PARSONS ANDREW J
Form 4
December 08, 2005

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
PARSONS ANDREW J

(Last) (First) (Middle)

C/O UST INC., 100 WEST PUTNAM AVENUE

(Street)

GREENWICH, CT 06830

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
UST INC [UST]

3. Date of Earliest Transaction (Month/Day/Year)
12/07/2005

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director　　_____ 10% Owner
_____ Officer (give title below)　　_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	12/07/2005		A		120	A	$ 0	2,352	D	
Common Stock	12/08/2005		A		50	A	$ 0	2,422 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PARSONS ANDREW J C/O UST INC. 100 WEST PUTNAM AVENUE GREENWICH, CT 06830	X			

Signatures

Maria R. Sharpe, by Power of Attorney	12/08/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes 20 Phantom shares resulting from dividend reinvestment under a deferred compensation plan as of this date.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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CARDTRONICS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

	Year Ended December 31,		
	2007	2006	2005
	(In thousands)		
Common Stock, par value $0.0001 per share:			

Balance at beginning of year	$	$	$
Capital stock issued in initial public offering	1		
Capital stock issued in Series B preferred stock conversion	2		
Stock split in conjunction with initial public offering	1		
Balance at end of year	$ 4	$	$
Subscriptions Receivable:			
Balance at beginning of year	$ (324)	$ (1,476)	$ (1,862)
Settlement of subscriptions receivable through repurchases of capital stock		1,152	
Repayment of subscriptions	95		386
Balance at end of year	$ (229)	$ (324)	$ (1,476)
Additional Paid in Capital:			
Balance at beginning of year	$ 2,857	$ 2,033	$
Capital stock issued in initial public offering, net of offering costs	109,757		
Capital stock issued in Series B preferred stock conversion	76,844		
Other issuance of capital stock		(55)	1,590
Series B preferred stock conversion (see *Note 14*)	36,021		
Series B preferred stock conversion charge (see *Note 14*)	(36,021)		
Dividends on Series A preferred stock			(98)
Stock-based compensation charges	1,050	879	541
Balance at end of year	$ 190,508	$ 2,857	$ 2,033
Accumulated Other Comprehensive Income (Loss):			
Balance at beginning of year	$ 11,658	$ (346)	$ 886
Other comprehensive income (loss)	(16,176)	12,004	(1,232)
Balance at end of year	$ (4,518)	$ 11,658	$ (346)
Retained Earnings (Accumulated Deficit):			
Balance at beginning of year	$ (3,092)	$ (2,252)	$ 1,495
Dividends on preferred stock			(1,063)
Preferred stock issuance cost accretion	(251)	(265)	(234)
Distributions		(44)	(32)
Net loss	(27,090)	(531)	(2,418)
Balance at end of year	$ (30,433)	$ (3,092)	$ (2,252)
Treasury Stock:			
Balance at beginning of year	$ (48,267)	$ (47,043)	$ (859)
Issuance of capital stock	46	55	269
Purchase of treasury stock		(1,279)	(46,453)
Balance at end of year	$ (48,221)	$ (48,267)	$ (47,043)
Total stockholders equity (deficit)	$ 107,111	$ (37,168)	$ (49,084)

See accompanying notes to consolidated financial statements.

Table of Contents

CARDTRONICS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31, 2007	2006	2005
	(In thousands)		
Net loss	$ (27,090)	$ (531)	$ (2,418)
Foreign currency translation adjustments	2,415	12,202	(5,491)
Unrealized (losses) gains on interest rate cash flow hedges, net of taxes of $0 in 2007, $258 in 2006, and $(2,469) in 2005	(18,093)	(696)	4,259
Unrealized (realized) gains on available-for-sale securities, net of taxes of $293 in 2007 and $(293) in 2006	(498)	498	
Other comprehensive income (loss)	(16,176)	12,004	(1,232)
Total comprehensive income (loss)	$ (43,266)	$ 11,473	$ (3,650)

See accompanying notes to consolidated financial statements.

Table of Contents

CARDTRONICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2007	2006	2005
	(In thousands)		
Cash flows from operating activities:			
Net loss	$ (27,090)	$ (531)	$ (2,418)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, accretion, and amortization expense	45,729	30,578	21,931
Amortization and write-off of financing costs and bond discount	1,641	1,929	6,941
Stock-based compensation expense	1,050	879	541
Deferred income taxes	4,525	454	(1,270)
Non-cash receipt of Winn-Dixie equity securities		(3,394)	
Gain on sale of Winn-Dixie equity securities	(569)		
Minority interest	(376)	(225)	15
Loss on disposal of assets	2,235	1,603	1,036
Other reserves and non-cash items	1,217	1,219	363
Changes in assets and liabilities, net of acquisitions:			
(Increase) decrease in accounts receivable, net	(905)	(4,105)	2,176
(Increase) decrease in prepaid, deferred costs, and other current assets	630	(3,783)	378
(Increase) decrease in inventory	3,412	(694)	1,060
Decrease in notes receivable, net	20	155	439
Increase in other assets	(19,787)	(1,718)	(600)
Increase (decrease) in accounts payable	15,995	5,436	(1,085)
Increase in accrued liabilities	22,726	813	7,190
(Decrease) increase in other liabilities	5,009	(3,170)	(3,470)
Net cash provided by operating activities	55,462	25,446	33,227
Cash flows from investing activities:			
Additions to property and equipment	(68,320)	(32,537)	(27,261)
Proceeds from sale of property and equipment	3	130	78
Payments for exclusive license agreements and site acquisition costs	(2,993)	(3,357)	(4,665)
Additions to equipment to be leased to customers	(548)	(197)	
Principal payments received under direct financing leases	34		
Acquisitions, net of cash acquired	(135,009)	(12)	(108,112)
Proceeds from sale of Winn-Dixie equity securities	3,950		
Net cash used in investing activities	(202,883)	(35,973)	(139,960)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	187,744	45,661	478,009
Repayments of long-term debt and capital leases	(140,765)	(37,503)	(362,141)
Proceeds from borrowing under bank overdraft facility, net	642	3,818	
Redemption of Series A preferred stock			(24,795)
Issuance of capital stock	111,363		89

Purchase of treasury stock				(50)		(46,453)
Issuance of Series B preferred stock						73,297
Minority interest shareholder capital contributions		547				
Repayment of subscriptions receivable		95				386
Distributions				(18)		(51)
Equity offering costs		(618)				
Debt issuance costs		(853)		(716)		(11,127)
Net cash provided by financing activities		158,155		11,192		107,214
Effect of exchange rate changes on cash		(13)		354		(194)
Net increase in cash and cash equivalents		10,721		1,019		287
Cash and cash equivalents at beginning of period		2,718		1,699		1,412
Cash and cash equivalents at end of period	$	13,439	$	2,718	$	1,699
Supplemental disclosure of cash flow information:						
Cash paid for interest, including interest on capital leases	$	26,521	$	22,939	$	8,359
Cash paid for income taxes	$	27	$	67	$	92
Fixed assets financed by direct debt	$	5,683	$		$	

See accompanying notes to consolidated financial statements.

67

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Business and Summary of Significant Accounting Policies

(a) Description of Business

Cardtronics, Inc., along with its wholly- and majority-owned subsidiaries (collectively, the Company or Cardtronics) owns and operates over 28,800 automated teller machines (ATM) in all 50 states, approximately 2,200 ATMs located throughout the United Kingdom, and approximately 1,300 ATMs located throughout Mexico. The Company provides ATM management and equipment-related services (typically under multi-year contracts) to large, nationally-known retail merchants as well as smaller retailers and operators of facilities such as shopping malls and airports. Additionally, the Company operates the largest surcharge-free network of ATMs within the United States (based on the number of participating ATMs) and works with financial institutions to place their logos on the Company s ATM machines, thus providing convenient surcharge-free access to their customers.

Since May 2001, the Company has acquired 14 networks of ATMs and one operator of a surcharge-free ATM network. Most recently, in July 2007, the Company acquired the financial services business of 7-Eleven, Inc. (the 7-Eleven Financial Services Business), which added over 3,500 ATMs and over 2,000 advanced-functionality kiosks referred to as Vcom units to the Company s portfolio. Through its acquisitions, the Company increased the number of ATMs it operates from approximately 4,100 in May 2001 to over 32,300 as of December 31, 2007.

(b) Basis of Presentation and Consolidation

The consolidated financial statements presented include the accounts of Cardtronics, Inc. and its wholly- and majority-owned and controlled subsidiaries. Because the Company owns a majority (51.0%) interest in and absorbs a majority of the losses or returns of Cardtronics Mexico, this entity is reflected as a consolidated subsidiary in the accompanying consolidated financial statements, with the remaining ownership interest not held by the Company being reflected as a minority interest. Additionally, the accompanying consolidated financial statements include the accounts of ATM Ventures LLC, a limited liability company that the Company controlled through a 50.0% ownership interest in such entity, until its dissolution in 2006. For 2005, the remaining 50.0% ownership interest of ATM Ventures has been reflected as a minority interest. All material intercompany accounts and transactions have been eliminated in consolidation.

Additionally, our financial statements for prior periods include certain reclassifications that were made to conform to the current period presentation. Those reclassifications did not impact our reported net (loss) income or stockholders equity (deficit).

In addition, the Company presents Cost of ATM operating revenues and Gross profit within its consolidated financial statements exclusive of depreciation, accretion, and amortization expenses. The following table sets forth the amounts excluded from cost of ATM operating revenues and gross profit during the years ended December 31, 2007, 2006, and 2005:

	2007	2006	2005
		(In thousands)	
	$ 24,277	$ 17,190	$ 11,639

Depreciation and accretion expenses related to ATMs and ATM-related assets			
Amortization expense	18,870	11,983	8,980
Total depreciation, accretion, and amortization expenses excluded from cost of ATM operating revenues and gross profit	$ 43,147	$ 29,173	$ 20,619

68

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(c) Use of Estimates in the Preparation of Financial Statements

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates include the carrying amount of intangibles, goodwill, asset retirement obligations, and valuation allowances for receivables, inventories, and deferred income tax assets. Actual results can, and often do, differ from those assumed in the Company s estimates.

(d) Cash and Cash Equivalents

For purposes of reporting financial condition and cash flows, cash and cash equivalents include cash in bank and short-term deposit sweep accounts.

