December 31, 2005, 2006, and 2007, respectively, and $8.5 million and $12.5 million for the three months ended March 31, 2007 and 2008, 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 per ATM per month and decreased our ATM operating gross profit per ATM per month by $66, $94, and $127 for the years ended December 31, 2005, 2006, and 2007, respectively, and $112 and $128 for the three months ended March 31, 2007 and 2008, respectively.

(3) ATM operating gross profit is a measure of profitability that uses only the revenue and expenses that related to operating the ATMs. The revenue 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 margin (exclusive of depreciation, accretion, and amortization) in 2007 when compared to 2006 is primarily the result of higher vault cash costs and costs incurred in connection with

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our Triple-DES upgrade and in-house EFT processing conversion costs. The increase in ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) for the three months ended March 31, 2008 when compared to three months ended March 31, 2007 is primarily the result of the 7-Eleven ATM Transaction, as the acquired ATM operations earned higher gross margin percentages than our pre-existing operations during the quarter.

(5) The decrease in ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization) in 2007 when compared to 2006 and 2005 is primarily due to higher vault cash costs, the incremental costs incurred in connection with our Triple-DES upgrade and in-house EFT processing conversion efforts, 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 $5.7 million of incremental amortization expense related to intangible asset impairments recorded in 2007. The increase in ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization) for the three months ended March 31, 2008 when compared to three months ended March 31, 2007 is primarily the result of the 7-Eleven ATM Transaction, as the acquired ATM operations earned higher gross margin percentages than our pre-existing operations during the quarter.

Three Months Ended March 31, 2007 and 2008

Revenues

	Three Months Ended March 31,		
	2007	2008	% Change
	(in thousands)		
ATM operating revenues	$ 71,656	$ 115,062	60.6%
Vcom operating revenues		1,235	
ATM product sales and other revenues	2,862	4,278	49.5%
Total revenues	$ 74,518	$ 120,575	61.8%

ATM operating revenues. ATM operating revenues generated during the three months ended March 31, 2008 increased $43.4 million over the three months ended March 31, 2007. Below is a detail, by geographic segment, of changes in the various components of ATM operating revenues:

	2007 to 2008 Variance			
	U.S.	U.K.	Mexico	Total
	(in thousands)			
Surcharge revenue	$ 15,977	$ 2,226	$ 1,130	$ 19,333
Interchange revenue	13,086	2,469	626	16,181
Branding and surcharge-free network revenue	7,874		1	7,875
Other	16	1		17
Total increase in ATM operating revenues	$ 36,953	$ 4,696	$ 1,757	$ 43,406

United States. During the three months ended March 31, 2008, our United States operations experienced a $37.0 million, or 63.5%, increase in ATM operating revenues over the same period in 2007. The majority of this increase was attributable to the 7-Eleven ATM Transaction, as the acquired 7-Eleven Financial Services Business generated $19.3 million of surcharge revenue, $12.7 million of interchange revenue, and $4.1 million of branding and surcharge-free network revenue during the first quarter of 2008. Also contributing to the increase in ATM operating revenues were the branding activities of our pre-existing domestic operations, which generated $3.8 million in incremental bank branding and surcharge-free network fees in 2008 when compared to 2007. These incremental revenues were a result of additional branding and surcharge-free network agreements entered into with financial institutions during 2007.

The overall increase in ATM operating revenues from the acquired 7-Eleven Financial Services Business and our pre-existing domestic branding and surcharge-free network operations were partially offset by lower surcharge and interchange revenues associated with our pre-existing domestic operations. During the first quarter of 2008, our merchant-owned base experienced a $2.8 million decline in surcharge revenues and a $0.6 million decline in interchange revenue when compared to the same period in 2007. These declines were primarily a result of the decline in the average number of transacting merchant-owned ATMs in the United States, as discussed in Recent Events Merchant-owned Account Attrition above. Additionally, surcharge revenues from our Company-owned base declined by $0.6 million during 2007, primarily as a result of a shift in revenues from surcharge-based fees to surcharge-free branding and network fees due to the additional branding and surcharge-free network arrangements entered into with financial institutions during 2007.

United Kingdom. Our United Kingdom operations also contributed to the higher ATM operating revenues for the three months ended March 31, 2008, as the surcharge and interchange revenues earned in this segment during 2008 increased by 21.2% and 100.6%, respectively, over the same period in 2007. These incremental revenues were primarily driven by the increase in the average number of transacting ATMs in the United Kingdom, which increased from 1,419 ATMs during the first quarter of 2007 to 2,252 ATMs during the first quarter of 2008, due to additional ATM deployments. However, the increase in revenues was lower than originally anticipated due to lower than expected surcharge transaction levels during the first quarter of 2008. The primary factor contributing to this decline was certain service-related issues associated with one of our third-party armored cash providers. As a result of certain issues stemming from the merger-integration of two of our third-party armored cash providers in late 2007, our ATMs in the United Kingdom experienced a higher percentage of downtime due to cash outages during the fourth quarter of 2007 and the first quarter of 2008. Although we have recently seen a decline in the number of resulting cash outages and expect that the service-related issues will be resolved during the latter half of 2008, it is likely that such issues will continue to somewhat negatively impact the operating results of our United Kingdom operations in the near term. Additionally, it should be noted that we have taken a number of steps to help mitigate the negative impact of these third-party service issues on our ongoing operations. In particular, we are in the process of establishing our own in-house armored courier operation, which we expect will formally commence operations in the third quarter of 2008. Such operation will initially service the cash needs of approximately 300 of our ATMs located throughout the London metropolitan area. While this operation is not expected to provide significant initial cost savings, we do anticipate that it will alleviate some of the aforementioned third-party armored cash service-related issues.

Despite the above factors that are negatively impacting transaction levels of our United Kingdom ATMs, overall transaction-based revenues have increased as transaction levels at recently-deployed ATMs continue to mature and reach consistent monthly transaction levels.

Mexico. Our Mexico operations further contributed to the increase in ATM operating revenues as a result of the increase in the average number of transacting ATMs associated with these operations, which rose from 424 during the first quarter of 2007 to 1,422 during the first quarter of 2008 as a result of additional ATM deployments throughout 2007 and in the first quarter of 2008.

Vcom operating revenues. We acquired our advanced-functionality (or Vcom) operations as a part of the 7-Eleven ATM Transaction in July 2007. The Vcom operating revenues generated during the first quarter of 2008 were primarily comprised of check cashing fees. Although the revenues generated by our Vcom operations during the most recent quarter were nominal, we expect that revenues from these operations will increase in the future as we continue our efforts to restructure these operations. We have undertaken a relocation project to concentrate our Vcom terminals in 13 selected markets within the U.S. Such relocations, which we expect to complete in the third quarter of 2008, will allow us to advertise the availability of the advanced-functionality services to consumers within those markets to increase awareness, which we expect will result in an increased number of advanced-functionality transactions being conducted on those machines.

ATM product sales and other revenues. ATM product sales and other revenues for the three months ended March 31, 2008 were higher than those generated during the same period in 2007 due to higher VAR program sales, higher equipment sales, and higher service call income resulting from Triple-DES security upgrades performed in the United States.

Cost of Revenues

	Three Months Ended March 31, 2007	2008	% Change
	(in thousands)		
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization)	$ 54,736	$ 86,832	58.6%
Cost of Vcom operating revenues		2,269	
Cost of ATM product sales and other revenues	2,797	4,164	48.9%
Total cost of revenues (exclusive of depreciation, accretion, and amortization)	$ 57,533	$ 93,265	62.1%

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization). The cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred during the three months ended March 31, 2008 increased $32.1 million over the same period in 2007. Below is a detail, by geographic segment, of changes in the various components of the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization):

	2007 to 2008 Variance			
	U.S.	U.K.	Mexico	Total
	(in thousands)			
Merchant commissions	$ 10,344	$ 1,873	$ 565	$ 12,782
Cost of cash	7,641	1,997	440	10,078
Repairs and maintenance	3,713	111	138	3,962
Direct operations	1,784	420	89	2,293
Communications	1,227	445	81	1,753
Processing fees	592	453	183	1,228
Total increase in cost of ATM operating revenues	$ 25,301	$ 5,299	$ 1,496	$ 32,096

United States. During the three months ended March 31, 2008, the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred by our United States operations increased $25.3 million over the cost incurred during the same period in 2007. This increase was primarily the result of the 7-Eleven ATM Transaction, as the ATM operations of the acquired 7-Eleven Financial Services Business incurred $25.7 million of expenses during the first quarter of 2008, including $12.8 million of merchant fees, $6.8 million in costs of cash, $3.0 million of repairs and maintenance costs, $1.1 million in communication costs, and $1.1 million of processing fees. The $25.7 million of incremental expenses generated by the ATM operations of the acquired 7-Eleven Financial Services Business is net of $2.0 million of amortization expense related to the liabilities we recorded in connection with the acquisition 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 liabilities, see *Note 2* to our consolidated financial statements included elsewhere in this .

Our pre-existing United States operations also contributed to the higher cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization), including (i) $1.5 million of additional employee-related costs directly allocable to our pre-existing domestic operations as a result of our decision to hire additional personnel during 2007 to focus on our initiatives, and (ii) $0.8 million of higher costs of cash due to higher armored courier costs as a result of the increase in the number of Company-owned machines. Offsetting these increases in costs were lower merchant fees associated with our pre-existing domestic operations, which decreased $2.5 million when compared to the same period in 2007 primarily due to the year-over-year decline in the number of domestic merchant-owned ATMs (further discussed in Recent Events Merchant-owned Account Attrition above) and the related surcharge revenues.

United Kingdom. During the three months ended March 31, 2008, our United Kingdom operations contributed to the increase in the cost of ATM operating revenues with such costs increasing $5.3 million over the same period in 2007. These increases were primarily due to higher costs of cash and merchant payments, which resulted from the increased number of ATMs operating in the United Kingdom during the first quarter of 2008 compared to the same period in 2007. Additionally, due to the aforementioned third-party armored cash service-related issues, we maintained higher cash balances in our ATMs within the United Kingdom during the first quarter of 2008 in an effort to minimize the amount of downtime caused by such service disruptions, thus contributing to the overall year-over-year increase in our cost of cash amounts.

Mexico. Our Mexico operations further contributed to the increase in the cost of ATM operating revenues as a result of the increase in the average number of transacting ATMs associated with our Mexico operations and the increased number of transactions conducted on our machines during the first quarter of 2008 compared to the first quarter of 2007.

Cost of Vcom operating revenues. The cost of Vcom operating revenues incurred during the first quarter of 2008 was primarily related to costs of cash as well as communication and maintenance expense related to the Vcom Services provided by our advanced-functionality operations.

Cost of ATM product sales and other revenues. The cost of ATM product sales and other revenues increased by $1.4 million during the three months ended March 31, 2008 compared to the same period in 2007. On a percentage basis, this 48.9% increase is consistent with the 49.5% increase in ATM product sales and other revenues during the period. As noted in Revenues ATM product sales and other revenues above, we had higher VAR program sales, higher equipment sales, and higher service call income resulting from Triple-DES security upgrades performed in the United States during the first quarter of 2008 compared to the same period in 2007.

Gross Profit Margin

	2007	**2008**
ATM operating gross profit margin:		
Exclusive of depreciation, accretion, and amortization	23.6%	24.5%
Inclusive of depreciation, accretion, and amortization	11.7%	13.7%
Vcom operating gross profit margin		(83.7)%
ATM product sales and other revenues gross profit margin	2.3%	2.7%
Total gross profit margin:		
Exclusive of depreciation, accretion, and amortization	22.8%	22.6%
Inclusive of depreciation, accretion, and amortization	11.4%	12.3%

ATM operating gross profit margin. For the three months ended March 31, 2008, ATM operating gross profit margin exclusive of depreciation, accretion, and amortization increased 0.9% and ATM operating gross profit margin inclusive of depreciation, accretion, and amortization increased 2.0% when compared to the same period in 2007. Such increases were primarily the result of the 7-Eleven ATM Transaction, as the acquired ATM operations earned higher gross margin percentages than our pre-existing operations during the quarter. Partially offsetting the positive impact of the 7-Eleven ATM Transaction were our United Kingdom operations, which experienced lower gross margins due to the significant number of ATM deployments that occurred in our United Kingdom operations during the latter half of 2007, as many of those ATMs are still in the process of achieving consistent recurring monthly transaction levels. Furthermore, our gross profit margin continued to be negatively impacted by a higher percentage of downtime experienced by our ATMs in the United Kingdom as a result of the previously discussed third-party armored cash service-related issues. While we expect such service-related issues to be resolved during the latter half of 2008, it is likely that such issues will continue to negatively impact the operating results of our United Kingdom operations in the near-term.

ATM product sales and other revenues gross profit margin. For the three months ended March 31, 2008, our ATM product sales and other revenues gross profit margin increased by 0.4%, primarily as a result of the

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substantial completion of our Triple-DES upgrade efforts. Because all ATMs operating on the EFT networks were required to be Triple-DES compliant by the end of 2007 and early 2008, we saw an increase during 2007 in the number of ATM sales associated with the Triple-DES upgrade process. However, in certain circumstances, we sold the machines at little or, in some cases, negative margins in exchange for renewals of the underlying ATM operating agreements. As a result, gross margins associated with our ATM product sales and other activities were negatively impacted during 2007 and the early part of 2008. However, we expect such margins to improve slightly during the remainder of 2008 now that the Triple-DES compliance upgrade process has been completed.

Selling, General, and Administrative Expenses

	Three Months Ended March 31,		
	2007	2008	% Change
	(in thousands)		
Selling, general, and administrative expenses	$ 6,238	$ 8,350	33.9%
Stock-based compensation	206	201	(2.4)%
Total selling, general, and administrative expenses	$ 6,444	$ 8,551	32.7%
Percentage of total revenues:			
Selling, general, and administrative expenses	8.4%	6.9%	
Stock-based compensation	0.3%	0.2%	
Total selling, general, and administrative expenses	8.6%	7.1%	

Selling, general, and administrative expenses (SG&A expenses), excluding stock-based compensation. For the three months ended March 31, 2008, SG&A expenses, excluding stock-based compensation, increased $2.1 million over the same period in 2007. This increase was attributable to our United States operations, which experienced an increase of $2.2 million, or 44.2%, in the first quarter of 2008 when compared to the same period in 2007, including a $1.2 million increase in employee-related costs, primarily on the sales and marketing side of our business and the employees assumed in connection with the 7-Eleven ATM Transaction, and a $0.4 million increase in professional fees, primarily as a result of our ongoing compliance efforts with the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).

While our SG&A expenses are expected to continue to increase on an absolute basis as a result of our future growth initiatives, we expect that such costs will remain relatively consistent, as a percentage of total revenues, with the levels seen during the first quarter of 2008.

Depreciation and Accretion Expense

	Three Months Ended March 31,		
	2007	2008	% Change
	(in thousands)		
Depreciation expense	$ 6,172	$ 8,687	40.7%
Accretion expense	226	395	74.8%

Depreciation and accretion expense	$ 6,398	$ 9,082	42.0%
Percentage of total revenues:			
Depreciation expense	8.3%	7.2%	
Accretion expense	0.3%	0.3%	
Total depreciation and accretion expense	8.6%	7.5%	

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Depreciation expense. For the three months ended March 31, 2008, depreciation expense increased by $2.5 million over the same period in 2007. This increase was primarily attributable to the 7-Eleven ATM Transaction, which resulted in an additional $1.6 million of depreciation related to the acquired ATMs, Vcom terminals, and other assets. Included within the $1.6 million is the amortization of assets associated with the capital leases assumed in the acquisition. Also contributing to the year-over-year increase was our United Kingdom and Mexico operations, which recognized additional depreciation of $1.3 million and $0.3 million, respectively, during the first quarter of 2008 due to the deployment of additional ATMs under Company-owned arrangements. Partially offsetting these increases was lower depreciation related to the ATMs associated with our pre-existing domestic operations, as we recognized $1.6 million in accelerated depreciation expense during the first quarter of 2007 related to certain ATMs that were to be deinstalled early as a result of contract terminations and our Triple-DES security compliance efforts.

Accretion expense. We account for our asset retirement obligations in accordance with Statement of Financial Accounting Standard (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. Accretion expense for the three months ended March 31, 2008 increased over the same period in 2007 due to the increase in the number of machines deployed under Company-owned arrangements.

In the future, we expect that our depreciation and accretion expense will continue to grow in proportion to the increase in the number of ATMs we own and deploy throughout our Company-owned portfolio.

Amortization Expense

	Three Months Ended March 31,		
	2007	2008	% Change
	(in thousands)		
Amortization expense	$ 2,486	$ 4,503	81.1%
Percentage of total revenues	3.3%	3.7%	

For the three months ended March 31, 2008, amortization expense, which is primarily comprised of amortization of intangible merchant and branding contracts/relationships associated with our past acquisitions, increased by 81.1% when compared to the same period in 2007. This increase in amortization was the result of our acquisition of the 7-Eleven Financial Services Business, which resulted in an additional $2.0 million in incremental amortization expense during the period associated with the intangible assets recorded in connection with the acquisition.

Interest Expense, Net

	Three Months Ended March 31,		
	2007	2008	% Change
	(in thousands)		
Interest expense, net	$ 5,892	$ 7,632	29.5%
Amortization of deferred financing costs and bond discounts	356	508	42.7%
Total interest expense, net	$ 6,248	$ 8,140	30.3%

Percentage of revenues	8.4%	6.8%

Interest expense, net. Interest expense, excluding the amortization of deferred financing costs and bond discounts, increased by $1.7 million during the three months ended March 31, 2008 when compared to the same period in 2007. The majority of the increase was due to our issuance of $100.0 million in Series B Notes in July 2007 to partially finance the 7-Eleven ATM Transaction. This issuance resulted in $2.3 million of additional interest expense during the first quarter of 2008, excluding the amortization of the related discount and deferred financing costs. Partially offsetting the incremental interest associated with our Series B Notes were lower average outstanding balances under our revolving credit facility for the first quarter of 2008 compared to the first quarter of 2007. Also contributing to the year-over-year decrease in interest expense was the overall decrease in the level of floating interest rates under our revolving credit facility.