We maintain cash on deposit with banks that is pledged for a particular use or restricted to support a potential liability. We classify these balances as restricted cash in current or non-current assets on our consolidated balance sheet based on when we expect this cash to be used. As of December 31, 2007 and 2006, we had $5.9 million and $0.9 million, respectively, of restricted cash in current assets and $317,000 and $34,000, respectively, in other non-current assets. Current restricted cash as of December 31, 2007 and 2006 was comprised of approximately $5.7 million and $0.7 million, respectively, in amounts collected on behalf of, but not yet remitted to, certain of the Company s merchant customers, and $0.2 million and $0.2 million, respectively, in guarantees related to certain notes issued in connection with the Bank Machine acquisition (see *Note 2*). Non-current restricted cash represents a certificate of deposit held at one of the banks utilized to provide cash for the Company s ATMs and funds held at one of the banks utilized by the Company in its provision of advanced-functionality services through its Vcom units.

(e) ATM Cash Management Program

The Company relies on agreements with Bank of America, N.A. (Bank of America), Palm Desert National Bank (PDNB), and Wells Fargo, National Association (Wells Fargo) to provide the cash that it uses in its domestic ATMs in which the related merchants do not provide their own cash. Additionally, the Company relies on Alliance & Leicester Commercial Bank (ALCB) in the United Kingdom and Bansi, S.A. Institución de Banca Multiple (Bansi) in Mexico to provide it with its ATM cash needs. The Company pays a fee for its usage of this cash based on the total amount of cash outstanding at any given time, as well as fees related to the bundling and preparation of such cash prior to it being loaded in the ATMs. At all times during its use, the cash remains the sole property of the cash providers, and the Company is unable to and prohibited from obtaining access to such cash. Pursuant to the terms of the Company s agreements with them, Bank of America and Wells Fargo must provide 360 days and 180 days prior written notice, respectively, prior to terminating the agreements and remove their cash from the ATMs. Under the other domestic agreement with PDNB and the U.K. agreement with ALCB, both PDNB and ALCB have the right to demand the return of all or any portion of their cash at any point in time upon the occurrence of certain events beyond the Company s control. In addition, Bansi has the right to terminate the agreement and demand the return of all or any portion of their cash upon a breach of contract resulting from our actions (or lack thereof) if such breach is not cured within 60 days. Based on the foregoing, such cash, and the related obligations, are not reflected in the accompanying consolidated financial statements. The amount of cash in the Company s ATMs was approximately $1.1 billion and

$536.0 million as of December 31, 2007 and 2006, respectively.

(f) Accounts Receivable, including Allowance for Doubtful Accounts

Accounts receivable are primarily comprised of amounts due from the Company s clearing and settlement banks for ATM and Vcom transaction revenues earned on transactions processed during the month ending on

69

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the balance sheet date. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in the Company s existing accounts receivable. The Company reviews its allowance for doubtful accounts monthly and determines the allowance based on an analysis of its past due accounts. All balances over 90 days past due are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Amounts charged to bad debt expense were nominal during each of the years ended December 31, 2007, 2006, and 2005.

(g) Inventory

Inventory consists principally of used ATMs, ATM spare parts, and ATM supplies and is stated at the lower of cost or market. Cost is determined using the average cost method. The following table is a breakdown of the Company s primary inventory components as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
ATMs	$ 745	$ 2,625
ATM parts and supplies	2,040	2,832
Total	2,785	5,457
Less: Inventory reserves	(430)	(1,013)
Net inventory	$ 2,355	$ 4,444

(h) Property and Equipment, net

Property and equipment are stated at cost, and depreciation is calculated using the straight-line method over estimated useful lives ranging from three to seven years. Leasehold improvements and property acquired under capital leases are amortized over the useful life of the asset or the lease term, whichever is shorter. The cost of property and equipment held under capital leases is equal to the lower of the net present value of the minimum lease payments or the fair value of the leased property at the inception of the lease or the acquisition date if the leases were assumed in an acquisition. Also included in property and equipment are new ATMs and the associated equipment the Company has acquired for future installation. Such ATMs are held as deployments in process and are not depreciated until actually installed. Depreciation expense for property and equipment for the years ended December 31, 2007, 2006, and 2005 was $25.7 million, $18.3 million, and $11.9 million, respectively. The $25.7 million in 2007 includes the amortization expense associated with the assets associated with the capital leases assumed by the Company in its acquisition of the 7-Eleven Financial Services Business (the 7-Eleven ATM Transaction). See *Note 1(l)* regarding asset retirement obligations associated with the Company s ATMs.

Maintenance on the Company s domestic and Mexico ATMs is typically performed by third parties and is incurred as a fixed fee per month per ATM. Accordingly, such amounts are expensed as incurred. In the United Kingdom, maintenance is performed by in-house technicians.

(i) Goodwill and Other Intangible Assets

The Company s intangible assets include merchant contracts/relationships and a branding agreement acquired in connection with acquisitions of ATM assets (i.e., the right to receive future cash flows related to ATM transactions occurring at these merchant locations), exclusive license agreements (i.e., the right to be the exclusive ATM service provider, at specific locations, for the time period under contract with a merchant customer), non-compete agreements, deferred financing costs relating to the Company s credit agreements (*Note 13)* and the Bank Machine and Allpoint trade names acquired. Additionally, the Company has goodwill

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

related to the acquisitions of E*TRADE Access, Bank Machine, ATM National, Cardtronics Mexico, and 7-Eleven Financial Services Business.

The estimated fair value of the merchant contracts/relationships within each acquired portfolio is determined based on the estimated net cash flows and useful lives of the underlying contracts/relationships, including expected renewals. The merchant contracts/relationships comprising each acquired portfolio are typically homogenous in nature with respect to the underlying contractual terms and conditions. Accordingly, the Company pools such acquired merchant contracts/relationships into a single intangible asset, by acquired portfolio, for purposes of computing the related amortization expense. The Company amortizes such intangible assets on a straight-line basis over the estimated useful lives of the portfolios to which the assets relate. Because the net cash flows associated with the Company s acquired merchant contracts/relationships have historically increased subsequent to the acquisition date, the use of a straight-line method of amortization effectively results in an accelerated amortization schedule. As such, the straight-line method of amortization most closely approximates the pattern in which the economic benefits of the underlying assets are expected to be realized. The estimated useful life of each portfolio is determined based on the weighted-average lives of the expected cash flows associated with the underlying merchant contracts/relationships comprising the portfolio, and takes into consideration expected renewal rates and the terms and significance of the underlying contracts/relationships themselves. If, subsequent to the acquisition date, circumstances indicate that a shorter estimated useful life is warranted for an acquired portfolio as a result of changes in the expected future cash flows associated with the individual contracts/relationships comprising that portfolio, then that portfolio s remaining estimated useful life and related amortization expense are adjusted accordingly on a prospective basis.

Goodwill and the acquired Bank Machine and Allpoint trade names are not amortized, but instead are periodically tested for impairment, at least annually, and whenever an event occurs that indicates that an impairment may have occurred. See *Note 1(j)* below for additional information on the Company s impairment testing of long-lived assets and goodwill.

(j) Impairment of Long-Lived Assets and Goodwill

Long-lived assets. The Company places significant value on the installed ATMs that it owns and manages in merchant locations as well as the related acquired merchant contracts/relationships and the branding agreement acquired in the 7-Eleven ATM Transaction. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property and equipment and purchased contract intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company tests its acquired merchant contract/relationship intangible assets for impairment, along with the related ATMs, on an individual contract/relationship basis for the Company s 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, the Company analyzes 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 the Company s 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 the Company s 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

71

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

collected per transaction (e.g., branding revenue). 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 (e.g., branding revenue). Whenever events or changes in circumstances indicate that a merchant contract/relationship intangible asset may be impaired, the Company evaluates 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. The Company recorded approximately $5.7 million, $2.8 million, and $1.2 million in additional amortization expense during the years ended December 31, 2007, 2006, and 2005, respectively, related to the impairments of certain previously acquired merchant contract/relationship intangible assets associated with our U.S. reporting segment.

Goodwill and other indefinite lived intangible assets. As of December 31, 2007, the Company had $235.2 million in goodwill and $4.2 million of indefinite lived intangible assets reflected in its consolidated balance sheet. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, the Company reviews the carrying amount of its goodwill and indefinite lived intangible assets for impairment at least annually and more frequently if conditions warrant. Pursuant to SFAS No. 142, goodwill and indefinite lived intangible assets should be tested for impairment at the reporting unit level, which in the Company s case involves five separate reporting units (i) the Company s domestic reporting segment; (ii) the acquired Bank Machine operations; iii) the acquired CCS Mexico (subsequently renamed to Cardtronics Mexico) operations; (iv) the acquired ATM National operations; and (v) the 7-Eleven Financial Services Business (*see Note 2*). For each reporting unit, the carrying amount of the net assets associated with the applicable segment is compared to the estimated fair value of such segment as of the testing date (i.e., December 31, 2007.) Based on the results of those tests, the Company determined that no goodwill or other indefinite lived intangible asset impairments existed as of December 31, 2007.

(k) Income Taxes

The Company accounts for income taxes pursuant to the provisions of SFAS No. 109, *Accounting for Income Taxes,* as interpreted by Financial Accounting Standards (FASB) Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.* Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes, which are based on temporary differences between the amount of taxable income and income before provision for income taxes and between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at current income tax rates. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. See *Note 1(v)* for additional information on the Company s adoption of FIN No. 48.

(l) Asset Retirement Obligations

The Company accounts for its asset retirement obligations under SFAS No. 143, *Accounting for Asset Retirement Obligations.* Under SFAS No. 143, the Company is required to estimate the fair value of future retirement costs associated with its ATMs and recognize this amount as a liability in the period in which it is incurred and can be reasonably estimated. The Company s estimates of fair value involve discounted future cash flows. Subsequent to recognizing the initial liability, the Company recognizes an ongoing expense for changes in such liabilities due to the passage of time (i.e., accretion expense), which is recorded in the depreciation and accretion expense line in the accompanying consolidated financial statements. Upon settlement of the liability, the Company recognizes a gain or loss for any difference between the settlement

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

amount and the liability recorded. Additionally, the Company capitalizes the initial estimated fair value amount as part of the carrying amount of the related long-lived asset and depreciates the amount over the asset s estimated useful life. Additional information regarding the Company s asset retirement obligations is included in *Note 11*.