Amortization of deferred financing costs and bond discounts. The increase in the amortization of deferred financing costs and bond discounts during the first quarter of 2008 was a result of the additional financing costs incurred in connection with the Series B Notes and amendments made to our revolving credit facility in May 2007 to modify the interest rate spreads on outstanding borrowings and other pricing terms and in July 2007 as part of the 7-Eleven ATM Transaction.

Other Expense (Income)

	Three Months Ended March 31,		
	2007	2008	% Change
	(in thousands)		
Minority interest	$ (112)	$	(100.0)%
Other expense (income)	(119)	1,061	(991.6)%
Total other expense (income)	$ (231)	$ 1,061	(559.3)%
Percentage of revenues	(0.3)%	0.9%	

Other expense for the three months ended March 31, 2008 was primarily comprised of losses on the disposal of fixed assets that were incurred in conjunction with the deinstallation of ATMs during the period. For the three month period ended March 31, 2007, the $0.2 million of other income was primarily attributable to the sale of the equity securities awarded to the Company in 2006 pursuant to the bankruptcy plan of reorganization for Winn-Dixie Stores, Inc., one of the Company s merchant customers, which resulted in total gains of $0.6 million, and minority interest income, which represents the portion of Cardtronics Mexico s losses allocable to the minority interest shareholders. This income was partially offset by $0.5 million in losses on the disposal of fixed assets during the period. The $0.2 million in other expense for the period ended March 31, 2006, was primarily attributable to losses on the disposal of fixed assets.

Income Tax Expense (Benefit)

	Three Months Ended March 31,		
	2007	2008	% Change
	(in thousands)		
Income tax expense (benefit)	$ (973)	$ 565	(158.1)%
Effective tax rate	22.3%	(14.0)%	

Our income tax expense increased by $1.5 million during the three months ended March 31, 2008 when compared to the same period in 2007. The increase was primarily driven by the establishment of valuation allowances of $1.2 million, net of amounts provided for current year benefits, associated with various domestic deferred tax assets due to uncertainties surrounding our ability to utilize the related tax benefits in future periods. Additionally, 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. Finally, due to the exclusion of certain deferred tax liability amounts from our ongoing analysis of our domestic net deferred tax asset position, we will likely continue to record additional valuation allowances for our domestic operations throughout the remainder of the year. Accordingly, our overall effective tax rate will continue to be negative until we begin to report positive pre-tax book income on a consolidated basis.

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During the three months ended March 31, 2007, the lower effective tax rate was due to the relative mix of pre-tax income and loss amounts in the our foreign and domestic jurisdictions and the fact that we were not (and continue to not) recognize any tax benefits associated with our Mexico operations. Furthermore, we were in a taxable income position with respect to our domestic state income taxes but in a taxable loss position with respect to our domestic federal income taxes, which further contributed to the lower overall effective tax rate for the three months ended March 31, 2007.

Years Ended December 31, 2005, 2006, and 2007

Revenues

	For the Years Ended December 31,				
	2005	2006	% Change 2005 to 2006	2007	% Change 2006 to 2007
	(in thousands, excluding percentages)				
ATM operating revenues	$ 258,979	$ 280,985	8.5%	$ 364,071	29.6%
Vcom operating revenues				1,251	
ATM product sales and other revenues	9,986	12,620	26.4%	12,976	2.8%
Total revenues	$ 268,965	$ 293,605	9.2%	$ 378,298	28.8%

ATM operating revenues. ATM operating revenues generated during the years ended December 31, 2007 and 2006 increased $83.1 million and $22.0 million, respectively, over the immediately preceding year. Below is a detail, by segment, of changes in the various components of ATM operating revenues for the periods indicated:

	2005 to 2006 Variance				2006 to 2007 Variance			
	U.S.	U.K.	Mexico	Total	U.S.	U.K.	Mexico	Total
	increase (decrease) (in thousands)				increase (decrease) (in thousands)			
Surcharge revenue	$ (7,281)	$ 15,510	$ 398	$ 8,627	$ 19,813	$ 14,115	$ 1,921	$ 35,849
Interchange revenue	(2,863)	4,815	388	2,340	20,206	7,180	1,442	28,828
Branding and surcharge-free network revenue	9,987		6	9,993	18,579		2	18,581
Other	986	60		1,046	(176)	4		(172)
Total increase	$ 829	$ 20,385	$ 792	$ 22,006	$ 58,422	$ 21,299	$ 3,365	$ 83,086

Year ended December 31, 2007 compared to year ended December 31, 2006

United States. During the year ended December 31, 2007, our United States operations experienced a $58.4 million, or 24.5%, increase in ATM operating revenues over 2006. The majority of this increase was attributable to the 7-Eleven ATM Transaction, as the acquired 7-Eleven Financial Services Business generated $35.5 million, $22.7 million, and $6.9 million in incremental surcharge, interchange, and bank branding and surcharge-free network fees, respectively, in the five and a half months during which we owned these operations. Also contributing to the increase in ATM operating revenues were the branding activities of our pre-existing domestic operations, which generated $11.7 million in incremental bank branding and surcharge-free network fees in 2007 when compared to 2006. These incremental revenues were a result of additional branding and surcharge-free network agreements entered into with financial institutions during 2006 and 2007.

The overall increase in ATM operating revenues from the acquired 7-Eleven Financial Services Business and our pre-existing domestic branding and surcharge-free network operations were partially offset by lower surcharge and interchange revenues associated with our pre-existing domestic operations. During 2007, surcharge and interchange revenues from our merchant-owned base declined $11.6 million and $2.5 million, respectively, compared to 2006, primarily as a result of the decline in the average number of transacting merchant-owned ATMs in the United States, as discussed in Recent Events Merchant-owned Account Attrition above. Additionally, surcharge revenues from our Company-owned base declined by $4.1 million during 2007, primarily as a result of a shift in revenues from surcharge-based fees to surcharge-free branding and network fees due to the additional branding and surcharge-free network arrangements entered into with financial institutions during 2006 and 2007.

United Kingdom. Our United Kingdom operations also contributed to the higher ATM operating revenues for 2007, as the surcharge and interchange revenues earned in this segment during 2007 increased by 39.7% and 112.1%, respectively, over 2006. These incremental revenues were primarily driven by the increase in the average number of transacting ATMs in the United Kingdom, which increased from 1,194 ATMs in 2006 to 1,718 ATMs in 2007, due to additional ATM deployments. However, such incremental revenues were slightly lower than originally anticipated due to certain third-party service-related issues experienced by our United Kingdom operations during the fourth quarter of 2007. Such issues, which were caused by the merger of two of our third-party service providers, resulted in a higher percentage of downtime experienced by our ATMs in this market during the fourth quarter of 2007. Although we expect such service-related issues to be resolved during 2008, it is likely that such issues will continue to negatively impact the operating results of our United Kingdom operations in the near-term. Despite this fact, we expect to continue to see an increase in transaction-based revenues from our United Kingdom operations as transaction levels at recently-deployed ATMs continue to mature and reach consistent monthly transaction levels. Finally, foreign currency exchange rates also favorably impacted the revenues from our United Kingdom operations. Of the $21.3 million increase in ATM operating revenues, $5.0 million resulted from favorable exchange rate movements in 2007 when compared to 2006.

Mexico. Our Mexico operations further contributed to the increase in ATM operating revenues as a result of the increase in the average number of transacting ATMs associated with these operations, which rose from 303 during 2006 to 784 during 2007.

Year ended December 31, 2006 compared to year ended December 31, 2005

United States. During the year ended December 31, 2006, our United States operations experienced a $0.8 million increase in ATM operating revenues over 2005. This increase was the result of the branding activities of our pre-existing domestic operations, which generated $10.0 million in incremental bank branding and surcharge-free network revenues in 2006 when compared to 2005. These incremental branding revenues were a result of additional agreements entered into with financial institutions during 2006. Also contributing to the increase in ATM operating revenues were higher surcharge and interchange revenues from our pre-existing domestic Company-owned operations, which increased $2.3 million and $1.4 million, respectively, during 2006. The increased revenues from our bank branding, surcharge-free networks, and Company-owned ATM base were offset by lower surcharge and interchange revenues associated with our pre-existing domestic merchant-owned operations. During 2006, surcharge and interchange revenues from our merchant-owned base declined roughly $9.6 million and $4.3 million, respectively, compared to 2005, primarily as a result of the decline in the average number of transacting ATMs, as previously discussed.

United Kingdom. During 2006, our United Kingdom operations contributed $20.4 million in incremental revenues over 2005, primarily due to the fact that the results for 2005 only reflected eight months worth of operating results from the acquired Bank Machine, Ltd. (Bank Machine) operations. Also contributing to the higher revenues was the increase in the average number of transacting ATMs, which grew from 1,039 ATMs in 2005 to 1,194 ATMs in 2006. Foreign currency exchange rates also favorably impacted the revenues from our Bank Machine operations during 2006. Of the $20.4 million increase in ATM operating revenues, $1.6 million resulted from favorable exchange rate movements in 2006 when compared to 2005.

Mexico. During 2006, our Mexico operations contributed $0.8 million in incremental revenues as a result of our acquisition of a 51% interest in Cardtronics Mexico in February 2006.

Vcom operating revenues. We acquired our Vcom operations as a part of the 7-Eleven ATM Transaction in July 2007. The Vcom operating revenues generated during 2007 were primarily comprised of check cashing fees and certain placement fee revenues associated with agreements 7-Eleven had previously entered into with Vcom

Services providers. Although the revenues generated by our Vcom operations during 2007 were nominal, we expect that revenues from these operations will increase significantly as we continue with our efforts to restructure these operations. We are currently in the middle of a relocation project to concentrate our Vcom terminals in 13 selected markets within the U.S. Such concentrations will allow us to advertise the availability of the advanced-functionality services to consumers within those markets to increase awareness, which we expect will result in an increased number of advanced-functionality transactions being conducted on those machines.

ATM product sales and other revenues. ATM product sales and other revenues for the year ended December 31, 2007 were slightly higher than those generated during 2006 due to higher VAR program sales. During 2006, ATM product sales and other revenues were significantly higher (on a percentage basis) than those generated during 2005 due to higher service call income resulting from Triple-DES security upgrades performed in the United States, higher year-over-year equipment and VAR program sales, and higher non-transaction based fees associated with our domestic network branding program.

Cost of Revenues

	For the Years Ended December 31,				
	2005	2006	% Change 2005 to 2006	2007	% Change 2006 to 2007
	(in thousands, excluding percentages)				
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization)	$ 199,767	$ 209,850	5.0%	$ 275,286	31.2%
Cost of Vcom operating revenues				6,065	
Cost of ATM product sales and other revenues	9,681	11,443	18.2%	11,942	4.4%
Total cost of revenues (exclusive of depreciation, accretion, and amortization)	$ 209,448	$ 221,293	5.7%	$ 293,293	32.5%

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization). The cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred during the years ended December 31, 2007 and 2006 increased $65.4 million and $10.1 million, respectively, over the immediately preceding year. Below is a detail, by segment, of changes in the various components of the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) for the periods indicated:

	2005 to 2006 Variance				2006 to 2007 Variance			
	U.S.	U.K.	Mexico	Total	U.S.	U.K.	Mexico	Total
	increase (decrease) (in thousands)				increase (decrease) (in thousands)			
Cost of cash	$ 1,582	$ 2,172	$ 88	$ 3,842	$ 17,582	$ 6,734	$ 826	$ 25,142
Merchant commissions	(6,185)	7,194	52	1,061	12,167	6,112	1,036	19,315

Repairs and maintenance	(638)	199	46	(393)	6,702	413	450	7,565
Direct operations	1,343	2,430	177	3,950	2,946	2,088	106	5,140
Communications	1,094	(276)	1	819	3,051	935	108	4,094
In-house processing conversion					2,419			2,419
Processing fees	(791)	1,021	192	422	195	1,183	332	1,710
Other	170	210	2	382	(302)	303	50	51
Total increase (decrease)	$ (3,425)	$ 12,950	$ 558	$ 10,083	$ 44,760	$ 17,768	$ 2,908	$ 65,436

Year ended December 31, 2007 compared to year ended December 31, 2006

United States. During 2007, the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred by our United States operations increased $44.8 million over the cost incurred during 2006. This increase was primarily the result of the 7-Eleven ATM Transaction, as the acquired 7-Eleven Financial Services Business incurred $47.3 million of incremental expenses in the five and a half months during which we owned these operations during 2007, including $24.0 million of merchant fees, $12.6 million in costs of cash, $5.4 million of repairs and maintenance costs, $2.2 million in communication costs, $1.6 million of processing fees, and $0.6 million in additional employee-related costs directly allocable to these operations. The $47.3 million of incremental expenses generated by the ATM operations of the acquired 7-Eleven Financial Services Business is net of $3.7 million of amortization expense related to the 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 liabilities, see Note 2 to our unaudited interim consolidated financial statements included elsewhere within this prospectus.

Also contributing to the increase were our pre-existing United States operations, which experienced (i) $5.0 million of higher vault cash costs when 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) $2.4 million in incremental costs associated with our efforts to convert our ATMs to our in-house transaction processing platform, and (iii) $2.3 million of additional employee-related costs directly allocable to our pre-existing domestic operations as a result of our decision to hire additional personnel to focus on our initiatives. Partially offsetting these increases in costs were lower merchant fees associated with our pre-existing domestic operations, which decreased $11.8 million when compared to the same period in 2006 due to the year-over-year decline in the number of domestic merchant-owned ATMs (as discussed in Recent Events Merchant-owned Account Attrition above) and the related surcharge revenues, and lower processing costs as a result of our conversion to our in-house processing platform.

United Kingdom. During the year ended December 31, 2007, our United Kingdom operations contributed to the increase in the cost of ATM operating revenues with such costs increasing $17.8 million over 2006. These increases were due to higher costs of cash and merchant payments, as well as increased communications and processing costs, which resulted from the increased number of ATMs operating in the United Kingdom during 2007 when compared to the same period in 2006. We anticipate that these costs as a percentage of revenues will decline as the transaction levels for recently-deployed ATMs continue to mature and reach consistent monthly recurring transaction levels. Additionally, foreign currency exchange rates increased our cost of ATM operating revenues from our United Kingdom operations, accounting for approximately $3.6 million of the total $17.8 million increase in these costs during 2007.

Mexico. Our Mexico operations further contributed to the increase in the cost of ATM operating revenues as a result of the increase in the average number of transacting ATMs associated with our Mexico operations and the increased number of transactions conducted on our machines during 2007 compared to 2006.

Year ended December 31, 2006 compared to year ended December 31, 2005

United States. During the year ended December 31, 2006, our United States segment experienced a $3.4 million decline in the cost of ATM operating revenues compared to 2005. This reduction in costs was primarily due to the $9.3 million decline in merchant fees attributable to our merchant-owned base, which was a result of the reduction in the number of average transacting merchant-owned ATMs in our portfolio and consistent with the decline in surcharge revenues. Partially offsetting this decline was a $3.1 million increase in merchant fees attributable to our Company-owned base, which was a result of the increase in the number of Company-owned ATMs and consistent with the increase in surcharge revenues.

United Kingdom. During 2006, our Bank Machine operations experienced a $13.0 million increase in the cost of ATM operating revenues compared to 2005. Such increase was partially attributable to the fact that our 2005 results only reflected eight months worth of operating results from the acquired Bank Machine operations. Also contributing to the increase was the higher average number of transacting ATMs in 2006,

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which increased from 1,039 ATMs in 2005 to 1,194 ATMs in 2006, and resulted in higher merchant payments and an increased cost of cash. Foreign currency exchange rates also impacted the expenses incurred by our Bank Machine operations during 2006. Of the $13.0 million increase in cost of ATM operating revenues during 2006, $1.0 million resulted from higher exchange rates during 2006 compared to 2005.

Mexico. During 2006, we incurred $0.6 million in incremental cost of ATM operating revenues as a result of our acquisition of a 51% interest in Cardtronics Mexico in February 2006.

Cost of Vcom operating revenues. The cost of Vcom operating revenues incurred during 2007 was primarily related to maintenance costs and the cost of cash related to the Vcom Services provided by our advanced-functionality operations. We also incurred approximately $1.4 million in direct marketing expenses during 2007 associated with certain promotional efforts to increase awareness of the Vcom Services, which negatively impacted our 2007 results. Although we will continue to incur direct marketing expenses during 2008 associated with our promotional efforts, we anticipate that the total costs associated with the provision of the Vcom Services will decrease in 2008, as we completed most of our cost reduction efforts during the latter part of 2007. Such cost reductions are due to a combination of contract renegotiations and bringing a number of previously-outsourced functions in-house, which we estimate will produce over $6.0 million in annual cost savings.

Cost of ATM product sales and other revenue. The cost of ATM product sales and other revenues increased by 4.4% during 2007. This increase was primarily due to higher year-over-year costs associated with equipment sold under our VAR program with NCR, but was partially offset by lower costs associated with ATM sales that resulted from a decline in equipment sales to independent merchants in 2007 as compared to 2006. During 2006, cost of ATM product sales and other revenues were significantly higher (on a percentage basis) than those generated for the year ended December 31, 2005 due to higher service call levels associated with Triple-DES security upgrades performed in the United States, higher year-over-year equipment and VAR program sales, and higher non-transaction based fees associated with our domestic network branding program.