(m) Revenue Recognition

ATM operating revenues. Substantially all of the Company s revenues are generated from ATM operating and transaction-based fees, which primarily include surcharge fees, interchange fees, bank branding revenues, surcharge-free network fees, and other revenue items, including maintenance fees. Such amounts are reflected as ATM operating revenues in the accompanying consolidated statements of operations. Surcharge and interchange fees are recognized daily as the underlying ATM transactions are processed. Branding fees are generated by the Company s bank branding arrangements, under which financial institutions pay a fixed monthly fee per ATM to the Company to put their brand name on selected ATMs within the Company s ATM portfolio. In return for such fees, the bank s customers can use those branded ATMs without paying a surcharge fee. Pursuant to the SEC s SAB, Topic 13, *Revenue Recognition,* the monthly per ATM branding fees, which are subject to escalation clauses within the agreements, are recognized as revenues on a straight-line basis over the term of the agreement. In addition to the monthly branding fees, the Company also receives a one-time set-up fee per ATM. This set-up fee is separate from the recurring, monthly branding fees and is meant to compensate Cardtronics for the burden incurred related to the initial set-up of a branded ATM versus the on-going monthly services provided for the actual branding. Pursuant to the guidance in Emerging Issues Task Force (EITF) Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables,* and SAB No. 104, *Revenue Recognition,* the Company has deferred these set-up fees (as well as the corresponding costs associated with the initial set-up) and is recognizing such amounts as revenue (and expense) over the terms of the underlying bank branding agreements. With respect to the Company s surcharge-free networks, the Company allows cardholders of financial institutions that participate in the network to utilize the Company s ATMs on a surcharge-free basis. In return, the participating financial institutions typically pay a fixed fee per month per cardholder to the Company. These surcharge-free network fees are recognized as revenues on a monthly basis as earned. Finally, with respect to maintenance services, the Company typically charges a fixed fee per month per ATM to its customers and outsources the fulfillment of those maintenance services to a third-party service provider for a corresponding fixed fee per month per ATM. Accordingly, the Company recognizes such service agreement revenues and the related expenses on a monthly basis, as earned.

ATM equipment sales. The Company also generates revenues from the sale of ATMs to merchants and certain equipment resellers. Such amounts are reflected as ATM product sales and other revenues in the accompanying consolidated statements of operations. Revenues related to the sale of ATMs to merchants are recognized when the equipment is delivered to the customer and the Company has completed all required installation and set-up procedures. With respect to the sale of ATMs to associate value-added resellers (VARs), the Company recognizes and invoices revenues related to such sales when the equipment is shipped from the manufacturer to the VAR. The Company typically extends 30-day terms and receives payment directly from the VAR irrespective of the ultimate sale to a third party.

Merchant-owned arrangements. In connection with the Company s merchant-owned ATM operating/processing arrangements, the Company typically pays the surcharge fees that it earns to the merchant as fees for providing, placing, and maintaining the ATM unit. Pursuant to the guidance of EITF Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products)*, the Company has recorded such payments as a cost of the associated revenues. In exchange for this payment, the Company receives access to the merchants customers and the ability to earn the surcharge and interchange fees from transactions that such customers conduct from using the ATM. The Company is able to reasonably estimate the fair value of this benefit based on the typical surcharge rates charged for transactions on all of its ATMs, including those not subject to these arrangements.

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Further, the Company follows the guidance in EITF Issue 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent,* for the majority of its merchant contracts. Specifically, as the Company acts as the principal and is the primary obligor in the ATM transactions, provides the processing for the ATM transactions, and has the risks and rewards of ownership, including the risk of loss for collection, the Company recognizes the majority of its surcharge and interchange fees gross of any of the payments made to the various merchants and retail establishments where the ATM units are housed. As a result, for agreements under which the Company acts as the principal, the Company records the total amounts earned from the underlying ATM transactions as ATM operating revenues and records the related merchant commissions as a cost of ATM operating revenues.

Other. In connection with certain bank branding arrangements, the Company is required to rebate a portion of the interchange fees it receives above certain thresholds to the branding financial institutions, as established in the underlying agreements. In contrast to the gross presentation of surcharge and interchange fees remitted to merchants, the Company recognizes all of its interchange fees net of any such rebates. Pursuant to the guidance of EITF No. 01-9 (referenced above), while the Company receives access to the branding financial institution s customers and the ability to earn interchange fees related to such transactions conducted by those customers, the Company is unable to reasonably estimate the fair value of this benefit. Thus, the Company recognizes such payments made to the branding financial institution as a reduction of revenues versus a cost of the associated revenues.

(n) Stock-Based Compensation

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R). SFAS No. 123R requires companies to calculate the fair value of stock-based instruments awarded to employees on the date of grant and to recognize the calculated fair value as compensation cost over the requisite service period. Because the Company historically utilized the minimum value method of measuring equity share option values for pro forma disclosure purposes under SFAS No. 123, *Accounting for Stock-based Compensation,* it adopted the provisions of SFAS No. 123R using the prospective transition method. Accordingly, the Company recognizes compensation expense for the fair value of all new awards that are granted and existing awards that are modified subsequent to December 31, 2005. For those awards issued and still outstanding prior to December 31, 2005, the Company will continue to account for such awards pursuant to Accounting Principles Board (APB) Opinion No. 25 and its related interpretive guidance. As a result of its prospective adoption, the Company s financial statements for all periods prior to January 1, 2006 do not reflect any adjustments resulting from the adoption of SFAS No. 123R, and the adoption did not result in the recording of a cumulative effect of a change in accounting principle.

Had compensation cost for option grants under the Company s stock incentive plan (see *Note 3*) been determined based on the fair value method at the grant dates, as specified in SFAS No. 123, the Company s

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

net earnings would have been reduced to the following pro forma amounts for the year ended December 31, 2005 (in thousands):

Net loss, as reported	$ (2,418)
Add: Stock-based employee compensation expense included in reported net income, net of tax	1,492
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(1,694)
Net loss, as adjusted	(2,620)
Preferred stock dividends and accretion expense	1,395
Net loss available to common stockholders, as adjusted	$ (4,015)
Loss per share:	
Basic and diluted, as reported	$ (0.27)
Basic and diluted, pro forma.	$ (0.29)

(o) Derivative Instruments

The Company utilizes derivative financial instruments to hedge its exposure to changing interest rates related to the Company s ATM cash management activities. The Company does not enter into derivative transactions for speculative or trading purposes.

The Company accounts for its derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which requires derivative instruments to be recorded at fair value in a company s balance sheet. As of December 31, 2007, all of the Company s derivatives were considered to be cash flow hedges under SFAS No. 133 and, accordingly, changes in the fair values of such derivatives have been reflected in the accumulated other comprehensive income (loss) account in the accompanying consolidated balance sheet. See *Note 17* for more details on the Company s derivative financial instrument transactions.

(p) Fair Value of Financial Instruments

SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, requires the disclosure of the estimated fair value of the Company s financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. SFAS No. 107 does not require the disclosure of the fair value of lease financing arrangements and non-financial instruments, including intangible assets such as goodwill and the Company s merchant contracts/relationships.

The carrying amount of the Company s cash and cash equivalents and other current assets and liabilities approximates fair value due to the relatively short maturities of these instruments. The carrying amount of the Company s interest rate swaps (see *Note 17*), which was a liability of $13.6 million as of December 31, 2007, represents the fair value of such agreements and is based on third-party quotes for similar instruments with the same terms and conditions. The carrying amount of the long-term debt balance related to borrowings under the Company s revolving credit facility approximates fair value due to the fact that such borrowings are subject to floating market interest rates. As of December 31, 2007, the fair value of the Company s $300.0 million senior subordinated notes (see *Note 13*) totaled $292.5 million. The fair values of these financial instruments were based on the quoted market price for such notes as of year end.

75

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(q) Foreign Currency Translation

As a result of the Bank Machine acquisition in May 2005 and the Cardtronics Mexico acquisition in February 2006, the Company is exposed to foreign currency translation risk. The functional currency for the acquired Bank Machine and Cardtronics Mexico operations are the British pound and the Mexican peso, respectively. Accordingly, results of operations of our U.K. and Mexico subsidiaries are translated into U.S. dollars using average exchange rates in effect during the periods in which those results are generated. Furthermore, the Company s foreign operations assets and liabilities are translated into U.S. dollars using the exchange rate in effect as of each balance sheet reporting date. The resulting translation adjustments have been included in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets.

The Company currently believes that the unremitted earnings of its United Kingdom and Mexico subsidiaries will be reinvested in the corresponding country of origin for an indefinite period of time. Accordingly, no deferred taxes have been provided for on the differences between the Company s book basis and underlying tax basis in those subsidiaries or on the foreign currency translation adjustment amounts.

(r) Comprehensive Income (Loss)

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for reporting comprehensive income (loss) and its components in the financial statements. Accumulated other comprehensive income (loss) is displayed as a separate component of stockholders equity (deficit) in the accompanying consolidated balance sheets, and current period activity is reflected in the accompanying consolidated statements of comprehensive income (loss). The Company s comprehensive income (loss) is composed of (i) net loss; (ii) foreign currency translation adjustments; (iii) unrealized gains (losses) associated with the Company s interest rate hedging activities; and (iv) unrealized gains on the Company s available-for-sale securities as of December 31, 2006.

The following table sets forth the components of accumulated other comprehensive income (loss), net of tax where applicable, as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
Foreign currency translation adjustments	$ 9,126	$ 6,711
Unrealized gains (losses) on interest rate swaps, net of taxes of $0 and $2.7 million as of December 31, 2007 and 2006, respectively	(13,644)	4,449
Unrealized gains on available-for-sale securities, net of taxes of $0.3 million as of December 31, 2006		498
Total accumulated other comprehensive income (loss)	$ (4,518)	$ 11,658

See *Note 18* for additional information on the Company s deferred taxes and related valuation allowances associated with its interest rate swaps.

(s) Treasury Stock

Treasury stock is recorded at cost and carried as a component of stockholders equity (deficit) until retired or reissued.

(t) Advertising Costs

Advertising costs are expensed as incurred and totaled $2.2 million, $0.8 million, and $0.9 million during the years ended December 31, 2007, 2006, and 2005, respectively. The increase during 2007 was primarily the result of the $1.4 million in costs incurred to promote the advanced-functionality services associated with the acquired 7-Eleven Financial Services Business. For additional details on this acquisition, see *Note 2*.

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(u) Working Capital Deficit

The Company s surcharge and interchange revenues are typically collected in cash on a daily basis or within a short period of time subsequent to the end of each month. However, the Company typically pays its vendors on 30 day terms and is not required to pay certain of its merchants until 20 days after the end of each calendar month. As a result, the Company will typically utilize the excess cash flow generated from such timing differences to fund its capital expenditure needs or to repay amounts outstanding under its revolving line of credit (which is reflected as a long-term liability in the accompanying consolidated balance sheets). Accordingly, this scenario will typically cause the Company s balance sheet to reflect a working capital deficit position. The Company considers such a presentation to be a normal part of its ongoing operations.

(v) New Accounting Pronouncements

The Company adopted the following accounting standard and interpretation effective January 1, 2007:

Accounting for Uncertainty in Income Taxes. FIN No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109,* clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company applied the provisions of FIN 48 to all tax positions upon its initial adoption effective January 1, 2007, and determined that no cumulative effect adjustment was required as of such date. As of December 31, 2007, the Company had a $0.2 million reserve for uncertain tax positions recorded pursuant to FIN 48.

Registration Payment Arrangements. FASB Staff Position (FSP) Emerging Issues Task Force (EITF) No. 00-19-2, *Accounting for Registration Payment Arrangements,* addresses an issuer s accounting for registration payment arrangements. Registration payment arrangements typically require the issuer of financial instruments to file a registration statement for the resale of the financial instruments and for the registration statement to be declared effective by the SEC within a specified period of time, or else the issuer is subject to penalties, which may be significant. FSP EITF 00-19-2 specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*. The guidance contained in this standard amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, and SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, as well as FIN 45, *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, to include scope exceptions for registration payment arrangements. FSP EITF 00-19-2 is effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to the date of issuance of this standard. For registration payment arrangements and financial instruments subject to those arrangements that were entered into prior to the issuance of this standard, the guidance in the standard is effective for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years. The Company s adoption of this standard on January 1, 2007 had no impact on its financial statements. The Company will continue to evaluate the impact that the implementation of FSP

EITF 00-19-2 may have on its financial statements as it relates to the Company s registration requirements associated with the $100.0 million of Series B Notes issued in July 2007.

As of December 31, 2007, the following accounting standards and interpretations had not yet been adopted by the Company:

Fair Value Measurements. In September 2006, 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.

77

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In February 2008, the FASB issued FSP No. 157-2, *Effective Date of FASB Statement No. 157,* which delays the effective date for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. The Company will adopt the provisions of SFAS No. 157 for its financial assets and liabilities and those items for which it has recognized or disclosed on a recurring basis effective January 1, 2008, and does not expect that this adoption will have a material impact on the Company s financial statements. As provided by FSP No. 157-2, the Company has elected to defer the adoption of SFAS No. 157 for certain of its non-financial assets and liabilities and is currently evaluating the impact, if any, that this statement will have on its financial statements as it relates to its nonfinancial assets and nonfinancial liabilities that are recognized or disclosed on a non-recurring basis.

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. The Company will adopt the provisions of this standard effective January 1, 2008, and does not anticipate that it will have a material impact on its financial statements.

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. The Company 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. The Company will adopt the provisions SFAS No. 160 on January 1, 2009 and is currently assessing the impact its adoption will have on the Company s financial position and results of operations.

(2) Acquisitions

Acquisition of 7-Eleven Financial Services Business

On July 20, 2007, the Company acquired substantially all of the assets of the 7-Eleven Financial Services Business for approximately $137.3 million in cash. Such acquisition was made as the Company believed the acquisition would provide it with substantial benefits and opportunities to execute its overall strategy, including the addition of high-volume ATMs in prime retail locations, organic growth potential, branding and surcharge-free network opportunities, and future outsourcing opportunities.

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 7-Eleven ATM Transaction included approximately 5,500 ATMs located in 7-Eleven, Inc. stores throughout the United States, of which approximately 2,000 were advanced-functionality financial self-service kiosks referred to as Vcom terminals that are capable of providing more sophisticated financial services, such as check-cashing, remote deposit capture (which is deposit taking at off-premise ATMs using electronic imaging), money transfer, bill payment services, and other kiosk-based financial services (collectively, the Vcom Services). The Company funded the acquisition through the issuance of $100.0 million of 9.25% senior subordinated notes due 2013 Series B (the Series B Notes) and additional borrowings under its revolving credit facility, which was amended in connection with the acquisition. See *Note 13* for additional details on these financings. The accompanying consolidated financial statements of the Company include the results of the operations of the 7-Eleven Financial Services Business for the period subsequent to July 19, 2007.

The Company has accounted for the 7-Eleven ATM Transaction as a business combination pursuant to SFAS No. 141, *Business Combinations.* Accordingly, the Company has allocated the total purchase consideration to the assets acquired and liabilities assumed based on their respective fair values as of the acquisition date. The following table summarizes the preliminary estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Cash	$ 1,427
Trade accounts receivable, net	3,767
Surcharge and interchange receivable	3,769
Inventory	1,953
Other current assets	2,344
Property and equipment	18,315
Software	4,273
Intangible assets subject to amortization	78,000
Goodwill	62,185
Total assets acquired	176,033
Accounts payable	(688)
Accrued liabilities and deferred income	(9,743)
Current portion of capital lease obligations	(1,326)
Current portion of other long-term liabilities	(7,777)
Non-current portion of capital lease obligations	(1,378)
Other long-term liabilities	(17,809)
Total liabilities assumed	(38,721)
Net assets acquired	$ 137,312

The purchase price allocation presented above resulted in a goodwill balance of approximately $62.2 million, which is deductible for tax purposes. Additionally, the purchase price allocation resulted in approximately $78.0 million in identifiable intangible assets subject to amortization, which consisted of $64.3 million associated with the ten-year ATM operating agreement that was entered into with 7-Eleven in conjunction with the acquisition and $13.7 million related to a branding contract acquired in the transaction. The $78.0 million assigned to the acquired intangible assets was determined by utilizing a discounted cash flow approach. The $64.3 million is being amortized on a straight-line basis over the 10-year term of the underlying ATM operating agreement, while the $13.7 million is being amortized over the remaining life of the underlying contract (8.4 years). Additionally, the Company recorded $19.5 million of other liabilities ($7.8 million in current and $11.7 million in long-term) related to certain unfavorable equipment operating leases and an

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

operating contract assumed as part of the 7-Eleven ATM Transaction. These liabilities are being amortized over the remaining terms of the underlying contracts and serve to reduce the corresponding ATM operating expense amounts to the fair value of these services as of the date of the acquisition.

Pro Forma Results of Operations. The following table presents the unaudited pro forma combined results of operations of the Company and the acquired 7-Eleven Financial Services Business for the years ended December 31, 2007 and 2006, after giving effect to certain pro forma adjustments, including the effects of the issuance of the Series B Notes and additional borrowings under its revolving credit facility, as amended (*Note 13*). The unaudited pro forma financial results assume that both the 7-Eleven ATM Transaction and related financing transactions occurred on January 1, 2006. This pro forma information is presented for illustrative purposes only and is not necessarily indicative of the actual results that would have occurred had those transactions been consummated on such date. Furthermore, such pro forma results are not necessarily indicative of the future results to be expected for the consolidated operations.

	2007	**2006[1]**
	(In thousands, excluding per share amounts)	
Revenues	$ 465,808	$ 457,267
Income from continuing operations	19,364	45,503
Net (loss) income available to common shareholders	(61,497)	6,233
Basic (loss) earnings per share	$ (3.99)	$ 0.45
Diluted (loss) earnings per share	$ (3.99)	$ 0.27

(1) Pro forma results for the year ended December 31, 2006 include approximately $18.0 million of placement fee revenues associated with the Vcom operations of the 7-Eleven Financial Services Business, which are not expected to recur in future periods.

Acquisition of CCS Mexico

In February 2006, the Company 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. Additionally, the Company incurred approximately $0.3 million in transaction costs associated with this acquisition. CCS Mexico, which was renamed Cardtronics Mexico upon the completion of the Company s investment, currently operates over 1,300 surcharging ATMs in selected retail locations throughout Mexico, and the Company anticipates placing additional surcharging ATMs in other retail establishments throughout Mexico as those opportunities arise.

The Company allocated the total purchase consideration to the assets acquired and liabilities assumed based on their respective fair values as of the acquisition date. Such allocation resulted in goodwill of approximately $0.7 million.

Such goodwill, which is not deductible for tax purposes, has been assigned to a separate reporting unit representing the acquired CCS Mexico operations. Additionally, such allocation resulted in approximately $0.4 million in identifiable intangible assets, including $0.3 million for certain acquired customer contracts and $0.1 million related to non-compete agreements entered into with the minority interest shareholders of Cardtronics Mexico.

Because the Company owns a majority interest in and absorbs a majority of the entity s losses or returns, Cardtronics Mexico is reflected as a consolidated subsidiary in the accompanying condensed consolidated financial statements, with the remaining ownership interest not held by the Company being reflected as a minority interest. See *Note 12* for additional information regarding this minority interest.

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Acquisition of Bank Machine (Acquisitions) Limited

On May 17, 2005, the Company purchased 100% of the outstanding shares of Bank Machine (Acquisitions) Limited (Bank Machine). Such acquisition was made to provide the Company with an existing platform from which it can expand its operations in the United Kingdom and other European markets.

The purchase price totaled approximately $95.0 million and consisted of $92.0 million in cash and the issuance of 35,221 shares of the Company s Series B redeemable convertible preferred stock, which was valued by the Company at approximately $3.0 million. Additionally, the Company incurred approximately $2.2 million in transaction costs associated with the acquisition.

Although the Bank Machine acquisition closed on May 17, 2005, the Company utilized May 1, 2005 as the effective date of the acquisition for accounting purposes. Accordingly, the accompanying consolidated financial statements of the Company include Bank Machine s results of operations for the period subsequent to April 30, 2005. Additionally, such results have been reduced by approximately $0.3 million, with such amount representing the imputed interest costs associated with the acquired Bank Machine operations for the period from May 1, 2005 through the actual closing date of May 17, 2005.