Gross Profit Margin

	For the Years Ended December 31,		
	2005	**2006**	**2007**
ATM operating gross profit margin:			
Exclusive of depreciation, accretion, and amortization	22.9%	25.3%	24.4%
Inclusive of depreciation, accretion, and amortization	14.9%	14.9%	12.5%
Vcom operating gross profit margin			(384.8)%
ATM product sales and other revenues gross profit margin	3.1%	9.3%	8.0%
Total gross profit margin:			
Exclusive of depreciation, accretion, and amortization	22.1%	24.6%	22.5%
Inclusive of depreciation, accretion, and amortization	14.5%	14.7%	11.1%

ATM operating gross profit margin

ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization). For the year ended December 31, 2007, ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) decreased 0.9% when compared to 2006. Such decline was primarily due to the $2.4 million in additional costs incurred in 2007 associated with our efforts to transition our domestic ATMs onto 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 during 2008 as we convert the remainder of our Company-owned and merchant-owned ATMs to our processing platform. Our ATM operating gross profit margins (exclusive of depreciation, accretion, and amortization) were further impacted by

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$0.5 million in inventory reserves related to our Triple-DES upgrade efforts. As we have substantially completed our Triple-DES upgrade efforts, we do not anticipate that we will incur similar costs in 2008. Additionally, our 2007 ATM operating gross profit margins (exclusive of depreciation, accretion, and amortization) were negatively impacted by the significant number of ATM deployments that occurred in our United Kingdom operations during the latter half of 2007, as many of those ATMs were still in the process of achieving consistent recurring monthly transaction levels during 2007. Furthermore, during the fourth quarter of 2007, our ATM operating gross profit margins were negatively impacted by a higher percentage of downtime experienced by our ATMs in the United Kingdom as a result of certain third-party service-related issues. While we expect such service-related issues to be resolved during the 2008, it is likely that such issues will continue to negatively impact the operating results of our United Kingdom operations in the near-term.

During 2006, ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) increased 2.4% compared to the gross margin 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 United States ATM operations. Additionally, our 2006 results 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 branding and surcharge-free network revenues in the United States also contributed to the higher gross margin figure in 2006.

ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization). During 2007, ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization) decreased 2.4% compared to 2006. Such decline was the result of transition costs associated with our in-house processing operations, inventory reserves related to our Triple-DES upgrade efforts, and the temporary decline in margins associated with our United Kingdom operations, 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, accretion, and amortization 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 certain intangible asset impairments recorded in 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.

ATM product sales and other revenues gross profit margin. For the year ended December 31, 2007, our ATM product sales and other revenues gross profit margin decreased 1.3%, primarily as a result of our Triple-DES upgrade efforts. Because all ATMs operating on the EFT networks were 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 renewals of the underlying ATM operating agreements. As a result, gross margins associated with our ATM product sales and other activities were negatively impacted during 2007. However, we anticipate that such margins will improve in 2008 now that the Triple-DES compliance upgrade process is substantially completed.

For the year ended December 31, 2006, our ATM product sales and other gross margins were higher than for the year ended December 31, 2005 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.

Selling, General, and Administrative Expenses

	For The Years Ended December 31,				
	2005	2006	% Change 2005 to 2006	2007	% Change 2006 to 2007
	(in thousands, excluding percentages)				
Selling, general, and administrative expenses, excluding stock-based compensation	$ 15,664	$ 20,839	33.0%	$ 28,394	36.3%
Stock-based compensation expense	2,201	828	(62.4)%	963	16.3%
Total selling, general, and administrative expenses	$ 17,865	$ 21,667	21.3%	$ 29,357	35.5%
Percentage of revenues:					
Selling, general, and administrative expenses, excluding stock-based compensation	5.8%	7.1%		7.5%	
Stock-based compensation expense	0.8%	0.3%		0.3%	
Total selling, general, and administrative expenses	6.6%	7.4%		7.8%	

Selling, general, and administrative expenses (SG&A expenses), excluding stock-based compensation. For the year ended December 31, 2007, SG&A expenses, excluding stock-based compensation, increased $7.6 million over 2006. This increase was primarily attributable to our United States operations, which experienced an increase of $5.6 million, or 33.0%, in 2007 when compared to the same period in 2006, primarily as a result of (i) a $3.0 million increase in employee-related costs, primarily on the sales and marketing side of our business and the employees assumed in connection with the 7-Eleven ATM Transaction, (ii) a $1.4 million increase in professional fees associated with our Sarbanes-Oxley compliance efforts, and (iii) $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 during 2007, primarily due to additional employee-related costs to support growth of these segments operations and, in the case of our United Kingdom operations, changes in foreign currency exchange rates, which contributed approximately $0.4 million of this segment s total $1.3 million increase in SG&A expense, excluding stock-based compensation, over 2006.

During 2006, our SG&A expenses, excluding stock-based compensation, increased by 33.0% when compared to 2005. Such increase was attributable to higher costs associated with our United States 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, our SG&A expenses 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.

While our SG&A expenses 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.

Stock-based compensation. Stock-based compensation expense for the year ended December 31, 2007 was slightly higher than for the year ended December 31, 2006 as a result of the additional option awards that were granted during 2007. Stock-based compensation for 2006 decreased by 62.4% when compared to 2005, primarily due to an additional $1.7 million in stock-based compensation recognized during 2005 related to the repurchase of shares underlying certain employee stock options in connection with our Series B redeemable convertible preferred stock financing transaction. Additionally, during the year ended December 31, 2006, we adopted 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.

Depreciation and Accretion Expense

	For The Years Ended December 31,				
	2005	2006	% Change 2005 to 2006	2007	% Change 2006 to 2007
	(in thousands, excluding percentages)				
Depreciation expense	$ 11,949	$ 18,323	53.3%	$ 25,737	40.5%
Accretion expense	1,002	272	(72.9)%	1,122	312.5%
Depreciation and accretion expense	$ 12,951	$ 18,595	43.6%	$ 26,859	44.4%
Percentage of Revenues:					
Depreciation expense	4.4%	6.2%		6.8%	
Accretion expense	0.4%	0.1%		0.3%	
Total depreciation and accretion expense	4.8%	6.3%		7.1%	

Depreciation expense. For the year ended December 31, 2007, depreciation expense increased by 40.5% over 2006. This increase was primarily attributable to our United States operations, which recognized an additional $4.1 million of depreciation during 2007, $2.8 million of which related to the ATMs, Vcom terminals, and other assets acquired in the 7-Eleven ATM Transaction. Included within the $2.8 million is the amortization of assets associated with the capital leases assumed in the 7-Eleven ATM Transaction. Also contributing to the year-over-year increase was our United Kingdom and Mexico operations, which recognized additional depreciation of $2.9 million and $0.4 million, respectively, during 2007 due to the deployment of additional ATMs under Company-owned arrangements.

The 53.3% increase in depreciation in 2006 was primarily comprised of $4.1 million of incremental depreciation related to our United States operations and $2.3 million of incremental depreciation related to 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 were 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.

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 $0.9 million increase in accretion expense in 2007 when compared to 2006 and the $0.7 million decrease in accretion expense in 2006 when compared to 2005 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 (non-cash versus 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), the increase in accretion expense in 2007 when compared to 2006 was the result of the 5,500 ATMs and Vcom terminals acquired in the 7-Eleven ATM Transaction and the deployment of approximately 1,800 additional ATMs by our United Kingdom and Mexico operations during 2007. Additionally, excluding the $0.5 million adjustment, accretion expense in 2006 increased when compared to 2005, which primarily resulted from the 300 additional ATMs deployed in the United Kingdom during 2006.

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

Amortization Expense

	For the Years Ended December 31,				
	2005	2006	% Change 2005 to 2006	2007	% Change 2006 to 2007
	(in thousands, excluding percentages)				
Amortization expense	$ 8,980	$ 11,983	33.4%	$ 18,870	57.5%
Percentage of revenues	3.3%	4.1%		5.0%	

Amortization expense is primarily comprised of the amortization of intangible merchant contracts and relationships associated with our past acquisitions. During the year ended December 31, 2007, amortization expense increased by $6.9 million when compared to the same period in 2006, primarily due to $5.7 million of impairment charges recorded during 2007, of which $5.1 million related to the unamortized intangible asset value associated with our merchant contract with Target that we acquired in 2004. We had been in discussions with Target 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 meaningful progress in this regard during the first nine months of 2007, and, based on discussions that had been held with Target, concluded that the likelihood of being able to provide such additional services had decreased considerably. Furthermore, average monthly transaction volumes associated with this particular contract continued to decrease in 2007. Accordingly, we concluded that the impairment charge was warranted during the third quarter of 2007. The impairment charge recorded served to write-off the remaining unamortized intangible asset associated with this merchant contract. Despite the above, we are continuing to work with Target 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 noted above, which we believe could significantly increase the future cash flows earned under this contract.

Our acquisition of the 7-Eleven Financial Services Business further contributed to the increased amortization, as we recognized $3.7 million in incremental amortization expense during the 2007 associated with the intangible assets recorded as a part of our purchase price allocation. Excluding the asset impairments recorded in 2007 (discussed above) and 2006 (discussed below) and the incremental amortization expense recognized as a result of the 7-Eleven ATM Transaction, amortization expense for year ended December 31, 2007 was relatively consistent with the amount recorded in 2006.

For the year ended December 31, 2006, amortization expense increased by 33.4% 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.

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

Interest Expense, net

	For the Years Ended December 31,				
	2005	2006	% Change 2005 to 2006	2007	% Change 2006 to 2007
	(in thousands, excluding percentages)				
Interest expense, net	$ 15,485	$ 23,143	49.5%	$ 29,523	27.6%
Amortization and write-off of financing costs and bond discounts	6,941	1,929	(72.2)%	1,641	(14.9)%
Total interest expense, net	$ 22,426	$ 25,072	11.8%	$ 31,164	24.3%
Percentage of revenues	8.3%	8.5%		8.2%	

Interest expense, net. During 2007, interest expense, excluding the amortization and write-off of financing costs and bond discount, increased by $6.4 million when compared to the same period in 2006. The majority of the increase was due to our issuance of $100.0 million in Series B Notes in July 2007 to partially finance the 7-Eleven ATM Transaction. This issuance resulted in $4.1 million of additional interest expense during 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 for the majority of 2007 when compared to 2006. While our borrowings under our revolving credit facility were only $4.0 million as of December 31, 2007, this balance reflects the reduction in our borrowings following our initial public offering in December 2007. The incremental borrowings under the facility throughout 2007 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 increase in interest expense was the overall increase in the level of floating interest rates paid under our revolving credit facility.

For the year ended December 31, 2006, interest expense, excluding the amortization and write-off of financing costs and bond discount, increased by $7.7 million 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 Series A Notes, which were issued in August 2005. Further contributing to the increase in interest expense in 2006 was the increase in the annual interest rate on the Series A 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. 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.

Amortization and write-off of financing costs and bond discounts. During 2007 and 2006, expenses related to the amortization and write-off of financing costs and bond discounts decreased $0.3 million and $5.0 million, respectively, when compared to the expense amounts recorded in the immediately preceding year. Such decreases were the result of approximately $0.5 million and $5.0 million of deferred financing costs that were written off in 2006 and 2005, respectively, as a result of amendments made to our bank credit facility in February 2006 and May 2005, as well as the repayment of our term loans in August 2005. Excluding the write-off taken in 2006, the amortization of financing costs and bond discounts during 2007 increased slightly 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.

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. Furthermore, as noted above, we utilized the net proceeds received from our initial public offering to repay substantially all of our borrowings that were previously outstanding under our revolving credit facility in December 2007. Despite this repayment and the modification of the interest spread (which will serve to reduce slightly the amount of interest charged on amounts outstanding under the facility), we expect that our overall interest expense amounts in 2008 will be relatively consistent with that incurred during 2007 as a result of the issuance of the Series B Notes, which will result in an additional $9.3 million in interest expense on an annual basis, in addition to the amortization of the related discount and deferred financing costs. For additional information on our financing facilities and anticipated capital expenditure needs, see Liquidity and Capital Resources below.

Other (Income) Expense

	For the Years Ended December 31,				
	2005	2006	% Change 2005 to 2006	2007	% Change 2006 to 2007
	(in thousands, excluding percentages)				
Minority interest	$ 15	$ (225)	(1,600.0)%	$ (376)	67.1%
Other (income) expense	968	(4,761)	(591.8)%	1,585	(133.3)%
Total other (income) expense	$ 983	$ (4,986)	(607.2)%	$ 1,209	(124.2)%
Percentage of revenues	0.4%	(1.7)%		0.3%	

For the year ended December 31, 2007, total other expense consisted primarily of $2.2 million in losses on the disposal of fixed assets that were incurred in conjunction with the deinstallation of ATMs during the period. These 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.

During the year ended December 31, 2006, we recorded approximately $4.8 million in other income, which was primarily attributable to the recognition of $4.8 million 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. The above amounts were partially offset by $1.6 million of losses related to the disposal of a number of ATMs.

Income Tax Expense (Benefit)

	For the Years Ended December 31,		
		% Change	% Change

	2005	2006	2005 to 2006	2007	2006 to 2007
	(in thousands, excluding percentages)				
Income tax expense (benefit)	$ (1,270)	$ 512	140.3%	$ 4,636	805.5%
Effective tax rate	34.4%	(2,694.7)%		(20.6)%	

Our income tax expense increased by $4.1 million during 2007 when compared to 2006. The increase was primarily driven by the establishment of valuation allowances of $4.8 million, net of amounts provided for current year benefits, associated with various domestic deferred tax assets due to uncertainties surrounding our ability to utilize the related tax benefits in future periods. Additionally, 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. Finally, due to the exclusion of certain deferred tax liability amounts from our ongoing analysis of our domestic net deferred tax asset position, we will likely continue to record additional valuation allowances for our domestic operations during 2008. Accordingly, our overall effective tax rate will continue to be negative until we begin to report positive pre-tax book income on a consolidated basis.

In addition, the Company recorded a $0.2 million deferred tax benefit during 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.

For the year ended December 31, 2006, we had income tax expense of $0.5 million compared to 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.

Liquidity and Capital Resources

Overview

As of March 31, 2008 and December 31, 2007, we had approximately $8.9 million and $13.4 million, respectively, in cash and cash equivalents on hand and approximately $345.9 million and $310.7 million, respectively, in outstanding long-term debt and capital lease obligations.

Prior to December 2007, we had 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. However, in December 2007, we completed our initial public offering of 12,000,000 shares of our common stock. Furthermore, we have historically used cash to invest in additional operating ATMs, either through the acquisition of ATM networks or through organically generated growth. We have also used cash 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 but pay our vendors on 30 day terms and are not required to pay certain of our merchants until 20 days 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 small cash balance on our books.

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 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.

Operating Activities

Three Months Ended March 31, 2007 and 2008

Net cash used in operating activities totaled $10.3 million for the three months ended March 31, 2008 compared to net cash provided by operating activities of $2.6 million during the same period in 2007. The year-over-year decrease was primarily attributable to the timing of changes in our working capital balances. Specifically, we paid approximately $8.9 million more of accounts payables and accrued liabilities during the first quarter of 2008 compared to the first quarter of 2007, including approximately $5.3 million in additional cash interest in 2008 related to our Series B Notes, which were issued in July 2007. Additionally, we collected approximately $5.0 million less in accounts and notes receivable during the three months ended March 31, 2008.

Years Ended December 31, 2005, 2006, and 2007

Net cash provided by operating activities was $55.5 million, $25.4 million, and $33.2 million for the years ended December 31, 2007, 2006, and 2005, respectively. The increase in 2007, when compared to 2006, was primarily attributable to the timing of changes in our working capital balances. Specifically, we settled approximately $32.5 million less of payables and accrued liabilities during 2007 compared to 2006. The decrease in 2006, when compared to 2005, was primarily attributable to the payment of approximately $18.7 million in additional interest costs in 2006 related to our senior subordinated notes, which 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.

Investing Activities

Three Months Ended March 31, 2007 and 2008

Net cash used in investing activities totaled $26.1 million for the three months ended March 31, 2008, compared to $9.3 million for the same period in 2007. The year-over-year increase was driven by incremental ATM purchases, primarily in our United States and United Kingdom segments. Additionally, during 2007, we received $4.0 million in proceeds from the sale of our Winn-Dixie equity securities during 2007 and $0.9 million of proceeds out of an escrow account associated with a previous acquisition, which served to offset our capital expenditures.

Years Ended December 31, 2005, 2006, and 2007

Net cash used in investing activities totaled $202.9 million, $36.0 million, and $140.0 million for the years ended December 31, 2007, 2006, and 2005, respectively. The year-over-year increase was primarily driven by our acquisition of the 7-Eleven Financial Services Business in July 2007 for $137.3 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 U.S. segment s 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 $5.7 million of funds under five financing facilities entered into by our majority-owned Mexican subsidiary, Cardtronics Mexico, for the purchase of ATMs. Such funds are not reflected in our consolidated statement of cash flows as they were not remitted by Cardtronics Mexico but rather remitted by the finance company, on our behalf, directly to our vendors.

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, BASC, and Neo Concepts, Inc. acquisitions during 2005. 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 and purchases of equipment to be leased, were $71.9 million, $36.1 million, and $31.9 million for the years ended December 31, 2007, 2006, and 2005, respectively.

Anticipated Future Capital Expenditures. We currently anticipate that the majority of our capital expenditures for the foreseeable future will be driven by organic growth projects, including the purchasing of ATMs for existing as well as new ATM management agreements, as opposed to acquisitions. 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 that we completed in July 2007. We believe that significant expansion opportunities continue to exist in all of our current markets, as well as in other international markets, and we will continue to pursue those opportunities as they arise. Such acquisition opportunities, either individually or in the aggregate, could be material.

We currently expect that our capital expenditures for the remaining nine months of 2008 will total approximately $24.0 million, net of minority interest, the majority of which will be utilized to purchase additional ATMs for our Company-owned accounts. We expect such expenditures to be funded with cash generated from our operations, supplemented by borrowings under our revolving credit facility. To that end, we recently amended our revolving credit facility in March 2008 to increase the amount of capital expenditures that we can incur on a rolling 12-month basis to $90.0 million. This modification should provide us with the ability to incur the level of capital expenditures that we currently deem necessary to support our ongoing operations and future growth initiatives.

As a result of the 7-Eleven ATM Transaction, we assumed responsibility for certain ATM operating lease contracts that will expire at various times during the next three years, the majority of which will expire in 2009. Accordingly, at that time, we will be required to renew such lease contracts, enter into new lease contracts, or purchase new or used ATMs to replace the leased equipment. If we decide to purchase new 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. However, in the event we decide to purchase the leased equipment at the end of the lease term rather than purchasing new ATMs, our expenditures would be substantially less than the above estimated amounts. Additionally, we currently have $7.2 million in letters of credit posted under our revolving credit facility in favor of the lessors under these leases. These letters of credit will expire at the end of the lease terms. See *Note 8* to our consolidated financial statements for the three months ended March 31, 2008 included elsewhere in this prospectus for additional details on these letters of credit.