In connection with the acquisition, certain existing shareholders of Bank Machine agreed to defer receipt of a portion of their cash consideration proceeds in return for the issuance of certain guaranteed notes payable from Cardtronics Limited, the Company s wholly-owned subsidiary holding company in the United Kingdom. As part of the guarantee arrangement, the Company initially placed approximately $3.1 million of the cash consideration paid as part of the acquisition in a bank account to serve as collateral for the guarantee. The notes mature in May 2008, but may be repaid in part or in whole at any time at the option of each individual note holder. Approximately $3.0 million of the notes were redeemed on March 15, 2006. The remaining cash serving as collateral as of December 31, 2007 has been reflected in the Restricted cash, short-term line item in the accompanying consolidated balance sheet. Additionally, the remaining obligations, which we expect to be redeemed in 2008, have been reflected in the Current portion of long-term debt and notes payable line item in the accompanying consolidated balance sheet. Interest expense on the notes accrues quarterly at the same floating rate as that of the interest income associated with the related restricted cash account.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (amounts in thousands). Pursuant to SFAS No. 141, *Business Combinations*, the total purchase consideration has been allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the date of acquisition. Such allocation resulted in approximately $77.3 million in goodwill, which is not expected to be deductible for income tax purposes.

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Such goodwill amount has been assigned to a reporting unit comprised solely of the acquired Bank Machine operations.

Cash	$ 3,400
Trade accounts receivable, net	407
Inventory	82
Other current assets	4,936
Property and equipment	12,590
Intangible assets subject to amortization (7 year weighted-average life)	6,812
Intangible assets not subject to amortization	3,682
Goodwill	77,269
Total assets acquired	109,178
Accounts payable	(2,467)
Accrued liabilities	(5,307)
Current portion of notes payable	(3,232)
Deferred income taxes, non-current	(1,926)
Other long-term liabilities	(1,225)
Total liabilities assumed	(14,157)
Net assets acquired	$ 95,021

Above amounts were converted from pound sterling to U.S. dollars at $1.8410, which represents the exchange rate in effect as of the date of the acquisition.

As indicated in the table above, approximately $6.8 million was allocated to intangible assets subject to amortization, which represents the estimated value associated with the acquired merchant contracts/relationships associated with the Bank Machine ATM portfolio. Such amount was determined by utilizing a discounted cash flow approach and is currently being amortized on a straight-line basis over an estimated useful life of seven years, in accordance with the Company s existing policy. The $3.7 million allocated to intangible assets not subject to amortization represents the estimated value associated with the acquired Bank Machine trade name, and was determined based on the relief from royalty valuation approach.

The above purchase price allocation reflects a change made during 2006 to record certain deferred tax items related to the acquisition. Such change had the effect of increasing the recorded goodwill balance by approximately $0.2 million.

Pro Forma Results of Operations. The following table presents the unaudited pro forma combined results of operations of the Company and the acquired Bank Machine operations for the year ended December 31, 2005, after giving effect to certain pro forma adjustments, including the effects of the issuance of the Company s senior subordinated notes in August 2005 (the Series A Notes) (*Note 13*) (amounts in thousands, excluding per share amounts). Such unaudited pro forma financial results do not reflect the impact of the smaller acquisitions consummated by the Company in 2005. The unaudited pro forma financial results assume that the Bank Machine acquisition and the debt issuance occurred on January 1, 2005, and are not necessarily indicative of the actual results that would have occurred had those transactions been consummated

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

on such date. Furthermore, such pro forma results are not necessarily indicative of the future results to be expected for the consolidated operations.

Revenues	$ 279,149
Income from continuing operations	21,083
Net loss available to common shareholders	(2,557)
Basic and diluted loss per share	$ (0.18)

Other Acquisitions

On March 1, 2005, the Company acquired a portfolio of ATMs from BAS Communications, Inc. (BASC) for approximately $8.2 million in cash. Such portfolio consisted of approximately 475 ATMs located in independent grocery stores in and around the New York metropolitan area and the related contracts. The purchase price was allocated $0.6 million to ATM equipment and $7.6 million to the acquired merchant contracts/relationships. During the first quarter of 2006, the Company recorded a $2.8 million impairment of the intangible asset representing the acquired merchant contract/relationships related to this portfolio. This impairment was triggered by a reduction in the anticipated future cash flows resulting from a higher than anticipated attrition rate associated with this acquired portfolio. The Company has subsequently shortened the anticipated life associated with this portfolio to reflect the higher attrition rate. In 2007, the Company received approximately $0.8 million in proceeds that were distributed from an escrow account established upon the initial closing of this acquisition. Such proceeds were meant to compensate the Company for the attrition issues encountered with the BASC portfolio subsequent to the acquisition date. The $0.8 million was utilized to reduce the remaining carrying value of the intangible asset amount associated with this portfolio.

On April 21, 2005, the Company acquired a portfolio of approximately 330 ATMs and related contracts, primarily at BP Amoco locations throughout the Midwest, for approximately $9.0 million in cash. The purchase price was allocated $0.2 million to ATM equipment and $8.8 million to the acquired merchant contracts/relationships.

On December 21, 2005, the Company acquired all of the outstanding shares of ATM National, Inc., the owner and operator of a nationwide surcharge-free ATM network. The consideration for such acquisition totaled $4.8 million, and was comprised of $2.6 million in cash, 167,800 shares of the Company s common stock, and the assumption of approximately $0.4 million in additional liabilities. Such consideration has been allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values as of the acquisition date. Such allocation resulted in goodwill of approximately $3.7 million, which was assigned to a separate reporting unit representing the acquired ATM National, Inc. operations. Such goodwill is not expected to be deductible for income tax purposes. The following table

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date (in thousands):

Cash	$ 142
Trade accounts receivable, net	546
Other current assets	6
Property and equipment	14
Intangible assets subject to amortization (8 year weighted-average life)	3,000
Intangible assets not subject to amortization	200
Other assets	11
Goodwill	3,684
Total assets acquired	7,603
Accounts payable and accrued liabilities	(1,710)
Deferred income taxes	(1,113)
Total liabilities assumed	(2,823)
Net assets acquired	$ 4,780

As indicated in the above table, $3.0 million has been allocated to intangible assets subject to amortization, which represents the estimated value of the customer contracts/relationships in place as of the date of the acquisition. Such amount was determined by utilizing a discounted cash flow approach and is being amortized on a straight-line basis over an estimated useful life of eight years, consistent with the Company s existing policy. The $0.2 million assigned to intangible assets not subject to amortization represents the estimated value associated with the acquired Allpoint surcharge-free network trade name. Such amount was determined based on the relief from royalty valuation approach.

(3) Stock-based Compensation

As noted in *Note 1(n)*, the Company adopted SFAS No. 123R effective January 1, 2006. Under SFAS No. 123R, the Company records the grant date fair value of share-based compensation arrangements, net of estimated forfeitures, as compensation expense on a straight-line basis over the underlying service periods of the related awards. Prior to the adoption of SFAS No. 123R, the Company utilized the intrinsic value method of accounting for stock-based compensation awards in accordance with APB No. 25, which generally resulted in no compensation expense for employee stock options issued with an exercise price greater than or equal to the fair value of the Company s common stock on the date of grant. Furthermore, the Company historically utilized the minimum value method of measuring equity share option values for pro forma disclosure purposes under SFAS No. 123. Accordingly, the Company adopted SFAS No. 123R on January 1, 2006, utilizing the prospective application method. Under the prospective application method, the fair value approach outlined under SFAS No. 123R is applied only to new awards granted subsequent to December 31, 2005, and to existing awards only in the event that such awards are modified, repurchased or cancelled subsequent to the SFAS No. 123R adoption date. Accordingly, the Company s financial statements for all periods prior to January 1, 2006 do not reflect any adjustments resulting from the adoption of SFAS No. 123R. Additionally, the adoption of SFAS No. 123R did not result in the recording of a cumulative effect of a change in accounting principle.

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table reflects the total stock-based compensation expense amounts included in the accompanying consolidated statements of operations:

	2007	2006	2005
	(In thousands)		
Cost of ATM operating revenues	$ 87	$ 51	$ 172
Selling, general and administrative expenses	963	828	2,201
Total stock-based compensation expense	$ 1,050	$ 879	$ 2,373

Stock-Based Compensation Plan

The Company currently has two long-term incentive plans the 2007 Stock Inventive 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 the Company and its affiliates additional incentive and reward opportunities designed to enhance the profitable growth of the Company and its affiliates. Additionally, equity grants awarded under these plans generally vest ratably over four years based on continued employment and expire ten years from the date of grant.

2007 Plan. In August 2007, the Company s Board of Directors and the stockholders of the Company approved the 2007 Plan. The adoption, approval, and effectiveness of this plan was contingent upon the successful completion of the Company s 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 the Company s capital structure. As of December 31, 2007, no options had been granted under the 2007 Plan.

2001 Plan. In June 2001, the Company s Board of Directors adopted the 2001 Plan. Various plan amendments have been approved since that time, the most recent being in November 2007. As a result of the adoption of the 2007 Plan, at the direction of the Board of Directors, no further awards will be granted under the Company s 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 qualified as non-qualified stock options, and options to purchase 1,955,041 shares of common stock had been exercised.

The Company handles stock option exercises and other stock grants first through the issuance of treasury shares and then through the issuance of new common shares.

Stock Option Grants

The Company has historically used the Black-Scholes valuation model (and the minimum value provisions) to determine the fair value of stock options granted for pro forma reporting purposes under SFAS No. 123. The

Company s outstanding stock options generally vest annually over a four-year period from the date of grant and expire 10 years after the date of grant.

85

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table is a summary of the Company s stock option transactions for the year ended December 31, 2007:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (in years)	Aggregate Intrinsic Value (In thousands)
Options outstanding as of January 1, 2007	4,049,437	$ 6.64		
Granted	1,140,609	$ 12.15		
Exercised	(31,293)	$ 1.48		
Forfeited	(198,712)	$ 10.55		
Options outstanding as of December 31, 2007	4,960,041	$ 7.78	6.8	$ 14,636
Options exercisable as of December 31, 2007	2,654,986	$ 4.86	5.3	$ 14,242

Options exercised during the years ended December 31, 2007 and 2006 had a total intrinsic value of approximately $0.3 million and $0.4 million, respectively, which resulted in tax benefits to the Company of approximately $0.1 million and $0.2 million, respectively. However, because the Company is currently in a net operating loss position, such benefits have not been reflected in the accompanying consolidated financial statements, as required by SFAS No. 123R. The cash received by the Company as a result of option exercises was not material in either 2007 or 2006.

As indicated in the table above, the Company s Board of Directors granted an additional 1,140,609 stock options to certain employees during the year ended December 31, 2007. Such options were granted with a weighted-average exercise price of $12.15 per share, which was equal to the estimated fair market values of the Company s common equity as of the dates of grant, and vest ratably over a four-year service period with a 10-year contractual term.

Fair Value Assumptions

In accordance with SFAS No. 123R, the Company estimates the fair value of its options by utilizing the Black-Scholes option pricing model. Such model requires the input of certain subjective assumptions, including the expected life of the options, a risk-free interest rate, a dividend rate, and the future volatility of the Company s common equity. Listed below are the assumptions utilized in the fair value calculations for options issued during 2007 and 2006:

	2007	2006
Weighted average estimated fair value per stock option granted	\$4.02	\$4.24
Valuation assumptions:		
Expected option term (years)	6.25	6.25
Expected volatility	31.76% - 35.30%	34.50% - 35.90%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	3.68% - 4.94%	4.74% - 4.85%

The expected option term of 6.25 years was determined based on the simplified method outlined in SAB No. 107, as issued by the SEC. Such method is based on the vesting period and the contractual term for each grant and is calculated by taking the average of the expiration date and the vesting period for each vesting tranche. In the future, as information regarding post vesting termination becomes more available, the Company will change this method of deriving the expected term. Such a change could impact the fair value of options granted in the future. Due to the lack of historical data regarding exercise history, the Company will continue to utilize the simplified method outlined in SAB No. 107, as permitted by SAB No. 110. The

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

estimated forfeiture rates utilized by the Company are based on the Company s historical option forfeiture rates and represent the Company s best estimate of future forfeiture rates. In future periods, the Company will monitor the level of actual forfeitures to determine if such estimate should be modified prospectively, as well as adjusting the compensation expense previously recorded.

For the majority of 2007, the Company s common stock was not publicly-traded and, therefore, the expected volatility factors utilized were determined based on historical volatility rates obtained for certain companies with publicly-traded equity that operate in the same or related businesses as that of the Company. The volatility factors utilized represent the simple average of the historical daily volatility rates obtained for each company within this designated peer group over multiple periods of time, up to and including a period of time commensurate with the expected option term discussed above. The Company utilized this peer group approach, as the historical transactions involving the Company s private equity have been limited and infrequent in nature. The Company believes that the historical peer group volatility rates utilized above are reasonable estimates of the Company s expected future volatility. As the Company only recently completed its initial public offering and the Company has not granted any options since its initial public offering, there is not adequate historical information to utilize in determining the volatility of its common stock. As a result, the Company will continue to utilize the volatility factors based on its peer group until such time as adequate historical information is available on its own common stock.

The expected dividend yield was assumed to be zero as the Company has not historically paid, and does not anticipate paying, dividends with respect to its common equity. The risk-free interest rates reflect the rates in effect as of the grant dates for U.S. treasury securities with a term similar to that of the expected option term referenced above.

Non-vested Stock Options

The following table is a summary of the status of the Company s non-vested stock options as of December 31, 2007, and changes during the year ended December 31, 2007:

	Number of Shares Under Outstanding Options	Weighted Average Grant Date Fair Value
Non-vested options as of January 1, 2007	1,830,132	$ 2.27
Granted	1,140,609	$ 4.02
Vested	(665,686)	$ 1.76
Non-vested options as of December 31, 2007	2,305,055	$ 3.28

As of December 31, 2007, there was $4.7 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Company s stock option plan. That cost is expected to be recognized on a straight-line basis over a remaining weighted-average vesting period of approximately 2.9 years. The total fair value of options vested during the year ended December 31, 2007 was $1.2 million. Compensation expense recognized related to stock options totaled approximately $1.0 million and $0.6 million for the years ended December 31, 2007 and 2006, respectively. Additionally, the Company recognized approximately $1.8 million of stock option-based compensation expense in 2005 related to the repurchase of shares underlying certain employee stock options in connection with the issuance of its Series B redeemable convertible preferred stock.

Restricted Stock

Pursuant to a restricted stock agreement dated January 20, 2003, the Company sold the President and Chief Executive Officer of the Company 635,879 shares of common stock in exchange for a promissory note

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in the amount of $940,800 (Exchange Proceeds). Such shares vested ratably over a four-year basis on each anniversary of the original grant date. The underlying restricted stock agreement permitted the Company to repurchase a portion of such shares prior to January 20, 2007, in certain circumstances. The agreement also contained a provision allowing the shares to be put to the Company in an amount sufficient to retire the entire unpaid principal balance of the promissory note plus accrued interest. On February 4, 2004, the Company amended the restricted stock agreement to remove such put right. As a result of this amendment, the Company determined that it would need to recognize approximately $3.2 million in compensation expense based on the fair value of the shares at the date of the amendment. This expense was recognized on a graded-basis over the four-year vesting period associated with these restricted shares.

As of January 1, 2007, the number of non-vested shares for the aforementioned restricted stock grant totaled 158,970 shares, and the remaining unrecognized compensation cost to be recognized on a graded-basis was approximately $11,000. Compensation expense associated with this restricted stock grant totaled approximately $0.01 million, $0.2 million, and $0.5 million, for the years ended December 31, 2007, 2006, and 2005, respectively. No additional restricted shares were granted or forfeited during these periods. During the year ended December 31, 2007, the remaining unvested shares of the restricted stock grant vested.

Other Stock-Based Compensation

In addition to the compensation expense reflected above for the stock options granted during the year ended December 31, 2007, the accompanying condensed consolidated financial statements include compensation expense amounts relating to the aforementioned restricted stock grant as well as certain compensatory options that were granted in 2004. Because the Company utilized the prospective method of adoption for SFAS No. 123R, all unvested awards as of January 1, 2006, will continue to be accounted for pursuant to APB No. 25 and SFAS No. 123. Accordingly, the consolidated statements of operations for the years ended December 31, 2007, 2006, and 2005 include compensation expense associated with such compensatory option grants. The compensation expense amounts were not material in 2007, 2006, or 2005.

(4) Earnings per Share

The Company reports its net income (loss) per share in accordance with SFAS No. 128, *Earnings per Share*. In accordance with SFAS No. 128, the Company excludes potentially dilutive securities in its calculation of diluted earnings per share (as well as their related income statement impacts) when their impact on net income (loss) available to common stockholders is anti-dilutive. For the years ended December 31, 2007, 2006, and 2005, the Company incurred net losses and, accordingly, excluded all potentially dilutive securities from the calculation of diluted earnings per share as their impact on the net loss available to common stockholders was anti-dilutive. Such anti-dilutive securities included outstanding stock options, restricted shares, and, for periods prior to their conversion, the Company s Series B redeemable convertible preferred stock. A summary of the following potentially dilutive securities that have been excluded from the computation of diluted net loss per share is as follows:

	2007	2006	2005
Stock options	1,602,228	1,535,289	1,024,695

Restricted shares	8,339	94,070	157,396
Preferred stock	6,965,211	7,390,413	6,502,249
Total potentially dilutive securities	8,575,778	9,019,772	7,684,340

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Related Party Transactions

Subscriptions Receivable

The Company currently has loans outstanding with certain employees related to past exercises of employee stock options and purchases of the Company s common stock, as applicable. Such loans, which were initiated in 2003, are reflected as subscriptions receivable in the accompanying consolidated balance sheet. 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 5.0% per annum. In February 2005, approximately $0.4 million of the outstanding loans were repaid to the Company. In 2006, the Company repurchased 121,254 shares of the Company s common stock held by certain of the Company s executive officers for approximately $1.3 million in proceeds. Such proceeds were primarily utilized by the executive officers to repay the majority of the above-discussed subscriptions receivable, including all accrued and unpaid interest related thereto. Such loans were required to be repaid pursuant to SEC rules and regulations prohibiting registrants from having loans with executive officers. Finally, in 2007, approximately $0.1 million of these loans were repaid by employees. As a result of the repayments, the total amount outstanding under such loans, including accrued interest, was $0.2 million and $0.3 million as of December 31, 2007 and 2006.

Other Related Parties

General. During 2007, the Company paid two of its 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 the Company. Additionally, all of the Company s Directors are reimbursed for their reasonable expenses in attending Board and committee meetings.

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

Additionally, prior to December 2005, The CapStreet Group owned a minority interest in Susser Holdings, LLC, a company for whom the Company provided ATM management services during the normal course of business. Amounts earned from Susser Holdings accounted for approximately 1.5% of the Company s total revenues for the year ended December 31, 2005.

TA Associates. Michael Wilson and Roger Kafker, both of whom were on the Company s Board of Directors during 2007, are managing directors of TA Associates, Inc., affiliates of which are Cardtronics stockholders and own 31.8% of the Company s outstanding common stock as of December 31, 2007. On December 13, 2007, Mr. Kafker resigned from our Board of Directors 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 Diaz, a member of the Company s Board of Directors, is the President and Chief Executive Officer of Personix, a division of Fiserv. In 2007 and 2006, both Personix (though indirectly) and Fiserv provided third party services during the normal course of business to Cardtronics. During the years ended December 31, 2007 and 2006, amounts paid to Personix and Fiserv represented less than 3.1% and 0.2%, respectively, of the Company s total cost of revenues and selling, general, and administrative expenses. The increase in 2007 was the result of the 7-Eleven ATM

Transaction, as the Company assumed a master ATM management agreement in conjunction with the acquisition under which Fiserv provides a number of ATM-related services for the acquired 7-Eleven ATMs, including transaction processing, network hosting, network sponsorship, maintenance, cash management, and cash replenishment.

Bansi, S.A. Institución de Banca Multiple (Bansi), an entity that owns a minority interest in the Company s subsidiary Cardtronics Mexico, provides various ATM management services to Cardtronics Mexico

89

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

in the normal course of business, including serving as the vault cash provider, bank sponsor, and landlord for Cardtronics Mexico as well as providing other miscellaneous services. Amounts paid to Bansi represented less than 0.4% and 0.1% of the Company s total cost of revenues and selling, general, and administrative expenses for the years ended December 31, 2007 and 2006, respectively.