Financing Activities

Three Months Ended March 31, 2007 and 2008

Net cash provided by financing activities totaled $31.9 million for the three months ended March 31, 2008 compared to $5.7 million for the same period in 2007. The higher amount in 2008 was primarily due to incremental borrowings under our revolving credit facility to fund the increase in capital expenditures discussed in Investing Activities above. Although the amount outstanding under our revolving credit facility may fluctuate over the course of the year, we currently expect that the overall level of our senior debt, absent any acquisitions or unanticipated changes in our working capital and capital expenditure levels, will trend downward over the remainder of the year.

Years Ended December 31, 2005, 2006, and 2007

Net cash provided by financing activities was $158.2 million, $11.2 million, and $107.2 million for the years ended December 31, 2007, 2006, and 2005, respectively. The increase in 2007 was primarily attributable to our issuance of $100.0 million in senior subordinated debt due 2013 (the Series B Notes) and $42.7 million of additional borrowings under our revolving credit facility in July 2007 to finance the 7-Eleven ATM Transactions. Additionally, in December 2007, we completed our initial public offering of 12,000,000 shares of common stock, which generated net proceeds of approximately $110.1 million that were used to pay down debt previously outstanding under our revolving credit facility. Finally, although not reflected in our 2007 statement of cash flows, we received the benefit of the disbursement of $5.7 million of funds under five financings facilities entered into by our Mexican operations. The $5.7 million is not reflected in our 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.

In 2005, 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. Additionally, in 2005 we issued $75.0 million worth of Series B redeemable 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 March 31, 2008, we had approximately $345.9 million in outstanding long-term debt and capital lease obligations, which was comprised of (i) $296.2 million (net of discount of $3.8 million) of our Series A and Series B senior subordinated notes, (ii) $39.5 million in borrowings under our revolving credit facility, (iii) $8.5 million in notes payable outstanding under equipment financing lines of our Mexico subsidiary, and (iv) $1.7 million in capital lease obligations. As of December 31, 2007, we had approximately $310.7 million in outstanding long-term debt and capital lease obligations, which was comprised of (i) approximately $296.1 million (net of discount of $3.9 million) of our Series A and Series B senior subordinated notes, (ii) approximately $4.0 million in borrowings under our revolving credit facility, (iii) approximately $8.5 million in notes payable, the majority of which was outstanding under equipment financing lines of our Mexico subsidiary, and (iv) approximately $2.1 million in capital lease obligations.

Revolving credit facility. Borrowings under our revolving credit facility bear interest at a variable rate based upon LIBOR, or prime rate, at our option. Additionally, we pay a commitment fee of 0.25% 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% 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 March 2008, we amended our facility such that we may incur up to $90 million in capital expenditures on a rolling 12-month basis. As a result of this amendment, 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.

As of March 31, 2008 and December 31, 2007, we were in compliance with all covenants contained within the facility and had the ability to borrow an additional $128.3 million and $163.5 million, respectively, under the facility based on such covenants.

Other borrowing facilities

Bank Machine overdraft facility. 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 (currently 5.00%), is utilized for general corporate purposes for our United Kingdom operations. As of March 31, 2008, approximately £1.0 million ($2.0 million) of this facility had been utilized to help fund certain working capital commitments. As of December 31, 2007, the full amount 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, 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.

Cardtronics Mexico equipment financing agreements. During 2006 and 2007, Cardtronics Mexico entered into six 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 10.96%, were utilized for the purchase of additional ATMs to support our Mexico operations. As of March 31, 2008, $90.4 million pesos ($8.5 million U.S.) were outstanding under the agreements in place at the time, with future borrowings to be individually negotiated between the lender and

Cardtronics. Pursuant to the terms of the loan agreement, we have issued a guaranty for 51.0% of the obligations under this agreement (consistent with our ownership percentage in Cardtronics Mexico.) As of March 31, 2008, the total amount of the guaranty was $46.1 million pesos ($4.3 million U.S.). As of December 31, 2007, $91.2 million pesos ($8.4 million U.S.) were outstanding under the agreements and, the total amount of the guaranty was $46.5 million pesos ($4.3 million U.S.).

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Capital lease agreements. In connection with the 7-Eleven ATM Transaction, we assumed certain capital and operating lease obligations for approximately 2,000 ATMs. As of March 31, 2008 and December 31, 2007, the principal balance of our capital lease obligations totaled $1.7 million and $2.1 million, respectively. Additionally, we had $7.2 million and $7.5 million of letters of credit posted as of March 31, 2008 and December 31, 2007, respectively, in favor of the lessors under these assumed capital and operating equipment leases, which 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 and discussion reflect our significant contractual obligations and other commercial commitments as of December 31, 2007. With the exception of the increase in the amount outstanding under our revolving credit facility from $4.0 million as of December 31, 2007 to $39.5 million as of March 31, 2008, there have been no material changes in our contractual obligations since December 31, 2007.

	Payment Due by Period						
	2008	2009	2010	2011	2012	Thereafter	Total
	(in thousands)						
Long-term financings:							
Principal(1)	$ 882	$ 1,735	$ 2,147	$ 2,372	$ 5,391	$ 300,000	$ 312,527
Interest(2)	28,969	28,840	28,622	28,375	37,943	27,750	170,499
Operating leases	5,559	5,430	1,332	828	766	3,161	17,076
Merchant space leases	4,644	2,261	1,425	1,369	1,272	1,101	12,072
Capital leases(3)	1,268	799	240				2,307
Total contractual obligations	$ 41,322	$ 39,065	$ 33,766	$ 32,944	$ 35,372	$ 332,012	$ 514,481

(1) Represents the $300.0 million face value of our Series A and Series B Notes, $4.0 million outstanding under our revolving credit facility, and $8.4 million outstanding under our Mexico equipment financing facilities.

(2) Represents the estimated interest payments associated with our long-term debt outstanding as of December 31, 2007.

(3) Includes interest related to the capital lease obligations.

Critical Accounting Policies and Estimates

Our unaudited interim consolidated financial statements and our audited consolidated financial statements included elsewhere within 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 audited consolidated financial statements included elsewhere within this prospectus.

Goodwill and Intangible Assets. We have accounted for the 7-Eleven ATM Transaction, as well as 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

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fair values as of each acquisition date. Intangible assets that met the criteria established by SFAS No. 141 for recognition apart from goodwill included the acquired ATM operating agreements and related customer relationships, a branding agreement acquired in the 7-Eleven ATM Transaction, the Bank Machine and Allpoint (via the ATM National, Inc. acquisition) trade names, and the non-compete agreements entered into in connection with the CCS Mexico acquisition.

The excess of the cost of the aforementioned acquisitions over the net of the amounts assigned to the tangible and intangible assets acquired and liabilities assumed has been reflected as goodwill in our consolidated financial statements. As of March 31, 2008, our goodwill balance totaled $234.4 million, $62.2 million of which related to our acquisition of the 7-Eleven Financial Services Business, $84.5 million of which related to our acquisition of E*TRADE Access, and $83.2 million of which related to our acquisition of Bank Machine. The remaining balance is comprised of goodwill related to our acquisition of ATM National Inc. and our purchase of a majority interest in CCS Mexico. Intangible assets, net, totaled $126.2 million as of March 31, 2008, and included the intangible assets described above, as well as deferred financing costs, exclusive license agreements, and upfront merchant site acquisition 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.

We evaluate the recoverability of our goodwill and non-amortized intangible assets by estimating the future discounted cash flows of the reporting units to which the goodwill and non-amortized intangible assets relate. We use discount rates corresponding to our cost of capital, risk adjusted as appropriate, to determine such discounted cash flows, and consider current and anticipated business trends, prospects, and other market and economic conditions when performing our evaluations. Such evaluations are performed at minimum on an annual basis, or more frequently based on the occurrence of events that might indicate a potential impairment. Such events include, but are not limited to, items such as the loss of a significant contract or a material change in the terms or conditions of a significant contract.

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. We test our acquired merchant contract/relationship intangible assets for impairment, along with the related ATMs, on an individual contract/relationship basis for our significant acquired contracts/relationships, and on a pooled or portfolio basis (by acquisition) for all other acquired contracts/relationships. In determining whether a particular merchant contract/relationship is significant enough to warrant a separate identifiable intangible asset, we analyze a number of relevant factors, including (i) estimates of the historical cash flows generated by such contract/relationship prior to its acquisition, (ii) estimates regarding our ability to increase the contract/relationship s cash flows subsequent to the acquisition through a combination of lower operating costs, the deployment of additional ATMs, and the generation of incremental revenues from increased surcharges and/or new branding arrangements, and (iii) estimates regarding our ability to renew such contract/relationship beyond its originally scheduled termination date. An individual contract/relationship, and the related ATMs, could be impaired if the contract/relationship is terminated sooner than originally anticipated, or if there is a decline in the number of transactions related to such contract/relationship without a corresponding increase in the amount of revenue collected per transaction. A portfolio of purchased contract intangibles, including the related ATMs, could be impaired if the contract attrition rate is materially more than the rate used to estimate the portfolio s initial value, or if there is a decline in the number of transactions associated with such portfolio without a corresponding increase in the revenue collected per transaction. Whenever events or changes in circumstances indicate that a merchant contract/relationship intangible asset may be impaired, we evaluate the recoverability of the intangible asset, and the related ATMs, by measuring the related carrying amounts against the estimated undiscounted future cash flows associated with the related contract or portfolio of contracts. Should the sum of the expected future net cash flows be less than the carrying values of the tangible and intangible assets being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying values of the ATMs and intangible assets exceeded the calculated fair value. We recorded no impairments during the three months ended March 31, 2008. During the years ended December 31, 2007, 2006, and 2005, we recorded approximately $5.7 million, $2.8 million, and $1.2 million, respectively, in additional amortization expense related to the impairment of certain previously acquired merchant contract/relationship intangible assets associated with our U.S. reporting segment.

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. In the event we do not believe we will be able to utilize the related tax benefits associated with deferred tax assets, we record valuation allowances to reserve for the assets. During the three months ended March 31, 2008 and the year ended December 31, 2007, we recorded $1.2 million and $4.8 million in valuation allowances to reserve for various deferred tax assets associated with our domestic operations, resulting in an overall income tax expense of $4.6 million. Such adjustments were based, in part, on the expectation of increased pre-tax book losses during the latter half of 2007, primarily as a result of the additional interest expense amounts associated with the 7-Eleven ATM Transaction and the anticipated losses associated with the acquired Vcom operations.

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. We account for our share-based payments in accordance with SFAS No. 123R, *Share-based Payments*, which 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-

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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 for the year ended December 31, 2007, are outlined in detail in Note 3 of the notes to our audited consolidated financial statements included elsewhere is this prospectus.

New Accounting Pronouncements

Fair Value Measurement. In September 2006, the Financial Accounting Standards Board (the FASB) issued SFAS No. 157, *Fair Value Measurements*, which provides guidance on measuring the fair value of assets and liabilities in the financial statements. In summary, SFAS No. 157 does the following:

1. Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value;

2. Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;

3. Eliminates large position discounts for financial instruments quoted in active markets and requires consideration of the Company s creditworthiness when valuing liabilities; and

4. Expands disclosures about instruments measured at fair value.

In addition, SFAS No. 157 establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on assumptions used to measure assets and liabilities at fair value. A financial asset or liability s classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

We adopted SFAS No. 157 as of January 1, 2008, with the exception of the application of the statement to non-recurring non-financial assets and non-financial liabilities. Non-recurring non-financial assets and non-financial liabilities for which we have not applied the provisions of SFAS No. 157 include those measured at fair value for impairment testing, including goodwill, other intangible assets, and property and equipment. As a result of our adoption of SFAS No. 157, we recorded a $1.6 million reduction of the unrealized loss associated with our interest rate swaps, which served to decrease our derivative liability and reduce our other comprehensive loss. Such adjustment reflects the consideration of nonperformance risk by our Company for interest rate swaps that were in a net liability position as of March 31, 2008, and the nonperformance risk of our counterparties for interest rate swaps that were in a net asset position as of March 31, 2008, as measured by the use of applicable credit default spreads. For additional information on our adoption of this standard, see *Note 15* to our consolidated financial statements.

Fair Value Option. In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which provides allows companies the option to measure certain financial instruments and other items at fair value. We have elected not to adopt the fair value option provisions of this statement.

Issued But Not Yet Adopted

As of March 31, 2008, the following accounting standards and interpretations had not yet been adopted by the Company:

Business Combinations. In December 2007, the FASB issued SFAS No. 141R, *Business Combinations*, which provides revised guidance on the accounting for acquisitions of businesses. This standard changes the current guidance to require that all acquired assets, liabilities, minority interest, and certain contingencies, including contingent consideration, be measured at fair value, and certain other acquisition-related costs, including costs of a plan to exit an activity or terminate and relocate employees, be expensed rather than capitalized. SFAS No. 141R will apply to acquisitions that are effective after December 31, 2008, and application of the standard to acquisitions prior to that date is not permitted. We will adopt the provisions of SFAS No. 141R on January 1, 2009 and apply the requirements of the statement to business combinations that occur subsequent to its adoption.

Noncontrolling Interests. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, which provides guidance on the presentation of minority interest in the financial statements and the accounting for and reporting of transactions between the reporting entity and the holders of such noncontrolling interest. This standard requires that minority interest be presented as a separate component of equity rather than as a mezzanine item between liabilities and equity and requires that minority interest be presented as a separate caption in the income statement. In addition, this standard requires all transactions with minority interest holders, including the issuance and repurchase of minority interests, be accounted for as equity transactions unless a change in control of the subsidiary occurs. The provisions of SFAS No. 160 are to be applied prospectively with the exception of reclassifying noncontrolling interests to equity and recasting consolidated net income (loss) to include net income (loss) attributable to both the controlling and noncontrolling interests, which are required to be adopted retrospectively. We will adopt the provisions of SFAS No. 160 on January 1, 2009 and are currently assessing the impact its adoption will have on our financial position and results of operations.

Disclosures about Derivatives and Hedging Activities. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivatives and Hedging Activities an amendment of SFAS No. 133,* which changes the disclosure requirements for derivative instruments and hedging activities. This standard requires a company to provide enhanced disclosures about (a) how and why the company uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133, and (c) how derivative instruments and related hedged items affect the company s financial position, financial performance, and cash flows. We will adopt the provisions of SFAS No. 161 on January 1, 2009 and apply the disclosure requirements to disclosures made subsequent to our adoption.

Useful Life of Intangible Assets. In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). The intent of FSP FAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R (discussed above) and other applicable accounting literature. We will adopt the provision of FSP FAS 142-3 on January 1, 2009 and are currently assessing the impact our adoption will have on our financial position and results of operations.

Disclosure about Market Risk

Interest Rate Risk

Vault cash rental 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. In the United States, we pay a monthly fee to our vault cash providers on the average amount of vault cash outstanding under a formula based either on LIBOR or the federal funds effective rate, depending on the vault cash provider. In the United Kingdom, we pay a monthly fee to our vault cash provider under a formula based on LIBOR. In Mexico, we pay a monthly fee to our vault cash provider under a formula based on the Mexican Interbank Rate.

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As a result of the significant sensitivity surrounding the vault cash interest expense for our U.S. operations, we have entered into a number of interest rate swaps to fix the rate of interest we pay on a portion of our current and anticipated outstanding domestic vault cash balances. The swaps in place as of March 31, 2008 serve to fix the interest rate paid on the following notional amounts for the periods identified:

Notional Amount (in thousands)	Weighted Average Fixed Rate	Period	
$550,000	4.61%	April 1, 2008	December 31, 2008
$550,000	4.30%	January 1, 2009	December 31, 2009
$550,000	4.11%	January 1, 2010	December 31, 2010
$400,000	3.72%	January 1, 2011	December 31, 2011
$200,000	3.96%	January 1, 2012	December 31, 2012

The following table presents a hypothetical sensitivity analysis of our vault cash interest expense based on our outstanding vault cash balances as of March 31, 2008 and assuming a 100 basis point increase in interest rates:

	Vault Cash Balance as of March 31, 2008		Additional Interest Incurred on 100 Basis Point Increase (Excluding Impact of Interest Rate Swaps)		Additional Interest Incurred on 100 Basis Point Increase (Including Impact of Interest Rate Swaps)	
	(functional currency)	(U.S. dollars)	(functional currency)	(U.S. dollars)	(functional currency)	(U.S. dollars)
	(in millions)		(in millions)		(in millions)	
United States	$747.3	$ 747.3	$7.5	$ 7.5	$2.0	$ 2.0
United Kingdom	£ 82.8	164.5	£0.8	1.6	£0.8	1.6
Mexico	p$ 152.7	14.3	p$ 1.5	0.1	p$ 1.5	0.1
Total		$ 926.1		$ 9.2		$ 3.7

As of March 31, 2008 and December 31, 2007, we had a liability of $27.1 million and $13.6 million, respectively, recorded in our balance sheet related to our interest rate swaps, which represented the fair value liability 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 consolidated balance sheets. As a result of our overall net loss position for tax purposes, we have not recorded any deferred taxes on the loss amount related to these interest rate hedges, as we do not currently believe that we will be able to realize such benefits.

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 three month periods ended March 31, 2008 and

2007 and the years ended December 31, 2007, 2006, and 2005, the gains or losses as a result of ineffectiveness associated with our existing interest rate swaps were immaterial.

We have not currently entered into any derivative financial instruments to hedge our variable interest rate exposure in the United Kingdom or Mexico.

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. Based on the $39.5 million outstanding under the facility as of March 31, 2008, for every interest rate increase of 100 basis points, we would incur an additional $0.4 million of interest expense on an annualized basis.

Outlook. We anticipate that the recent reductions in short-term interest rates in the United States will serve to reduce the interest expense we incur 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

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above, we may not be able to enter into similar arrangements for similar amounts in the future, and 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.

Other. 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 March 31, 2008. In addition, the $39.5 million carrying amount of borrowings outstanding 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 the Company s $300.0 million, fixed-rate, senior subordinated notes was $296.2 million as of March 31, 2008, compared to a market value of $282.0 million. The fair value of the Company s senior subordinated notes as of March 31, 2008 was based on the quoted market price 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 into U.S. dollars, with any corresponding translation gains or losses being recorded in other comprehensive income (loss) in our consolidated financial statements. As of March 31, 2008, such translation gain totaled approximately $7.7 million compared to approximately $9.1 million as of December 31, 2007.