Preferred Stock Conversion. In connection with its initial public offering in December 2007, the Company s Series B redeemable convertible preferred stock shares were converted into shares of its common stock. Based on the $10.00 initial public offering price and the terms of the Company s 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. For additional information on the conversion of the Series B shares controlled by the TA Funds, see *Note 14*.

Restricted Stock Grant. In January 2003, the Company sold the President and Chief Executive Officer of the Company 635,879 shares of common stock in exchange for a promissory note in the amount of $940,800. The agreement permitted the Company to repurchase a portion of such shares prior to January 20, 2007 in certain circumstances. The agreement also contained a provision allowing the shares to be put to the Company in an amount sufficient to retire the entire unpaid principal balance of the promissory note plus accrued interest. In February 2004, the Company amended the restricted stock agreement to remove such put right. The Company recognized approximately $0.01 million, $0.2 million, and $0.5 million in compensation expense in the accompanying consolidated statements of operations for the years ended December 31, 2007, 2006, and 2005, respectively, associated with such restricted stock grant.

(6) Prepaid Expenses, Deferred Costs, and Other Current Assets

The following table sets forth a summary of prepaid expenses, deferred costs, and other current assets as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
Prepaid expenses	$ 9,915	$ 6,519
Available-for-sale securities, at market value		4,184
Current portion of interest rate swaps		4,079
Deferred costs and other current assets	1,712	396
Total	$ 11,627	$ 15,178

The overall decrease in prepaid expenses, deferred costs, and other current assets from December 31, 2006 to December 31, 2007 was primarily attributable to the January 2007 sale of the available-for-sale securities held as of December 31, 2006 and the change in the market value of the Company s interest rate swaps. The available-for-sale securities held as of December 31, 2006 consisted of approximately 310,000 shares of Winn-Dixie s post-bankruptcy equity securities awarded to Cardtronics by the bankruptcy court in 2006 as a part of Winn-Dixie s plan of reorganization. The securities had an initial cost basis of approximately $3.4 million, and the related $0.8 million of unrealized gains associated with these securities was recorded in other comprehensive income, net of taxes, as of December 31, 2006. The Company subsequently sold these securities in January 2007 for total gross proceeds of approximately $3.9 million. Additionally, as a result of the decreases in domestic interest rates during the latter part of 2007, the fair value of the Company s interest rate swaps declined from an asset position as of December 31, 2006 to a liability position as of December 31, 2007.

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Partially offsetting these declines were higher prepaid merchant commissions and corporate income taxes associated with the Company s U.K. operations during 2007.

(7) Property and Equipment, net

The following table sets forth a summary of property and equipment as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
ATM and Vcom equipment and related costs	$ 199,146	$ 114,803
Office furniture, fixtures, and other	18,490	9,299
Total	217,636	124,102
Less accumulated depreciation	(53,724)	(37,434)
Net property and equipment	$ 163,912	$ 86,668

The increase in property and equipment during 2007 was primarily the result of the 7-Eleven ATM Transaction, as well as the deployment of additional ATMs by the Company s international operations. ATMs held as deployments in process, as discussed in *Note 1(h)*, totaled $11.7 million and $3.1 million as of December 31, 2007 and 2006, respectively.

(8) Intangible Assets

Intangible Assets with Indefinite Lives

The following table depicts the net carrying amount of the Company s intangible assets with indefinite lives as of December 31, 2007 and 2006, as well as the changes in the net carrying amounts for the year ended December 31, 2007 by segment:

	Goodwill			Trade Name		
	U.S.	U.K.	Mexico	U.S.	U.K.	Total
			(In thousands)			
Balance as of December 31, 2006	$ 86,702	$ 82,172	$ 689	$ 200	$ 3,923	$ 173,686
Acquisitions	62,185					62,185
Purchase price adjustments	1,558					1,558
Foreign currency translation adjustments		1,878	1		92	1,971
Balance at December 31, 2007	$ 150,445	$ 84,050	$ 690	$ 200	$ 4,015	$ 239,400

The increase in goodwill for during the year-ended December 31, 2007 was primarily the result of the 7-Eleven ATM Transaction in July 2007 (see *Note 2*). Additionally, certain adjustments related to deferred taxes were made to the E*TRADE Access purchase price allocation during 2007. Such adjustments had the effect of increasing the previously reported goodwill amount for the E*TRADE Access acquisition by $1.6 million.

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Intangible Assets with Definite Lives

The following is a summary of the Company s intangible assets that are subject to amortization as of December 31, 2007 as well as the weighted average remaining amortization period:

	Weighted Average Remaining Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)		
Customer and branding contracts/relationships	8.1	$ 162,995	$ (49,574)	$ 113,421
Deferred financing costs	5.4	13,867	(4,260)	9,607
Exclusive license arrangements	5.6	5,369	(1,763)	3,606
Non-compete agreements	2.1	100	(48)	52
Total	7.8	$ 182,331	$ (55,645)	$ 126,686

The Company s intangible assets with definite lives are being amortized over the assets estimated useful lives utilizing the straight-line method. Estimated useful lives range from three to twelve years for customer and branding contracts/relationships and four to eight years for exclusive license agreements. The Company has also assumed an estimated life of four years for its non-compete agreements. Deferred financing costs are amortized through interest expense over the contractual term of the underlying borrowings utilizing the effective interest method. The Company periodically reviews the estimated useful lives of its identifiable intangible assets, taking into consideration any events or circumstances that might result in a reduction in fair value or a revision of those estimated useful lives.

Amortization of customer and branding contracts/relationships, exclusive license agreements, and non-compete agreements, including impairment charges, totaled $18.9 million, $12.0 million, and $9.0 million for the years ended December 31, 2007, 2006, and 2005, respectively. The increase in amortization during 2007 was primarily due to $5.7 million of additional amortization expense recorded to impair certain contract-based intangible assets. Of this amount, approximately $5.1 million relates to the Company s merchant contract with Target that was acquired in 2004. The Company 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, the Company was unable to make any progress in this regard during 2007, and, based on discussions that had been held with Target, concluded that the likelihood of being able to provide such additional services has decreased considerably. Furthermore, average monthly transaction volumes associated with this particular contract continued to decrease in 2007 when compared to the same period last year. Accordingly, the Company concluded that the above 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. Management is currently working 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 the

Company believes could significantly increase the future cash flows earned under this contract. Also, contributing to the increase in amortization expense in 2007 was the amortization of the contract intangible assets recorded in conjunction with the Company s acquisition of the 7-Eleven Financial Services Business. See *Note 2* for additional details on the 7-Eleven ATM Transaction.

Included in the 2006 year-to-date figure was approximately $2.8 million in additional amortization expense related to the impairment of the intangible asset associated with the acquired BASC ATM portfolio in the Company s U.S. reporting segment. Such impairment relates to a reduction in anticipated future cash flows resulting from a higher than anticipated attrition rate associated with this acquired portfolio. Additionally, the

92

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company recorded a $1.2 million impairment charge in 2005 related to certain other previously acquired merchant contract/relationship intangible assets.

Amortization of deferred financing costs and bond discount totaled $1.6 million, $1.4 million, and $1.9 million for the years ended December 31, 2007, 2006, and 2005, respectively. During the year ended 2006, the Company wrote-off approximately $0.5 million in deferred financing costs in connection with certain modifications made to the Company s existing revolving credit facilities. Additionally, during the year ended December 31, 2005, the Company also wrote-off approximately $5.0 million in deferred financing costs as a result of an amendment to its existing bank credit facility and the repayment of its existing term loans.

Estimated amortization expense for the Company s intangible assets with definite lives for each of the next five years, and thereafter is as follows:

	Customer Contracts and Relationships	Deferred Financing Costs	Exclusive License Agreements	Non-compete Agreements	Total
			(In thousands)		
2008	$ 16,585	$ 1,517	$ 736	$ 25	$ 18,863
2009	16,150	1,630	731	25	18,536
2010	14,616	1,754	634	2	17,006
2011	12,944	1,893	521		15,358
2012	11,987	1,754	453		14,194
Thereafter	41,139	1,059	531		42,729
Total	$ 113,421	$ 9,607	$ 3,606	$ 52	$ 126,686

(9) Prepaid Expenses and Other Non-current Assets

The following table is a summary of prepaid expenses and other non-current assets as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
Interest rate swaps, non-current	$	$ 2,994
Prepaid expenses	784	627
Deferred costs	2,218	1,364
Other	1,183	356

Total	$ 4,185	$ 5,341

The overall decrease in prepaid expenses and other non-current assets from December 31, 2006 to December 31, 2007 was primarily attributable to the change in the market value of the Company s interest rate swaps. As a result of the decreases in interest rates during the latter part of 2007, the fair value of the Company s interest rate swaps declined from an asset position as of December 31, 2006 to a liability position as of December 31, 2007. See *Note 17.*

(10) Accrued Liabilities

The Company s accrued liabilities include accrued merchant fees and other monies owned to merchants, interest payments, maintenance costs, and cash management fees. As of December 31, 2007, other accrued expenses include marketing costs, costs associated with the Company s initial public offering, professional

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

services, and other miscellaneous charges. The following table is a summary of the Company s accrued liabilities as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
Accrued merchant fees	$ 11,486	$ 7,915
Accrued interest	11,257	7,954
Accrued maintenance	6,970	2,090
Accrued purchases	6,098	343
Accrued armored	5,879	3,242
Accrued cash management fees	5,574	2,740
Accrued merchant settlement	4,254	27
Accrued compensation	3,832	3,499
Accrued processing costs	1,477	803
Accrued ATM telecommunication fess	1,424	650
Other accrued expenses	12,273	5,078
Total	$ 70,524	$ 34,341

The increased accrued liabilities balance as of December 31, 2007 was primarily the result of the incremental expenses now being incurred related to the acquired 7-Eleven Financial Services Business. Of the $36.2 million increase in the accrual from December 31, 2006, $16.3 million was directly related to the acquired 7-Eleven Financial Services Business. Additionally, as of December 31, 2007, the Company had $5.7 million in accrued liabilities (with an offset in restricted cash) associated with funds collected on behalf of, but not yet remitted to, certain of the Company s merchant customers, the majority of which resulted from the timing of the settlement of funds between the Company s third party vendors, the Company, and its merchant customers in conjunction with the Company s in-house processing operations. Also contributing to the increase was the additional accrued interest associated with the Company s Series B Notes issued in July 2007.