Although changes in foreign currency rates did not materially impact our results of operations during the three months ended March 31, 2008, our operating results were materially impacted by increases in the value of the British pound relative to the U.S. dollar during 2007. (See Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations for additional details on the impact of changes in the foreign exchange rate between the U.S. dollar and the British pound during the year ended December 31, 2007.) 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. 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 three months ended March 31, 2008 would have been an unfavorable or favorable adjustment, respectively, of approximately $0.1 million. A similar sensitivity analysis would have resulted in a negligible adjustment to Cardtronics Mexico s financial results for the three months ended March 31, 2008. 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.

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

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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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Developing Trends in the ATM Industry

Increase in Surcharge-Free Offerings. 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, surcharge-free access to cash for their customers. While a large owned-ATM network would be a key strategic asset for a bank, we believe it would be uneconomical for all but the largest banks to build and operate an extensive U.S. 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 branding and participation in surcharge-free networks, and we believe that there will be continued growth in such arrangements.

Growth in International Markets. In most 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 increases and begins to approach 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.

United Kingdom. The U.K. 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 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 63,000 ATMs were deployed in the United Kingdom as of January 2008, of which approximately 26,000 were operated by non-banks. This has grown from approximately 36,700 total ATMs in the U.K. 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

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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

Furthermore, 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.

Mexico. 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 allowing 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 in Mexico by non-banks. According to the Central Bank of Mexico, as of March 2008, Mexico had approximately 30,000 ATMs operating throughout the country, substantially all of which are owned by national and regional banks.

Growth of Advanced-Functionality Services. Approximately 75% of all ATM transactions in the United States are cash withdrawals, with the remainder representing other basic banking functions such as balance inquiries, transfers, and deposits. We believe that there are significant opportunities for a large non-bank ATM operator to provide additional advanced-functionality services to customers, such as check cashing, remote deposit capture, money transfer, and bill payment services, through self-service kiosks. These additional

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services would result in additional revenues streams for a company and could ultimately result in increased profitability.

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 lower 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.

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BUSINESS

Company Overview

Cardtronics, Inc. is a single-source provider of ATM solutions. We provide ATM management and equipment-related services (typically under multi-year contracts with initial terms generally of five to seven years) to large, nationally-known retail merchants as well as smaller retailers and operators of facilities such as shopping malls and airports. As of March 31, 2008, we operated over 32,600 ATMs throughout the United States, the United Kingdom, and Mexico, making us the operator of the world s largest network of ATMs. 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 March 31, 2008, over 10,000 of our Company-owned ATMs are under contract with well-known banks to place their logos on those machines, thus providing convenient surcharge-free access to their customers. We also operate the Allpoint network, the largest surcharge-free ATM network within the United States based on the number of participating ATMs. Allpoint provides surcharge-free ATM access to customers of participating 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.

7-Eleven ATM Transaction

On July 20, 2007, we purchased substantially all of the assets of the 7-Eleven Financial Services Business for approximately $137.3 million in cash. That amount included a $1.3 million payment for estimated acquired working capital and approximately $1.0 million in other related closing costs. 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.

At the time of our acquisition, the 7-Eleven Financial Services Business operated approximately 5,500 ATMs, including approximately 2,000 Vcom terminals, 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 terminals in 7-Eleven locations throughout the U.S., including any new stores opened or acquired by 7-Eleven.

For the three month period ended March 31, 2008 and the years ended December 31, 2007 and 2006, the 7-Eleven Financial Services Business generated revenues of $37.2 million, $153.8 million, and $163.7 million, respectively. The 2007 and 2006 revenue amounts include approximately $5.2 million and $18.7 million, respectively, of upfront placement fees received by 7-Eleven related to the development of its advanced-functionality services, approximately $4.2 million and $18.0 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 Vcom Services component of the 7-Eleven Financial Services Business generated an operating loss of $1.3 million during the three months ended March 31, 2008. For the years ended December 31, 2007 and 2006, we have estimated that they generated an operating loss of $6.4 million for the year ended December 31, 2007 and an operating profit of $11.4 million for the year ended December 31, 2006. However, excluding the portion of the upfront placement fees that are not expected to continue in the future, the Vcom Services generated operating losses, based upon our analysis, of $10.6 million and $6.6 million for the years ended December 31, 2007 and 2006, respectively. For the period from our acquisition (July 20, 2007) through December 31, 2007, the Vcom Services generated an operating loss of $5.0 million. 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. 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 1,100 cash withdrawal transactions per month during the three months ended March 31, 2008, which compares favorably to the average of 367 cash withdrawal transactions per month for our existing domestic 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 terminals 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 34,200 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 terminals located in 7-Eleven store locations, which are currently branded with the Citibank brand, bring the total number of our Company-owned ATMs under bank branding arrangements to approximately 10,000. 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 Financial Services Center Cooperative (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.

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.

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 March 31, 2008:

	Company-Owned	Merchant-Owned	Total
Number of ATMs	21,500	11,100	32,600

Percent of total ATMs	66.0%	34.0%	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 March 31, 2008, our contracts with our top 10 merchant customers had a weighted average remaining life (based on revenues) of 7.4 years, including the 10-year placement agreement we entered into with 7-Eleven in July 2007.

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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 March 31, 2008, we had branding arrangements in place with 24 domestic financial institutions and had placed these institution s brands on over 9,500 Company-owned ATMs. The 7-Eleven ATM Transaction added approximately 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 Chevron, Costco, CVS/Pharmacy, Duane Reade, ExxonMobil, Hess Corporation, Rite Aid, Safeway, Sunoco, Target, and Walgreens in the United States; Alfred Jones, Martin McColl, McDonalds, The Noble Organisation, Odeon Cinemas, Punch Taverns, Spar, Tates, and Vue Cinemas in the United Kingdom; 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 each of our markets, we typically deploy our Company-owned ATMs under long-term contracts with major national and regional merchants, including convenience stores, supermarkets, drug stores, and other high-traffic locations. Merchant-owned ATMs are typically deployed under arrangements with smaller independent merchants.

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The terms of our merchant contracts vary as a result of negotiations at the time of execution. In the case of Company-owned ATMs, 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.

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. As a result of the 7-Eleven ATM Transaction, 7-Eleven is now the largest merchant customer in our portfolio, representing 30.9% of our total revenues for the three months ended March 31, 2008 and 33.0% of our total pro forma revenues for the year ended December 31, 2007. 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 13.8% of our total revenues for the three months ended March 31, 2008 and 12.4% of our total pro forma revenues for the year ended December 31, 2007.

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.

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. As of March 31, 2008, our sales and marketing team was composed of 54 employees, of which those who are exclusively focused on sales typically receive a combination of incentive-based compensation and a base salary.

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 Corporation (NCR), Diebold, Incorporated (Diebold), Triton Systems of Delaware, Inc. (Triton), and Wincor Nixdorf AG (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-functionality Vcom terminals 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 in-house EFT transaction processing operations and our third-party transaction processors provide sophisticated security analysis and monitoring 24 hours a day.

In late 2006, we implemented our in-house EFT processing operation, which is based in Frisco, 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 March 31, 2008, we had converted approximately 20,300 of our Company- and merchant-owned ATMs from third party processors to our in-house EFT processing platform, including the ATMs in our United Kingdom portfolio and our advanced-functionality Vcom terminals. We currently expect this initiative to be completed by December 31, 2008. Additionally, we are processing transactions for 675 ATMs owned by a third party who has engaged us to serve as the processor for a portion of its ATM portfolio.

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.

Internal Systems. Our internal systems, including our in-house EFT processing platform, 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. 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. We project cash requirements for each ATM on a daily basis, taking into consideration its location, the day of the week, and timing of holidays and events, and other factors. 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 traditional ATMs acquired in the 7-Eleven ATM Transaction will continue to be monitored and serviced under the Fiserv ATM management agreement. Additionally, the Vcom terminals 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 EFT processing platform. 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, RBSLynk (Lynk , a subsidiary of The Royal Bank of Scotland Group) and Elan Financial Services in the United States, LINK and Euronet in the United Kingdom, and PROSA-RED in Mexico. Although the Company has recently moved towards in-house EFT 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.

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-RED 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.

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.

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 in the United States. In the United Kingdom, maintenance services are provided by in-house technicians. In Mexico, Diebold provides all maintenance services for our ATMs.

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 terminals. 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 have generally paid a monthly fee on the average amount outstanding to our primary vault cash providers under a formula based on LIBOR. However, for the ATMs and Vcom terminals acquired in the 7-Eleven ATM Transaction, we pay a monthly fee for the vault cash utilized 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 March 31, 2008, we had $747.3 million in cash in our domestic ATMs under these arrangements, of which 49.4% was provided by Bank of America under a vault cash agreement that runs until October 2008 and 49.9% was provided by Wells Fargo under a vault cash agreement that runs until July. In the United Kingdom, the balance of cash held in our ATMs as of March 31, 2008, was approximately $164.5 million, and in Mexico, our balance totaled approximately $14.3 million as of March 31, 2008.

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 in the United States; and Loomis and Group 4 Securicor 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.

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In the first quarter of 2008, we announced that we are in the process of establishing our own in-house armored courier operation in the United Kingdom, which we expect will formally commence operations in the third quarter of 2008. Such operation will initially service the cash needs of approximately 300 of our ATMs located throughout the London metropolitan area.

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.

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 and Innovus. In the United Kingdom, we compete with several large non-bank ATM operators, including Cardpoint (a wholly-owned subsidiary of Payzone), 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, 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 made substantially all of our Company-owned ATMs voice-enables in conjunction with our security upgrade efforts in 2007.

Rehabilitation Act. In November 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 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 2006 ruling, the Justice Department 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. In May 2008, the U.S Court of Appeals for the District of Columbia Circuit upheld the November 2006 ruling. While it is still uncertain at this time whether this decision will be appealed to the U.S Supreme Court and what the outcome of that appeals process would be, depending on the specific remediation efforts agreed to, participants in the ATM industry (including us) could be forced to incur significant costs to upgrade current machines hardware and software components.

Encrypting Pin Pad and Triple-Data Encryption Standards. Data encryption makes ATMs more tamper-resistant. Two of the more recently developed advanced data encryption methods are commonly referred to as Encrypting Pin Pad (EPP) and the Triple Data Encryption Standard (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. As of March 31, 2008, all of our ATMs were Triple-DES compliant and all of our Company-owned ATMs were EPP compliant.

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.

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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 March 31, 2008, 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 to achieve EMV compliance for these cards by June 30, 2008. 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) were required to be installed in low income areas throughout the United Kingdom. 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 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 a non-bank ATM deployer to provide ATM services in Mexico, the deployer must be affiliated with PROSA-RED or E-Global, which are credit card and debit card proprietary networks that transmit information and settle ATM transactions between its participants. As only financial institutions are allowed to be participants of PROSA-RED or E-Global, 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).

Legal Proceedings

In 2006, Duane Reade, Inc. (Customer), one of our merchant customers, filed a complaint in the New York State Supreme Court alleging that we had breached an ATM operating agreement with the Customer 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. 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 in September 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

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ultimate resolution of this dispute will not have a material adverse impact on our financial condition or results of operations.

We are also subject to various legal proceedings and claims arising in the ordinary course of its business. We have provided reserves where necessary for all claims and management does 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 March 31, 2008, we had 418 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.

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 lease an additional 15,000 square feet of office and warehouse space in buildings adjacent to our principal executive offices in Houston, Texas. Furthermore, we lease approximately 15,000 square feet in Frisco, Texas, where we mange our in-house EFT processing operations and our Advanced Functionality operations, and 2,500 square feet of office space in Bethesda, Maryland, where we manage our Allpoint surcharge-free network operations.

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.

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MANAGEMENT

Directors and Executive Officers

Board of Directors

Board Size. Our Board of Directors (our Board) is currently composed of seven directors. Our Third Amended and Restated Certificate of Incorporation and our Second Amended and Restated Bylaws provide for a classified Board consisting of three classes of directors, each serving staggered three year terms. As a result, a portion of our Board is elected each year. Class I directors terms expire at the Annual Meeting of Stockholders to be held in June 2008, Class II directors terms expire at the Annual Meeting of Stockholders to be held in 2009, and Class III directors terms expire at the Annual Meeting of Stockholders to be held in 2010. The following table sets forth the name and age of each of the person who was serving as a director as of May 30, 2008:

Name	Age	Position
Fred R. Lummis	54	Chairman of the Board, Class III Director
Jack Antonini	55	Class III Director
Tim Arnoult	59	Class II Director
Robert P. Barone	70	Class I Director
Jorge M. Diaz	43	Class I Director
Dennis F. Lynch	59	Class II Director
Michael A.R. Wilson	40	Class III Director

The Nominating & Governance Committee of our Board considers and makes recommendations to our Board concerning the appropriate size and needs of our Board and considers candidates to fill new positions created by expansion or vacancies that occur by resignation, retirement or any other reason.

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

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 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 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.

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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 Division President and Chief Executive Officer of Fiserv Output Solutions, a division of Fiserv, Inc., since April 1994. Fiserv Output Solutions provides card production services, statement processing and electronic document distribution services. In January 1985, Mr. Diaz co-founded National Embossing Company, a predecessor company to Fiserv Output Solutions. 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, an electronic payments network, including serving as President and Chief Executive Officer from 1996 to 2004 and a director from 1992-2004. 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 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. 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, a private equity firm, 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 Harvard Business School.

Director Independence

As required under the listing standards of The NASDAQ Stock Market LLC (NASDAQ), a majority of the members of our Board must qualify as independent, as affirmatively determined by our Board. Our

Board has delegated this responsibility to its Nominating & Governance Committee. Pursuant to its charter, the Nominating & Governance Committee determines whether or not each director and each prospective director is independent. The Nominating & Governance Committee evaluated all relevant transactions or relationships between each director, or any of his or her family members, and our company, senior management and independent registered accounting firm. Based on this evaluation, the Nominating & Governance Committee has determined that Messrs. Arnoult, Barone, Lummis, Lynch and Wilson are each an independent director, as that term is defined in the NASDAQ listing standards. Messrs. Arnoult, Barone, Lummis, Lynch and Wilson constitute a majority of the members of our Board. Mr. Antonini is not independent because he currently serves as our President and Chief Executive Officer. Mr. Diaz is not considered independent because of his employment with Fiserv Output Solutions, a division of Fiserv, Inc. In 2007, we paid approximately $9.9 million in fees to Fiserv for services rendered to us.

Committees of the Board of Directors

General

Our Board currently has three standing committees: an Audit Committee, a Compensation Committee and a Nominating & Governance Committee. Each committee (with the exception of the Compensation Committee) is comprised of independent directors as currently required under the SEC s rules and regulations and the NASDAQ listing standards and each committee is governed by a written charter approved by the full Board. These charters form an integral part of our corporate governance policies, and a copy of each charter is available on our website at www.cardtronics.com.

The table below provides the composition of each committee of our Board:

Name	**Audit Committee**	**Compensation Committee**	**Nominating & Governance Committee**
Fred R. Lummis		X	X
Jack Antonini			
Tim Arnoult	X		X
Robert P. Barone	X		
Jorge M. Diaz		X	
Dennis F. Lynch	X		X
Michael A.R. Wilson		X	

Audit Committee

The Audit Committee is appointed by our Board to:

assist the Board in fulfilling its oversight responsibilities with respect to the conduct by our management of our financial reporting process, including the development and maintenance of a system of internal accounting and financial reporting controls;

assist the Board in overseeing the integrity of our financial statements, qualifications and independence of our independent registered public accounting firms, their performance and the performance of the our internal audit function;

prepare for inclusion in this proxy statement the audit committee report required by the SEC;

recommend to our Board whether such audited financial statements should be included in our Annual Report on Form 10-K to be filed with the SEC; and

perform such other functions as the Board may assign to the Audit Committee from time to time.

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The Board, in its business judgment, has determined that the Audit Committee is comprised entirely of directors who satisfy the standards of independence established under the SEC s rules and regulations, NASDAQ listing standards and our Corporate Governance Principles. In addition, the Board, in its business judgment, has determined that each member of the committee satisfies the financial literacy requirements of the NASDAQ listing standards and Mr. Barone qualifies as an audit committee financial expert within the meaning of the SEC s rules and regulations.

Pursuant to its charter, the Audit Committee has the authority, at our expense, to retain professional advisors, including legal, accounting or other consultants, to advise the Audit Committee in connection with the exercise of its powers and responsibilities. The Audit Committee may require any of our officers or employees, our outside legal counsel or our independent registered public accounting firm to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee is responsible for the resolution of any disagreements between the independent registered public accounting firms and management regarding our financial reporting. The Audit Committee meets at least quarterly with management and the independent registered public accounting firm in separate executive sessions to discuss any matter that the Audit Committee or each of these groups believe should be discussed privately. The Audit Committee makes regular reports to our Board. The Report of the Audit Committee for the fiscal year ended December 31, 2007 is set forth in our 2008 proxy statement.

Compensation Committee

The Compensation Committee establishes salary and incentive compensation of our executive officers and administers our employee benefit plans. Pursuant to the NASDAQ Marketplace Rules, a company listing its stock for trading on the NASDAQ in connection with its initial public offering has 12 months from the date of listing to comply with the requirement that its Compensation Committee be comprised entirely of independent directors. The Board, in its business judgment, has determined that two of the three directors on the Compensation Committee (Messrs. Lummis and Wilson) currently satisfy the standards of independence established under the SEC s rules and regulations, NASDAQ listing standards and our Corporate Governance Guidelines. Our Board has determined that Mr. Diaz is not independent due to his relationship with Fiserv but that his continued service as a member of the Compensation Committee is in the best interests of our company and stockholders pursuant to the transition rules contained in the NASDAQ listing standards. The Report of the Compensation Committee for the fiscal year ended December 31, 2008 is set forth under Compensation Committee Report in our 2008 proxy statement.

The Compensation Committee is delegated all authority of our Board as may be required or advisable to fulfill the purposes of the Compensation Committee as set forth in its charter. The Compensation Committee may form and delegate some or all of its authority to subcommittees when it deems appropriate. Pursuant to its charter, the purposes of the Compensation Committee are to:

- oversee the responsibilities of the Board relating to compensation of our directors and executive officers;
- design, recommend and evaluate our director and executive officer compensation plans, policies and programs;
- produce the Compensation Committee Report for inclusion in the proxy statement, in accordance with applicable rules and regulations;
- otherwise discharge our Board s responsibilities relating to compensation of our directors and executive officers; and
- perform such other functions as our Board may assign to the committee from time to time.

In connection with these purposes, our Board has entrusted the Compensation Committee with the overall responsibility for establishing, implementing and monitoring the compensation for our executive officers. In addition, the Compensation Committee works with our executive officers, including our Chief Executive Officer, to implement and promote our executive compensation strategy. Please see Executive Officer

Compensation Compensation Discussion and Analysis for additional information on the Compensation Committee s processes and procedures for the consideration and determination of executive compensation and Director Compensation for additional information on its consideration and determination of director compensation.

Nominating & Governance Committee

The Nominating & Governance Committee identifies individuals qualified to become members of our Board, makes recommendations to our Board regarding director nominees for the next annual meeting of stockholders and develops and recommends corporate governance principles to our Board. The Nominating & Governance Committee, in its business judgment, has determined that it is comprised entirely of directors who satisfy the standards of independence established under NASDAQ listing standards and our Corporate Governance Guidelines.

The Nominating & Governance Committee is delegated all authority of our Board as may be required or advisable to fulfill the purposes of the Nominating & Governance Committee as set forth in its charter. More particularly, the Nominating & Governance Committee:

- prepares and recommends to our Board for adoption appropriate corporate governance guidelines and modifications from time to time to those guidelines;
- establishes criteria for selecting new directors and seeks individuals qualified to become Board members for recommendation to our Board;
- seeks to implement the independence standards required by law, applicable listing standards, our certificate of incorporation or bylaws or our Corporate Governance Guidelines;
- determines whether or not each director and each prospective director is independent, disinterested or a non-employee director under the standards applicable to the committees on which such director is serving or may serve;
- recommends to our Board a director who serves as Chairman;
- reviews annually the advisability or need for any changes in the number and composition of our Board;
- reviews annually the advisability or need for any changes in the number, charters or titles of committees of our Board;
- recommends to our Board annually the composition of each Board committee and the individual director to serve as chairman of each committee;
- ensures that the chairman of each committee reports to our Board annually about the committee s annual evaluation of its performance and evaluation of its charter;
- receives comments from all directors and reports to our Board annually with an assessment of our Board s performance to be discussed with the full Board following the end of each fiscal year;
- reviews and reassesses annually the adequacy of our Corporate Governance Guidelines and recommends any proposed changes to our Board for approval; and

makes a report to our Board annually on succession planning and works with our Board to evaluate potential successors to the principal executive officer.

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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 serving as an executive officer as of March 31, 2008:

Name	Age	Position
Jack Antonini	54	Chief Executive Officer, President, and Director
J. Chris Brewster	59	Chief Financial Officer
Michael H. Clinard	41	Chief Operating Officer
Rick Updyke	48	Chief Strategy and Development Officer
Ronald Delnevo	53	Managing Director of Bank Machine Ltd.

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

Jack Antonini. Mr. Antonini s biography is provided under the section Directors above.

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. Mr. Brewster 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 us 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.

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., a convenience store retail company, most recently 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.

Ronald Delnevo has served as Managing Director of Bank Machine since July 2000 and has been with Bank Machine (formerly the ATM division of Euronet, a processor of financial and payment transactions) since 1998. From May 2005 to December 2007, Mr. Delnevo served as a director on our Board. 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. 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

General

We are committed to good corporate governance. Our Board has adopted several governance documents, which include our Corporate Governance Principles, Code of Business Conduct and Ethics, Financial Code of

Ethics and charters for each standing committee of our Board. Each of these documents is available on our website at www.cardtronics.com.

Code of Ethics

Our Board has adopted a Code of Business Conduct and Ethics for our directors, officers and employees. In addition, our Board has adopted a Financial Code of Ethics for our principal executive officer, principal financial and accounting officer and other accounting and finance executives. A copy of each of code is available on our website at www.cardtronics.com. Any change to, or waiver from, either code will be disclosed as required by applicable securities laws.

Executive Officer 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 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 Compensation Committee believes 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.

Compensation Review

Historically, our Compensation Committee has performed (typically every other year) an informal market survey of the competitiveness of our total compensation packages paid to our executive officers through a review of compensation paid by companies with whom we believe we compete for executive level talent. During 2007, management selected, and the Compensation Committee approved, the following comparable companies to be a part of the committee s review: Coinstar, Inc., Euronet Worldwide, Inc., Global Cash Access Holdings, Inc., Global Payments, Inc., Heartland Payment Systems, Inc., MoneyGram International, Inc., Total Systems Services, Inc., and Wright Express Corporation. The companies above were selected based on the following criteria: (1) each operated in service lines similar to those in which we operate, (2) each were considered by the investment community (at the time of the study) to be our peers in terms of growth rate and/or market capitalization, and (3) information regarding compensation for each company was publicly available.

In our analysis, which was provided to the Compensation Committee, we reviewed the components of executive compensation paid by each peer company (e.g., base salary, annual cash performance incentives, and stock option awards) as well as the relative mix of the various components. Although the Compensation Committee reviewed the compensation information compiled, the committee did not target specific compensation amounts for our executives based on such information. Rather, the accumulated market information served as data that was considered, but not relied upon, by the committee when making its executive compensation decisions.

Future Considerations. Historically, our company has been privately held, and our compensation process has been more subjective rather than formulaic in nature, with compensation decisions based less on what comparative companies are paying executives and more on what was required to attract executives to a growing management team and retain them. We expect that our Compensation Committee will continue to consider both qualitative and quantitative factors in setting compensation for our executives (including retention, which it feels is a key factor in making compensation decisions); however, as a result of our initial public offering in December 2007, we expect that our Compensation Committee will begin to look at additional factors, including additional market comparables, and begin to formalize its method of setting compensation for executives over time. As noted above, while informal market surveys were performed in previous years, the information was not utilized to target specific compensation amounts for our executives and was only used to assess our competitiveness in the marketplace.

Components of Executive Compensation

Our executive compensation program consists of three primary elements: (1) base salary, (2) annual non-equity incentive plan compensation, and (3) stock option and restricted stock awards. In determining the level of total compensation to be set for each compensation component, our Compensation Committee considers a number of factors, including informal market competitiveness analyses of our compensation levels compared with 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 the committee deems to be relevant.

In addition to the three primary components, we provide our executive officers with discretionary bonuses (as conditions warrant), severance, and certain other benefits, such as healthcare plans, that are available to all employees. While our Compensation Committee reviews the total compensation package we provide to each of our executive officers, our Board and the 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.

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 our 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. Subsequent changes in the base salaries of executive officers are reviewed and approved by our Compensation Committee based on recommendations made by our Chief Executive Officer (CEO), who conducts annual performance reviews of each executive. Subsequent changes in the base salary of the CEO are determined by our Compensation Committee, which reviews the CEO s performance on an annual basis. Both the CEO s review and the Compensation Committee s review include an analysis of how an individual executive performed against his personalized goals, which are jointly set by the executive and the CEO at the beginning of each year, or, in the case of the CEO, by the CEO and the Board. In terms of weighting the factors that influence decisions related to base salaries, the individual performance of an executive against his goals is heavily weighted and accounts for roughly 80% of the committee s considerations while additional factors considered are weighted, on average, at only 20%. For a given year, additional factors may include other achievements or accomplishments of the individual during the year, any mitigating priorities during the year that may have resulted in a change in the executive s goals, market conditions, an executive s participation in the development of others within our company, and whether additional responsibilities were assumed by the executive during the period. Under each executive s employment agreement, base salary increases are targeted at 5% per annum.

2007 Base Salaries. For 2007, the CEO proposed and the Compensation Committee approved a 5% increase in each named executive officer s base salary from 2006 to 2007, with the exception of the Chief Financial Officer (CFO), as further discussed below. The increases were consistent with the provisions of the employment agreements with each of our named executive officers, as noted above. In determining the base salary for our CFO for 2007, the CEO and the Compensation Committee considered the actual performance of the CFO compared to his goals during 2007, as well as the additional responsibilities that he assumed as a result of the registration of our $200 million in senior subordinated notes in August 2006, which responsibilities included, among others, SEC reporting, compliance with the Sarbanes-Oxley Act of 2002, and investor relations management. Additionally, the competitive 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 CFO was awarded a base salary increase of approximately 11% for 2007 over the base salary he earned in 2006.

2008 Base Salaries. For 2008, the CEO proposed, and the Compensation Committee approved, base salary increases ranging from 4% to 6% for our Chief Operating Officer, our Chief Administrative Officer, and the Managing Director of Bank Machine. These percentages are relatively consistent with the 5% targeted increases outlined in their employment agreements. Our CEO and CFO, however, received increases of 9% and 10%, respectively, primarily due to their performance against their goals during 2007 and the added responsibilities assumed by them as a result of our initial public offering, which was completed in December 2007.

Annual Non-Equity Incentive Plan Compensation

To accomplish our goal of aligning the interests of management with those of our investors, the Compensation Committee ties a portion of the annual cash compensation earned by our executives to a targeted level of financial operating results. Each year, management proposes and the committee approves a non-equity incentive compensation plan. Under each annual plan, each executive officer has a target payout, which is based on a percentage of his base salary. The determination of the ultimate payout to an executive is primarily based on the achievement of company-level financial objectives. Although the committee does consider an executive s performance against his individual goals in determining the ultimate amount to be paid to an executive, such goals are not specifically weighted and the achievement of company-level objectives is the primary driver of the payout amounts.

Our annual non-equity incentive compensation plan, as opposed to any equity grants, is designed to more immediately reward our executive officers for their performance during the most recent year. We believe that the immediacy of these cash incentives, 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 non-equity incentive compensation plans are a significant motivating factor for our executive officers, and we believe they have been a significant factor in attracting and retaining our executive officers.

Under the terms of our non-equity incentive plan for 2007 (the 2007 Performance Bonus Plan), 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). The 2007 annual incentive compensation pool was targeted to be funded if the consolidated adjusted EBITDA achieved was equal to at least 90% of the targeted adjusted EBITDA amount. Starting with the

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achievement of 90% of the EBITDA target goal, the annual incentive compensation pool would be funded on the following basis:

Actual Adjusted EBITDA as a% of Target EBITDA	Estimated Payout as a% of Target
90%	50%
95%	75%
100%	100%
105%	150%
110%	200%
115%	250%
120%	300%
125%	350%
130%	400%

In the event actual adjusted EBITDA as a percentage of the target EBITDA fell in between two of the percentages shown above, interpolation would be used to determine the appropriate pool percentage. For example, if we achieved 97.5% of the target EBITDA, the pool would be funded at 87.5% of the target. If we achieved 102% of target EBITDA, the pool would be funded at 120% of the target. Furthermore, in the event our consolidated adjusted EBITDA fell below 90% of the targeted adjusted EBITDA amount, or if there was a violation of our bank covenants, the Compensation Committee, in its sole and absolute discretion, could decide whether or not to pay any amounts under the plan. This discretion is allowed as the Compensation Committee acknowledges that circumstances or developments that may impact our overall performance relative to our adjusted EBITDA target 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 the Company s failure to meet its established target. Additionally, in the event our consolidated adjusted EBITDA exceeded 90%, despite the payout percentages that are outlined in the plan, the Compensation Committee could also exercise discretion and adjust one or more executive s percentages as it deems appropriate based on one or more factors, including an executive s performance against his individual performance goals.

Under the 2007 incentive plan, there was no formal cap on the amount an executive may receive. Rather, as noted above, the annual payout amounts for our executives were determined at the sole discretion of our Compensation Committee.

Adjusted EBITDA Target for U.S. Executive Officers. For the year ended December 31, 2007, our initial targeted adjusted EBITDA amount was $57.0 million. 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 formally approves actions, such as a material acquisition, that may affect the attainment of the originally forecasted 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 acquisition of the 7-Eleven ATM and advanced self-service kiosk business in July 2007, the 2007 targeted adjusted EBITDA amount was subsequently increased to $62.6 million.

Adjusted EBITDA Target for U.K. Executive Officer. The Managing Director of Bank Machine participates in the same non-equity incentive compensation plan as our other named executives; however, the adjusted EBITDA target utilized to measure his performance and calculate his non-equity incentive compensation is the adjusted EBITDA contributed by our U.K. operations rather than the consolidated EBITDA used for our other named executive officers. Our Compensation Committee believes the adjusted EBITDA of our U.K. operations is a more appropriate target to use for the Managing Director of Bank Machine, as his actions

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more directly impact and ultimately drive the results of our U.K. operations than our consolidated results. For 2007, the targeted adjusted EBITDA amount for our U.K. operations was £7.9 million.

Achievability of Adjusted EBITDA Targets. As noted above, the annual company-level financial target set under our incentive plan is consistent with the adjusted EBITDA range reflected in our annual budget and communicated to investors at the beginning of each year. The target for our U.K. operations is also consistent with the adjusted EBITDA amount in our annual budget for our U.K. operations. As we expect to achieve our budgeted adjusted EBITDA amounts when they are set and the financial targets set under our annual incentive plan are consistent with the adjusted EBITDA range reflected in our annual budget, we have similar expectations that the targets under our annual incentive plan will be achieved.

2007 Payouts. For the year ended December 31, 2007, we fell short in terms of achieving our consolidated adjusted EBITDA target as well as the adjusted EBITDA target for our U.K. operations. However, as a result of other mitigating factors, the Compensation Committee chose to exercise the discretion it is allowed under the plan in 2007 and granted a base payout of 97% of each executive s targeted amount. Specifically, the Compensation Committee determined that this level of payout was warranted due to certain significant accomplishments achieved during the year, which included the successful negotiation and acquisition of the 7-Eleven ATM and advanced self-service kiosk business and related financing transactions in July 2007, our initial public offering in December 2007, and the year-over-year growth in the number of deployed ATMs in the U.K. and Mexico. Additionally, the committee considered how each executive performed with respect to his individual performance goals and adjusted the 97% payout threshold accordingly. For the specific awards granted to each executive officer under the 2007 Performance Bonus Plan, see the Non-Equity Incentive Plan Compensation column of our Summary Compensation Table below.

2008 Non-Equity Incentive Plan. In April 2008, our Compensation Committee formally approved our 2008 non-equity incentive plan (the 2008 Executive Performance Bonus Plan). Our 2008 Executive Performance Bonus Plan involves company-level objectives of the achievement of an adjusted EBITDA target for our consolidated operations and compliance with the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley). For 2008, the targeted adjusted EBITDA amounts are $88.0 million for our consolidated operations, which is in the middle of the adjusted EBITDA range communicated to our investors in our 2008 guidance, and £11.3 million for our U.K. operations. In the event the adjusted EBITDA achieved for the year falls below 90% of the targeted adjusted EBITDA amount, if, in the judgment of the Audit Committee, Sarbanes-Oxley compliance is not achieved in all material respects, or if there is a material violation of our bank covenants, the pool will not be funded. However, even if such goals are not achieved, the Compensation Committee may, at its discretion, consider other mitigating factors and ultimately determine that payment is warranted.

In addition to the above company-level goals, under the terms of the 2008 Executive Performance Bonus Plan, each executive s 2008 goals will be directly tied to achieving the 2008 adjusted EBITDA target of $88.0 million and compliance with Sarbanes-Oxley. To ensure proper focus on these goals, each executive s 2008 goals will be weighted and prioritized at the time they are set and will include at least two goals for which actual performance can be evaluated, using quantitative metrics, such as revenues from new contracts signed, costs per transaction, or other key profit drivers. In determining the ultimate payouts under the 2008 plan, the Compensation Committee will consider an individual executive s performance against his goals.

Although there has historically been no formal cap on the payout amount an executive may receive under our previous non-equity incentive compensation plans, our Compensation Committee recently decided, in an effort to manage costs and maximize shareholder return, that a formal cap should be placed on payouts under the 2008 plan. For the same reason, the committee also reduced the payout percentages in the 2008 from those in the 2007 plan. As a result, the maximum amount an executive may receive under this plan is 200% of his individual target goal. Assuming all non-financial company goals are achieved (i.e., Sarbanes-Oxley

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compliance and no material covenant violations), the annual incentive compensation pool will be funded on the following basis:

Actual Adjusted EBITDA as a% of Target EBITDA	Estimated Payout as a% of Target
<90%	0%
90%	50%
95%	75%
100%	100%
105%	125%
110%	150%
115%	175%
120%	200%
>120%	200%

Unless otherwise stated, the terms of our 2008 Executive Performance Bonus Plan are consistent with the terms of our 2007 Performance Bonus Plan.

Long-term Incentive Programs

Long-term Equity Incentive Plans. We have two long-term equity 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 equity awards to our executive officers, nor is there a policy in place with respect to the allocation of grants between the various types of equity instruments eligible to be awarded under the plans. Rather, all grants are discretionary and are made by the Compensation Committee, who administers the plans. As most of our named executives have established a significant ownership position in our stock and/or options, they gain significant value through the long-term appreciation in our stock, which we believe contributes to the alignment of their interests with those of our shareholders. In general, this also means that those executives incentives will not be substantially altered by a grant of restricted stock or stock options. As a result, we expect issuances to our existing executive officers under our stock incentive programs to be somewhat episodic with the focus on situations in which the individual executive (1) is making significant contributions to our success and is judged to not have enough ownership to create a sufficient long-term incentive for that executive, or (2) has made individual contributions that significantly exceeded our expectations of growth for the company. In these situations, the committee may decide to provide such executive with additional equity, thereby providing him with additional equity value for having impacted the overall shareholder value of the company.

In its considerations of whether or not to make equity grants to our executive officers and, if such grants are made, in its considerations of the size of the grants, our Compensation Committee considers our company-level performance, the applicable executive officer s performance, comparative share ownership by comparable executives of comparable companies, the amount of equity previously awarded to the applicable executive officer, the vesting of such awards, and the recommendations of management. While there is no formal weighting of these elements, the Compensation

Committee considers each in its analysis.

2007 Equity Grants. 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. operations 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, as the Compensation Committee believed that each of the other executives had sufficient equity at the time.

Future Considerations. Historically, the Company has granted only non-qualified options under our equity incentive plans. However, in 2003, our CEO was granted restricted stock, the grant of which was made outside of the 2001 Plan and was separately negotiated by the CEO as a condition of his employment. Our Compensation Committee is currently considering the benefits of issuing restricted stock rather than options and, as a result, the mix of equity instruments granted by the committee in the future could potentially change.

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 as well as other key members of the U.K. management team. This program was a replacement of a similar incentive plan that the previous owner of Bank Machine had in place for its key executives and was established to provide an incentive for the U.K. management team to remain under the employment of Cardtronics subsequent to our acquisition and to achieve certain cumulative earnings objectives over a four-year period. In particular, our program seeks to compensate these employees if the cumulative adjusted 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. This benchmark adjusted EBITDA was based on the projections that were provided to us by the previous owner of Bank Machine during the acquisition process. We believed these projections were achievable, which is supported by the fact that these projections were the information on which we based our acquisition price. In the event the cumulative adjusted EBITDA exceeds the cumulative benchmark adjusted 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 adjusted EBITDA is less than the cumulative benchmark adjusted 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.

Discretionary Bonuses

If and when it considers it appropriate, our Compensation Committee may grant bonuses to our employees, including our named executive officers. Examples of circumstances in which employees may be awarded a bonus include situations in which an employee has made significant contributions to a company initiative or has otherwise performed at a level above what was expected. Unlike awards under our non-equity incentive compensation plan that named executives are eligible for on an annual basis, bonuses are not a recurring element of our executive compensation program. However, during 2007, our Compensation Committee awarded discretionary bonuses to three of our named executive officers. Specifically, our CEO and our CFO each received a $30,000 bonus and our Chief Operating Officer received $20,000. These bonuses were awarded to compensate these executives for their contributions to our initial public offering process. The amounts awarded were based on the amount of time and effort the executive was asked to spend working and focusing on our initial public offering efforts, over and above their day-to-day responsibilities.

Severance and Change of Control Arrangements

Under the terms of their employment agreements, our executive officers are entitled to certain benefits upon the termination of their employment. Generally, 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 each employment agreement), which limit the executive s ability to work for a similar and/or competing company for the period subsequent to his termination. The severance benefits offered to an individual executive were those negotiated at the time the employment agreement was

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signed with that particular executive, and therefore, may differ between executive s contracts. For additional information of the terms of each executive s severance and change in control benefits, see Summary Compensation Table Employment-Related Agreements of Named Executive Officers and Potential Payments upon Termination or Change in Control.

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 and allow us to remain competitive in the market place in terms of benefits offered to employees. 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 us). 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 named 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 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. We provide our Chief Operating Officer with a car allowance, which was negotiated between the executive and the company when his employment agreement was renewed in 2001. Additionally, we provide the Managing Director of Bank Machine with a car allowance and make contributions into a personal retirement account, as such benefits were being provided to the executive prior to our acquisition of Bank Machine and we, therefore, elected to continue to provide him with such benefits as incentive to remain under our employment.

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.

ive Name & Principal Position	Year	Salary	Bonus[1]	Stock Awards[2]	Option Awards[3]	Non-Equity Incentive Plan Compensation	All Other Compensation	T
tonini -	2007	$ 364,651	$ 30,000	$ 11,025	$	$ 176,856	$	$ 58
xecutive Officer and President	2006	$ 347,287		$ 215,894	$	$ 223,653	$	$ 78

Brewster -	2007	$ 275,000	$ 30,000	$ 132,449	$ 133,375	$	$ 57
inancial Officer	2006	$ 248,063		$ 103,929	$ 209,753	$	$ 56
l H. Clinard -	2007	$ 243,101	$ 20,000	$ 88,300	$ 129,694	$ 10,739(4)	$ 49
perating Officer	2006	$ 231,525		$ 69,286	$ 149,102	$ 9,000(4)	$ 45
E. Upton -	2007	$ 231,525		$ 88,300	$ 101,060	$	$ 42
dministrative Officer	2006	$ 220,500		$ 69,286	$ 234,902	$	$ 52
Delnevo(5) -	2007	$ 353,714		$ 47,250(6)	$ 138,209	$ 51,188(7)	$ 59
ng Director of Bank Machine	2006	$ 281,937		$	$ 153,868	$ 49,180(7)	$ 48

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(1) Amounts represent bonuses paid to Messrs. Antonini, Brewster, and Clinard for their contributions to our initial public offering process. For additional details on awards, see Compensation Discussion and Analysis Components of Executive Compensation Discretionary Bonuses.

(2) 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.

(3) Represents the amount expensed in connection with stock awards under SFAS No. 123R. For purposes of this disclosure, estimates of forfeitures related to service-based vesting conditions have been omitted. Assumptions used in the calculation of these amounts are included in Note 3 to our audited consolidated financial statements included elsewhere within this prospectus.

(4) Amount presented for 2007 includes $9,750 paid to Mr. Clinard related to the car allowance provided for in his employment agreement and $989 of matching contributions under our 401(k) plan. Amount presented for 2006 represents amounts paid to Mr. Clinard related to the car allowance provided for in 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 rates 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 Discussion and Analysis Components of Executive Compensation Long-term Incentive Programs Long-Term Equity Incentive Plans above.

(7) Amount presented for 2007 includes $24,088 (£12,000) related to a car allowance and $27,100 (£13,500) of monthly contributions made on behalf of Mr. Delnevo to a personal retirement account selected by Mr. Delnevo. Amount presented for 2006 includes $23,535 (£12,000) related to a car allowance and $25,645 (£13,075) of monthly contributions made on behalf of Mr. Delnevo to a personal retirement account selected by Mr. Delnevo. Both the car allowance and the personal retirement account contributions are provided for in Mr. Delnevo s employment agreement.

Employment-Related Agreements of Named Executive Officers

The terms governing each of our executive s employment are outlined in individual employment agreements. Our agreements with Messrs. Antonini, Brewster, Clinard, and Upton expired on January 31, 2008; however, we are currently working with our Compensation Committee to develop new employment agreements to offer to these individuals. Upon the execution of the agreements, we will disclose the terms of the new agreements in a Current Report on Form 8-K filed with the SEC. Below is a description of the agreements in place with each of our named executive officers as of December 31, 2007.

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. As noted above, this agreement expired in January 2008. Under his employment agreement in place as of December 31, 2007, Mr. Antonini received a monthly salary in 2007 of $30,388. In addition, subject to our achieving certain performance standards set by our Compensation Committee, Mr. Antonini may be entitled to an annual award under a non-equity incentive plan, with such award targeted at 50% of his base salary. However, as the ultimate payout of the annual award is determined at the sole discretion of our Compensation Committee, the actual amount awarded may exceed or fall short of the targeted level. (For additional information on the terms of our non-equity incentive compensation plan, see Compensation Discussion and Analysis Annual Non-Equity Incentive Plan Compensation 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 12 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. As noted above, this agreement expired in January 2008. Under his employment agreement in place as of December 31, 2007, Mr. Brewster received a monthly base salary in 2007 of $22,917, subject, on each anniversary of the agreement, 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. Brewster may be entitled to an annual award under a non-equity incentive plan, with such award targeted at 50% of his base salary. However, as the ultimate payout of the annual award is determined at the sole discretion of our Compensation Committee, the actual amount awarded may exceed or fall short of the targeted level. (For additional information on the terms of our non-equity incentive compensation plan, see

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Compensation Discussion and Analysis Annual Non-Equity Incentive Plan Compensation 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 12 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. As noted above, this agreement expired in January 2008. Under his employment agreement in place as of December 31, 2007, Mr. Clinard received a monthly salary in 2007 of $20,258 subject, on each anniversary of the agreement, 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 award under a non-equity incentive plan, with such award targeted at 50% of his base salary. However, as the ultimate payout of the annual award is determined at the sole discretion of our Compensation Committee, the actual amount awarded may exceed or fall short of the targeted level. (For additional information on the terms of our non-equity incentive compensation plan, see Compensation Discussion and Analysis Annual Non-Equity Incentive Plan Compensation 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 12 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. As noted above, this agreement expired in January 2008. Under his employment agreement in place as of December 31, 2007, Mr. Upton received a monthly salary in 2007 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. In addition, subject to our achieving certain performance standards set by our Compensation Committee, Mr. Upton may be entitled to an annual award under a non-equity incentive plan, with such award targeted as being 50% of his base salary. However, as the ultimate payout of the annual award is determined at the sole discretion of our Compensation Committee, the actual amount awarded may exceed or fall short of the targeted level. (For additional information on the terms of our non-equity incentive compensation plan, see Compensation Discussion and Analysis Annual Non-Equity Incentive Plan Compensation above.) Further, should we have terminated Mr. Upton s employment without cause or if he died or became totally disabled, as defined in the employment agreement, then he was entitled to receive severance pay equal to his base salary for the lesser of 12 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 received a current monthly base salary in 2007 of £14,788 ($29,684 based on December 31, 2007 exchange rates), 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. Delnevo may be entitled to an annual award under a non-equity incentive plan, with such award targeted as being 40% of his base salary. However, as the ultimate payout of the annual award is determined at the sole discretion of our Compensation Committee, the actual amount awarded may exceed or fall short of the targeted level. (For additional information on terms of our bonus plan, see Compensation Discussion and Analysis Annual Non-Equity Incentive Plan Compensation 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 may receive payment of an amount not to exceed 12 months of his base salary from us.

Equity Incentive Plans

As noted above, we have two long-term equity incentive plans the 2007 Stock Incentive Plan (the 2007 Plan) and the 2001 Stock Incentive Plan (the 2001 Plan). Below is a description of each.

2007 Plan. In August 2007, our Board 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 2007 Plan provides for the granting of incentive stock options intended to qualify under Section 422 of the Code, options that do not constitute incentive stock options, restricted stock awards, performance awards, phantom stock awards, and bonus stock awards. 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 adopted our 2001 Plan. Various plan amendments have been approved since that time, the most recent being in November 2007. The 2001 Plan allowed for the issuance of equity-based awards in the form of non-qualified stock options and stock appreciation rights. However, as a result of the adoption of the 2007 Plan, at the direction of the Board, 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.

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	Exercise or Base Price of Option	Grant Date Fair Value of Stock and Option
Executive	**Grant Date**	**Approval Date[2]**	**Threshold**	**Target**	**Maximum**	**Options**	**Awards[3]**	**Awards**
J. Antonini			$	$ 182,326	(4)			
J. C. Brewster			$	$ 137,500	(4)			
M. H. Clinard			$	$ 121,551	(4)			
T. E. Upton			$	$ 115,763	(4)			
R. Delnevo[5]	07-02-07	06-29-07				317,940	$ 11.46	$ 1,639,346
			$	$ 142,483(6)	(4)			

(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. The actual non-equity incentive plan awards paid to the named executive officers for 2007 are reflected in the Non-Equity Incentive Plan Compensation column of our Summary Compensation Table.

(2) Represents the date our Compensation Committee formally approved the option grant.

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

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

(5) 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.

(6) 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 Compensation Discussion and Analysis Components of Executive Compensation Long-Term Incentive Programs 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

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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.

Salary, Discretionary Bonuses, and Annual Non-Equity Incentive Plan Compensation in Proportion to Total Compensation

The following table sets forth the percentage of total compensation that we paid in the form of base salary, discretionary bonuses, and annual non-equity incentive plan compensation for the year 2007 to each named executive officer listed in the Summary Compensation Table.

Executive	Percentage of Total Compensation
J. Antonini	98.1%
J.C. Brewster	76.8%
M. H. Clinard	79.9%
T. E. Upton	79.0%
R. Delnevo	83.3%

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				
Name	# of Securities Underlying Unexercised Options Exercisable	# of Securities Underlying Unexercised Options Unexercisable	Equity Incentive Plan Awards: # of Securities Underlying Unexercised Unearned Options	Option Exercise Price	Option Expiration Date
J. Antonini					
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 stock options become exercisable as to 25% of the underlying option shares on each of the first four anniversaries of the grant date. 25% of the underlying option shares for the stock options granted on March 6, 2006 will become exercisable on each of March 31, 2008, March 6, 2009 and March 6, 2010.

(2) These stock options become exercisable as to 25% of the underlying option shares on each of the first four anniversaries of the grant date. 25% of the underlying option shares for the stock options granted on May 17, 2005 will become exercisable on each of May 17, 2008 and 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. operations for 2007, 2008, and 2009. As of December 31, 2007, it was uncertain as to whether the EBITDA targets would be met, including targets for 2007, and whether such options would become eligible for vesting. As a result, all options were considered unearned as of December 31, 2007. As the U.K. operations did not achieve the EBITDA targets for 2007, the 2007 options did not become eligible for vesting and were forfeited in the first quarter of 2008. In the event the 2008 and/or 2009 EBITDA targets are met, the awards will continue to remain subject to service-based vesting conditions.

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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, the following table presented the restricted shares that bested during the year ended December 31, 2007:

	Stock Awards	
Executive	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting**
J. Antonini	158,970	$ 1,821,796

The above shares, which were purchased by Mr. Antonini, our Chief Executive Officer and President, in 2003 pursuant to a restricted stock grant, vested in February 2007. The $1,821,796 amount presented above represents the value of these shares (as determined by management) at the date of vesting.

Pension Benefits

Currently, we do 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, we do not offer, and, therefore, none of our named executive officers participate in or have account balances in qualified or 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

We have entered into employment agreements with each of our executive officers which contain severance and change in control provisions. Our agreements with Messrs. Antonini, Brewster, Clinard, and Upton expired on January 31, 2008; however, we are currently working with our Compensation Committee to develop new employment agreements to offer to these individuals. Generally, the agreements in place as of December 31, 2007 contain the following definitions for each of the possible triggering events:

> *Cause.* Messrs. Antonini, Brewster, Clinard and Upton may be terminated for cause if the executive: (1) engages in gross negligence or willful misconduct when performing his employment duties; (2) is indicted for a felony; (3) refuses to perform his employment duties; (4) materially breaches any of our policies or our code of conduct; (5) engages in conduct in which the executive knows would be materially injurious to us; or (6) materially breaches, and fails to cure, any provision of his employment agreement. Mr. Delnevo s agreement states that he may be terminated without payment (without specifically deeming this for cause), if he: (1) commits an act of serious misconduct; (2) materially or persistently breaches the terms of his service agreement; (3) has a bankruptcy order made against him; (4) is charged with or is convicted of any criminal offence; (5) is disqualified from holding an office position with us or any other company under the Insolvency

Act of 1986; (6) acts in a way in which our Board believes will discredit our company; or (7) resigns as one of our directors.

Change in Control. Messrs. Antonini and Brewster s agreements state that a change in control may occur upon any of the following events after the date of an IPO:

a merger or consolidation where all or substantially all of our assets are held by a third party if (1) the holders of our equity securities no longer own equity securities of the resulting entity that are entitled to 60% or more of the votes eligible to be cast in the election of directors of the resulting entity, or (2) the members of the Board immediately prior to such transaction no longer constitute at

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least a majority of the board of directors of the resulting entity immediately after such transaction or event;

our dissolution or liquidation;

the date any person or entity acquires or gains ownership or control of more than 50% of the combined voting power of the outstanding securities of, (1) if we have not engaged in a merger or consolidation, us or (2) if we have engaged in a merger or consolidation, the resulting entity; or

as a result of or in connection with a contested election of directors, the members of the Board immediately before such election cease to constitute a majority of the Board.

Messrs. Clinard, Upton and Delnevo s agreements do not contain severance provisions in connection with a change in control.

Good Reason. Messrs. Brewster and Clinard will have the right to terminate employment upon the occurrence of either of the following good reason events: (1) we assign the executive duties which are inconsistent with his position, or we cause there to be a significant reduction or change in either the executive s position or his job functions; or (2) a material breach of certain compensation provisions of the employment agreement. In addition to the above events, Mr. Brewster will also have the right to terminate employment upon: (1) a Change in Control; or (2) without the executive s prior consent, a required relocation of 100 miles from our corporate headquarters in Houston, Texas.

Messrs. Antonini, Upton, and Delnevo s agreements do not contain a good reason concept.

Totally Disabled. Each of the executives will be considered totally disabled if, by reason of his illness, incapacity or other disability, the executive fails to perform his duties or fulfill his obligations under his employment agreement, as certified by a competent physician, for 180 days in any 12 month period.

Without Cause Termination. A termination without cause shall mean a termination of the executive s employment other than for death, voluntary resignation, total disability, or cause.

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 below based on the employment agreements in place for the executive as of December 31, 2007. The amounts shown assume that such termination event was effective as of December 31, 2007 and are our best estimates as to the amounts that each executive would receive upon that particular termination event; however, exact amounts that any executive would receive could only be determined upon an actual termination of employment.

Executive	Benefits	Without Cause Termination	Good Reason Termination By Executive	Termination in Connection with a Change in Control	Death or Disability

J. Antonini	Base salary[1]	$ 30,388[2]	$	$ 30,388[3]	$
	Total	**$ 30,822**	$	**$ 30,388**	$
J. C. Brewster	Base salary[1][4]	$ 275,000	$ 275,000	$ 275,000	$
	Post-employment health care[5]	$ 8,672	$ 8,672	$ 8,672	$
	Total	**$ 283,672**	**$ 283,672**	**$ 283,672**	$
M. H. Clinard	Base salary[1]	$ 20,258[2]	$ 20,258[6]	$	$ 15,925[7]
	Total	**$ 20,258**	**$ 20,258**	$	**$ 15,925**
T. E. Upton	Base salary[1]	$ 19,294[2]	$	$	$ 19,294[8]
	Total	**$ 19,294**	$	$	**$ 19,294**
R. Delnevo[9]	Base salary[1]	$ 353,714[2]	$	$	$ 109,602[10]
	Total	**$ 353,714**	$	$	**$ 106,602**

(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 shown in the above table), the terminated executive would receive any base salary amount that had been earned but that had not been paid at the time of termination. We have assumed for purposes of this table that all such accrued amounts have been paid to each of the executives, thus the amounts shown above do not include accrued salary.

(2) In the event of a without cause termination, Messrs. Antonini, Clinard, and Upton would receive severance pay equal to the executive s 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 footnotes (4) and (5) below for information on the amount shown for Mr. Brewster in the event of an without cause termination.) Mr. Delnevo s employment agreement provides for an amount not to exceed 12 months of salary, which for purposes of this table we assumed that we would pay the full 12 months to him. 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.

(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) Under the terms of his employment agreement, in the event of a without cause termination or a good reason termination, 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, 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.

(5) If Mr. Brewster, in the event of a without cause termination or a good reason termination, 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. We would reimburse Mr. Brewer on a monthly basis for the difference between the amount he must pay to continue such coverage and the employee contribution amount that active senior executive employees would pay for the same or similar coverage under our group health plan. Amounts shown above represent the difference in Mr. Brewster s current insurance premiums and current COBRA rates for a similar plan.

(6) For a good reason termination, Mr. Clinard is entitled to a severance payment equal to his base salary for the lesser of 12 months or the remaining number of months in the term; assuming a termination on December 31, 2007, Mr. Clinard had one month remaining in his employment term, and thus only one month of base salary is disclosed in the table above.

(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 lesser 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) Upon a termination for death or disability, Mr. Upton is entitled to receive an amount equal to his base salary for the lesser of 12 months or the number of months remaining on his employment agreement. Assuming a termination on December 31, 2007, Mr. Upton had one month remaining in his employment term, and thus only one month of base salary is disclosed in the table above.

(9) 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.

(10) 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). He is not entitled to a bonus for the year in which a termination for death or disability occurs.

Messrs. Antonini, Brewster, Clinard and Upton s employment agreements also require the executives to sign a full release waiving all claims against us, our subsidiaries, and our officers, directors, employees, agents, representatives, or stockholders before receiving any severance benefits due under the employment agreements. Mr. Upton is also required to promptly report any subsequent full-time employment during the period in which he is receiving severance payments, for we are entitled to reduce his severance payments by the amount of the new salary he is receiving from a third party.

The employment agreements also contain non-competition and non-solicitation provisions. Messrs. Antonini, Brewster, Clinard and Upton have a 24-month non-compete and non-solicitation period, in which the executives may not: (1) directly or indirectly participate in or have significant ownership in a competing company; (2) solicit or advise any of our employees to leave our employment; (3) solicit any of our customers either for his own interest or that of a third party; or (4) call upon an acquisition candidate of ours either for his own interest or that of a third party. Mr. Delnevo s non-solicitation provisions prevent him from soliciting either our employees or our customers for a period of 12 months following termination, while he is subject to a non-compete provisions lasting 8 months following his termination of employment.

Additionally, pursuant to the terms of our 2001 Stock Incentive Plan (the 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 Corporate Change under the Plan (such definition of which is substantially similar to the definition of Change in Control in the employment agreements described above). 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 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, if any, 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	Total
Fred R. Lummis		
Jack Antonini		
Robert P. Barone	$ 5,000	$ 5,000
Frederick W. Brazelton		
Ralph H. Clinard		
Ronald Coben		
Ronald Delnevo		
Jorge M. Diaz	$ 3,000	$ 3,000
Roger B. Kafker		
Michael A.R. Wilson		

During 2007, we paid Messrs. Barone and Diaz $1,000 per Board meeting attended in person. We also paid Mr. Barone $1,000 per each Audit Committee meeting attended, if such meeting was not held on the same day as a Board meeting. 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 our Board 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 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. 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.

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Compensation Committee Interlocks and Insider Participation

Fred. R. Lummis, Jorge M. Diaz, and Michael A.R. Wilson served on our Audit Committee during the fiscal year ended December 31, 2007. During 2007, none of our executive officers or employees (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.

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PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock as of April 30, 2008 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 (as such term is defined by the SEC); and
- all Directors and Named 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 41,768,644 shares of common stock, which are comprised of 38,667,914 shares of common stock outstanding as of April 30, 2008 and 3,100,730 shares of common stock subject to options held by beneficial owners that are exercisable or that will be exercisable within 60 days of April 30, 2008. 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.

Name and Address of Beneficial Owner(1)(2)	Amount and Nature of Beneficial Ownership	Percent of Common Stock Beneficially Owned
5% Stockholders:		
TA Associates, Inc.(3)	12,259,286	29.4%
TA IX, L.P.(4)	7,583,447	18.2%
TA/Atlantic and Pacific V L.P.(5)	3,033,370	7.3%
TA/Atlantic and Pacific IV L.P.(6)	1,307,663	3.1%
TA Strategic Partners Fund A L.P.(7)	155,268	*
TA Investors II, L.P.(8)	151,663	*
TA Strategic Partners Fund B L.P.(9)	27,875	*
The CapStreet Group, LLC(10)	9,041,074	21.6%
CapStreet II, L.P.(11)	8,091,222	19.4%
CapStreet Parallel II, L.P.(12)	949,852	2.3%
Ralph H. Clinard(13)	2,798,990	6.7%
Laura Clinard(14)	2,798,986	6.7%
Columbia Wanger Asset Management, L.P.(15)	2,544,000	6.1%
Directors and Named Executive Officers:		
Michael A.R. Wilson(16)	12,259,286	29.4%
Fred R. Lummis(17)	9,041,074	21.6%
Michael H. Clinard(18)	1,290,341	3.0%
J. Chris Brewster(19)	417,296	1.0%
Ronald Delnevo(20)	343,446	*
Thomas E. Upton(21)	320,627	*
Jack Antonini	316,969	*
Robert P. Barone(22)	34,306	*
Jorge M. Diaz(23)	29,807	*
Dennis F. Lynch(24)	5,000	*
Tim Arnoult		
Rick Updyke		
All Directors and Named Executive Officers as a group (12 persons)	24,058,152	57.6%

* 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 April 30, 2008, if that person or group has the right to acquire shares within 60 days after such date.

(2) The address for each Named Executive Officer and director set forth in the table, 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 V L.P., TA/Atlantic and Pacific IV 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.

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(3) 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 person transactions.

(4) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 14, 2008, TA Associates, Inc. is the general partner of TA IX, L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 7,583,447 shares.

(5) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 14, 2008, TA Associates, Inc. is the general partner of TA Atlantic and Pacific V L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 3,033,370 shares.

(6) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 14, 2008, TA Associates, Inc. is the general partner of TA/Atlantic and Pacific IV L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 1,307,663 shares.

(7) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 14, 2008, TA Associates, Inc. is the general partner of TA Strategic Partners Fund A L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 155,268 shares.

(8) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 14, 2008, TA Associates, Inc. is the general partner of TA Investors II, L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 151,663 shares.

(9) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 14, 2008, TA Associates, Inc. is the general partner of TA Strategic Partners Fund B L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 27,875 shares.

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

(11) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 13, 2008, The CapStreet Group, LLC is the general partner of CapStreet GP II, L.P., which is the general partner of CapStreet II, L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 8,091,222 shares.

(12) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on February 13, 2008, The CapStreet Group, LLC is the general partner of CapStreet Parellel II, L.P., and each may be considered a beneficial owner, with sole voting and dispositive power of 949,852 shares.

(13) The shares indicated as being beneficially owned by Ralph H. 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.

(14)

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 Mrs. Clinard is a co-trustee and has shared voting power, and 1,209,290 shares owned by Mrs. Clinard s husband (Ralph H. Clinard) of which Mrs. Clinard may be deemed to be the beneficial owner.

(15) As reported on Schedule 13G dated as of December 31, 2007, and filed with the SEC on January 22, 2008, Columbia Wanger Asset Management, L.P. is considered a beneficial owner, with sole voting and dispositive power of 2,544,000 shares. The shares reported therein include the shares held by Columbia Acorn Trust, a Massachusetts business trust that is advised by Columbia Wanger Asset Management, L.P. Columbia Acorn Trust holds 5.99% of our shares.

(16) The shares indicated as being beneficially owned by Michael A.R. Wilson are owned directly by the TA Funds. 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.

(17) The shares indicated as being beneficially owned by Fred R. 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.

(18) Includes 425,641 shares owned directly by Michael H. Clinard and 188,244 options that are exercisable within 60 days of April 30, 2008. Also included in the shares indicated as being beneficially owned by Mr. Clinard are 541,164 shares owned by the Ralph Clinard Family Trust and 135,292 shares owned by a trust for the benefit of Mr. Clinard, of which Mr. Clinard is a co-trustee of and has shared voting power of and of which he may be deemed to be the beneficial owner.

(19) Includes 417,296 options that are exercisable within 60 days of April 30, 2008.

(20) Includes 238,454 options that are exercisable within 60 days of April 30, 2008.

(21) Includes 227,359 options that are exercisable within 60 days of April 30, 2008.

(22) Includes 34,306 options that are exercisable within 60 days of April 30, 2008.

(23) Includes 29,807 options that are exercisable within 60 days of April 30, 2008.

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CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Preferred Stock Private Placement

In February 2005, we issued 894,568 shares of our Series B redeemable convertible preferred stock (the Series B 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 this offering, we also appointed Michael A.R. Wilson and Roger B. Kafker, who were designees of the TA Funds, to our Board. Approximately $24.8 million of the net proceeds of this 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 from affiliates of The CapStreet Group for $29.7 million.

In connection with obtaining the approval of TA Funds to the July 2007 acquisition of the ATM and financial self-service kiosk business of 7-Eleven, Inc., we modified the original conversion ratio applicable to the TA Funds Series B Stock so that the common stock issuable upon conversion thereof, at the time of our initial public offering, would be valued at no less than $131,250,000 (175% of the TA Funds original $75 million cost of the Series B 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 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 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 Stock.

In connection with the initial public offering, the terms of the Series B 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 these amendments and based on the initial public offering price of $10.00 per share, each share of Series B 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). The remaining 35,221 shares of Series B Stock not held by the TA Funds converted into 279,955 shares of our common stock (on a split-adjusted basis). 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 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 the 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 2007, we paid two of our directors, Messrs. Barone and Diaz, $1,000 per Board meeting attended. Other directors were not compensated during 2007 for Board services due to their employment and/or stockholder relationships with us. Additionally, all of our directors are reimbursed for their reasonable expenses in attending Board and committee meetings.

The CapStreet Group. Fred R. Lummis, the Chairman of our Board, is a senior advisor to The CapStreet Group, LLC, the ultimate general partner of CapStreet II, L.P. and CapStreet Parallel II, L.P., which collectively own 23.4% of our outstanding common stock as of March 31, 2008.

TA Associates. Michael A.R. Wilson and Roger B. Kafker, both of whom were on our Board during 2007, are managing directors of TA Associates, affiliates of which are Cardtronics stockholders and own 31.7% of our outstanding common stock as of March 31, 2008. On December 13, 2007, Mr. Kafker resigned from our Board in connection with the closing of our initial public offering. Mr. Kafker s resignation was not caused by any disagreements with us relating to our operations, policies or procedures.

Jorge M. Diaz, a member of our Board, is the President and Chief Executive Officer of Fiserv Output Solutions, a division of Fiserv. In 2007, Fiserv provided third party services during the normal course of business for Cardtronics. We paid approximately $9.9 million to Fiserv in 2007, which represented less than 3.1% of our total cost of revenues and selling, general and administrative expenses for the year ended December 31, 2007. Approximately 96% of these payments were made under a contract that we assumed in the acquisition of the ATM and advanced self-service kiosk business of 7-Eleven, Inc. in July 2007.

Bansi, S.A. Institucion de Banca Multiple (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 2007, including serving as the vault cash provider, bank sponsor, and the landlord for Cardtronics Mexico as well as providing other services. We paid approximately $1.4 million to Bansi in 2007, which represented less than 0.4% of our total cost of revenues and selling, general, and administrative expenses for the year ended December 31, 2007.

Subscriptions Receivable. We currently have loans outstanding with certain employees related to past exercises of employee stock options and purchases of our common stock, as applicable. These loans, which were initiated in 2003, are reflected as subscriptions receivable in our consolidated balance sheets contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The notes, which were due in December 2007, were extended for one additional year. The rate of interest on each of these loans remains at 5% per annum. In connection with the investment by TA Associates in February 2005 and the concurrent redemption of a portion of our common stock, approximately $0.4 million of the outstanding loans were repaid to us. Additionally, in the third quarter of 2006, we repurchased 121,254 shares of our common stock held by certain of our 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. Finally, in 2007, approximately $0.1 million of these loans were repaid by employees. As a result of the repayments, the total remaining amount outstanding under such loans, including accrued interest, was approximately $0.2 million as of December 31, 2007.

Restricted Stock Grant. In January 2003, we sold Jack Antonini, our President and Chief Executive Officer, 635,879 shares of common stock in exchange for a promissory note in the amount of $940,800. The agreement permitted us to repurchase a portion of the shares prior to January 20, 2007 in certain circumstances. The agreement also contained a provision allowing the shares to be put to us in an amount sufficient to retire the entire unpaid principal balance of the promissory note plus accrued interest. In February 2004, we amended the agreement to remove the put right. We recognized approximately $11,000, $216,000, and $491,000 in compensation expense in the consolidated statements of operations contained in our Annual Report on Form 10-K for the years ended December 31, 2007, 2006, and 2005, respectively, associated with this restricted stock grant.

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Approval of Related Person Transactions

In the ordinary course of business, we may enter into a related person transaction (as such is defined by the SEC). The policies and procedures relating to the approval of related person transactions are not in writing. Given the relatively small size of our organization, any material related person transactions entered into would be discussed with management and require approval by our Board prior to entering into the transaction. Additionally, any material agreement related to our Mexico operations is reviewed and approved by the board of directors of our Mexico subsidiary.

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DESCRIPTION OF OTHER INDEBTEDNESS

Revolving Credit Facility

Our revolving credit facility provides for $175.0 million in borrowings, subject to certain restrictions. Borrowings under the facility currently bear interest at LIBOR plus a spread, which is currently 2.25%. Additionally, we pay a commitment fee of 0.25% 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 its foreign subsidiaries, are pledged to secure borrowings made under the revolving credit facility. Furthermore, each of the our domestic subsidiaries has guaranteed our obligations under such facility.

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, including dividends, and (iv) limitations on the amount of capital expenditures that we can incur on a rolling 12-month basis. There are currently no restrictions on the ability of our wholly-owned subsidiaries to declare and pay dividends directly to us. As of March 31, 2008, we were in compliance with all applicable covenants and ratios under the facility.

As of March 31, 2008, $39.5 million of borrowings were outstanding under the revolving credit facility. Additionally, the Company had posted $7.2 million in letters of credit under the facility in favor of the lessors under the ATM equipment leases that the Company assumed in connection with the 7-Eleven ATM Transaction. These letters of credit, which the lessors may draw upon in the event the Company fails to make payments under the leases, further reduce the Company s borrowing capacity under the facility. As of March 31, 2008, the Company s available borrowing capacity under the amended facility, as determined under the earnings before interest expense, income taxes, depreciation and accretion expense, and amortization expense (EBITDA) and interest expense covenants contained in the agreement, totaled approximately $128.3 million.

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, carry a 9.25% coupon, and were issued with an effective yield of 9.375%. Interest under the notes is paid semiannually in arrears on February 15th and August 15th of each year. The notes, which are guaranteed by our domestic subsidiaries, contain certain covenants that, among other things, limit our ability to incur additional indebtedness and make certain types of restricted payments, including dividends. Under the terms of the indenture, at any time prior to August 15, 2008, we may redeem up to 35% of the aggregate principal amount of the Series A Notes at a redemption price of 109.250% of the principal amount thereof, plus any accrued and unpaid interest, subject to certain conditions outlined in the indenture. Additionally, at any time prior to August 15, 2009, we may redeem all or part of the Series A Notes at a redemption price equal to the sum of 100% of the principal amount plus an Applicable Premium , as defined in the indenture, plus any accrued and unpaid interest. On or after August 15, 2009, we may redeem all or a part of the Series A Notes at the redemption prices set forth by the indenture plus any accrued and unpaid interest. As of March 31, 2008, we were in compliance with all applicable covenants required under the Series A Notes.

Other Borrowing Facilities

Bank Machine overdraft facility. In addition to the revolving credit facility, our wholly-owned United Kingdom subsidiary, Bank Machine, has a £2.0 million unsecured overdraft facility that expires in July 2008. This facility, which bears interest at 1.75% over the bank s base rate (currently 5.00%), is utilized for general corporate purposes for our United Kingdom operations. As of March 31, 2008, approximately £1.0 million of

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this facility had been utilized to help fund certain working capital commitments. Amounts outstanding under the overdraft facility are 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.

Cardtronics Mexico equipment financing agreements. During 2006 and 2007, our majority-owned subsidiary, Cardtronics Mexico, entered into six separate five-year equipment financing agreements with a single lender. These agreements, which are denominated in Mexican pesos and bear interest at an average fixed rate of 10.96%, were utilized for the purchase of additional ATMs to support the our Mexico operations. As of March 31, 2008, $90.4 million pesos ($8.5 million U.S.) were outstanding under the agreements in place at the time, with future borrowings to be individually negotiated between the lender and Cardtronics. Pursuant to the terms of the loan agreement, we have issued a guaranty for 51.0% of the obligations under this agreement (consistent with our ownership percentage in Cardtronics Mexico.) As of March 31, 2008, the total amount of the guaranty was $46.1 million pesos ($4.3 million U.S.).

Lease agreements. In connection with the 7-Eleven ATM Transaction, we assumed certain capital and operating lease obligations for approximately 2,000 ATMs. We currently have $7.2 million in letters of credit posted 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. As of March 31, 2008, the principal balance of our capital lease obligations totaled $1.7 million.

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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 March 31, 2008, the Company and Initial Guarantors had $337.4 million of Indebtedness outstanding, which was comprised of $39.5 million in Senior Debt, $199.0 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 $1.7 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 March 31, 2008, the Initial Guarantors had outstanding Indebtedness of approximately $337.4 million, of which $39.5 million was Guarantees of Indebtedness under the Credit Agreement, $199.0 million was Guarantees of the Series A Notes, $97.2 million was Guarantees of the outstanding notes, and $1.7 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

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(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

(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

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(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

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

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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.

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