(11) Asset Retirement Obligations

Asset retirement obligations consist primarily of deinstallation costs of the ATM and the costs to restore the ATM site to its original condition. The Company is legally required to perform this deinstallation and restoration work. In accordance with SFAS No. 143, for each group of ATMs, the Company recognizes the fair value of a liability for an asset retirement obligation and capitalizes that cost as part of the cost basis of the related asset. The related assets are being depreciated on a straight-line basis over the estimated useful lives of the underlying ATMs, and the related liabilities are being accreted to their full value over the same period of time.

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table is a summary of the changes in the Company s asset retirement obligation liability for the years ended December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
Asset retirement obligation as of beginning of period	$ 9,989	$ 8,339
Additional obligations	9,805	2,291
Accretion expense	1,122	272
Payments	(1,551)	(1,079)
Change in estimates	(1,974)	
Foreign currency translation adjustments	57	166
Asset retirement obligation as of end of period	$ 17,448	$ 9,989

The additional obligations amount reflected above for the year ended December 31, 2007 reflects new ATM deployments in all of the Company s markets during this period as well as the obligations assumed in connection with the 7-Eleven ATM Transaction. The change in estimate for the year ended December 31, 2007 represents a change in the anticipated amount the Company will incur to deinstall and refurbish certain merchant locations, based on actual costs incurred on recent ATM deinstallations.

(12) Other Long-term Liabilities and Minority Interest in Subsidiary

The following table is summary of the components of the Company s other long-term liabilities as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
Interest rate swaps	$ 9,155	$
Deferred revenue	3,380	481
Obligations associated with acquired unfavorable contracts	7,626	
Minority interest in subsidiary		112
Other long-term liabilities	3,231	3,471
Total	$ 23,392	$ 4,064

The increase in total other long-term liabilities is primarily due to the $11.7 million in other long-term liabilities recorded to value certain unfavorable equipment leases and an operating contract assumed as part of the 7-Eleven ATM Transaction. These liabilities are being amortized over the remaining terms of the underlying contracts and serve to reduce the corresponding ATM operating expense amounts to fair value. During 2007, the Company recognized approximately $3.7 million of expense reductions associated with the amortization of these liabilities. Also contributing to the increase was the Company s interest rate swaps, the fair value of which declined from an asset position as of December 31, 2006 to a liability position as of December 31, 2007 as a result of the decreases in domestic interest rates during the latter part of 2007.

The minority interest in subsidiary amount as of December 31, 2006 represents the equity interests of the minority shareholders of Cardtronics Mexico. As of December 31, 2007, the cumulative losses generated by Cardtronics Mexico and allocable to such minority interest shareholders exceeded the underlying equity amounts of such minority interest shareholders. Accordingly, all future losses generated by Cardtronics Mexico will be allocated 100% to Cardtronics until such time that Cardtronics Mexico generates a cumulative amount of earnings sufficient to cover all excess losses allocable to the Company, or until such time that the minority interest shareholders contribute additional equity to Cardtronics Mexico in an amount sufficient to cover such losses. As of December 31, 2007, the cumulative amount of excess losses allocated to Cardtronics totaled

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

approximately $0.2 million. Such amount is net of contributions of $0.3 million made by the minority interest shareholders in August and December of 2007.

(13) Long-term Debt

The following is a summary of the Company s long-term debt and notes payable as of December 31, 2007 and 2006:

	2007	2006
	(In thousands)	
Revolving credit loan facility, including swing-line credit facility as of December 31, 2006 (weighted-average combined rate of 8.3% and 8.7% at December 31, 2007 and 2006, respectively)	$ 4,000	$ 53,100
Senior subordinated notes due August 2013, net of unamortized discount of $3.9 million and $1.2 million as of December 31, 2007 and 2006, respectively	296,088	198,783
Other	8,527	1,012
Total	308,615	252,895
Less current portion	882	194
Total excluding current portion	$ 307,733	$ 252,701

Credit Facility

The Company s revolving credit facility provides for $175.0 million in borrowings, subject to certain restrictions. Borrowings under the facility currently bear interest at the London Interbank Offered Rate (LIBOR) plus a spread, which was 2.75% as of December 31, 2007. Additionally, the Company pays a commitment fee of 0.3% per annum on the unused portion of the revolving credit facility. Substantially all of the Company s assets, including the stock of its 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 Company s domestic subsidiaries has guaranteed the Company s obligations under such facility.

The primary restrictive covenants within the facility include (i) limitations on the amount of senior debt that the Company 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 the Company can incur on a rolling 12-month basis. There are currently no restrictions on the ability of the Company s wholly-owned subsidiaries to declare and pay dividends directly to the Company. As of December 31, 2007, the Company was in compliance with all applicable covenants and ratios under the facility.

As of December 31, 2007, $4.0 million of borrowings were outstanding under the revolving credit facility. Additionally, the Company had posted $7.5 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 December 31, 2007, the Company s available borrowing capacity under the amended facility, as determined under the earnings before interest, taxes, depreciation and accretion, and amortization (EBITDA) and interest expense covenants contained in the agreement, totaled approximately $163.5 million.

96

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Senior Subordinated Notes

Series A Notes. In October 2006, the Company completed the registration of $200.0 million in senior subordinated notes, which were originally issued in August 2005 pursuant to Rule 144A of the Securities Act of 1933, as amended. The Series A Notes, which are subordinate to borrowings made under the revolving credit facility, mature in August 2013 and carry a 9.25% coupon with an effective yield of 9.375%. Interest under the notes is paid semiannually in arrears on February 15th and August 15th of each year. The notes, which are guaranteed by the Company s domestic subsidiaries, contain certain covenants that, among other things, limit the Company s 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, the Company 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, the Company 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, the Company 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.

Series B Notes. On July 20, 2007, the Company sold $100.0 million of 9.25% senior subordinated notes due 2013 Series B pursuant to Rule 144A of the Securities Act of 1933. Net proceeds from the offering, which totaled $95.3 million, were used to fund a portion of the 7-Eleven ATM Transaction and to pay fees and expenses related to the acquisition. The form and terms of the Series B Notes are substantially the same as the form and terms of the Series A Notes, except that (i) the Series A Notes have been registered with the SEC while the Series B Notes remain subject to transfer restrictions until the Company completes an exchange offer, and (ii) the Series B Notes were issued with Original Issue Discount and have an effective yield of 9.54%. Pursuant to the terms of the registration rights agreement entered into in conjunction with the offering, the Company was required to file a registration statement with the SEC within 240 days of the issuance of the Series B Notes with respect to an offer to exchange each of the Series B Notes for a new issue of our debt securities registered under the Securities Act with terms identical to those of the Series B Notes (except for the provisions relating to the transfer restrictions and payment of additional interest) and use reasonable best efforts to have the exchange offer become effective as soon as reasonably practicable after filing but in any event no later than 360 days after the initial issuance date of the Series B Notes. On February 14, 2008, the Company filed its initial registration statement on Form S-4 with the SEC. However, if the Company fails to satisfy its registration obligations, it will be required, under certain circumstances, to pay additional interest to the holders of the Series B Notes.

As of December 31, 2007, the Company was in compliance with all applicable covenants required under the Series A and Series B Notes.

Other Facilities

Bank Machine overdraft facility. In addition to Cardtronics, Inc. s revolving credit facility, Bank Machine has a £2.0 million unsecured overdraft facility that expires in July 2008. Such facility, which bears interest at 1.75% over the bank s base rate (5.5% as of December 31, 2007), is utilized for general corporate purposes for the Company s United Kingdom operations. As of December 31, 2007, the full amount of this 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,

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

which are denominated in 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 December 31, 2007, approximately $91.2 million pesos ($8.4 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 December 31, 2007, the total amount of the guaranty was $46.5 million pesos ($4.3 million U.S.).

Debt Maturities

Aggregate maturities of the principal amounts of the Company s long-term debt as of December 31, 2007, were as follows (in thousands) for the years indicated:

2008	$ 882
2009	1,735
2010	2,147
2011	2,372
2012	5,391
2013	300,000
Total	$ 312,527

Reflected in the 2013 amount in the above table is the full face value of the Company s senior subordinated notes Series A and Series B, which have been reflected net of unamortized discounts of approximately $3.9 million in the accompanying consolidated balance sheet as of December 31, 2007.

(14) Redeemable Convertible Preferred Stock

During 2005, the Company issued 929,789 shares of its Series B redeemable convertible preferred stock, of which 894,568 shares were issued to the TA Funds for $75.0 million in proceeds and the remaining 35,221 shares were issued as partial consideration for the Bank Machine acquisition. The Series B shareholders had certain preferences to the Company s common shareholders, including board representation rights and the right to receive their original issue price prior to any distributions being made to the common shareholders as part of a liquidation, dissolution or winding up of the Company. In addition, the Series B shares were convertible into the same number of shares of the Company s common stock, as adjusted for future stock splits and the issuance of dilutive securities. The Series B shares had no stated dividends and were redeemable at the option of a majority of the Series B holders at any time on or after the earlier of (i) December 2013 and (ii) the date that is 123 days after the first day that none of the Company s 9.25% senior subordinated notes remain outstanding, but in no event earlier than February 2010.

On June 1, 2007, the Company entered into a letter agreement with the TA Funds pursuant to which the TA Funds agreed to (i) approve the 7-Eleven ATM Transaction and (ii) not transfer or otherwise dispose of any of their shares of Series B redeemable convertible preferred stock during the period beginning on the date thereof and ending on the earlier of the date the 7-Eleven ATM Transaction closed (i.e., July 20, 2007) or September 1, 2007. Pursuant to the terms of the letter agreement, the Company amended the terms of its Series B redeemable convertible preferred stock in order to increase, under certain circumstances, the number of shares of common stock into which the TA Funds Series B redeemable convertible preferred stock would be convertible in the event the Company completes an initial public offering. In December 2007, the Company completed its initial public offering, and based on the $10.00 per share offering price and the terms of the letter agreement, the 894,568 shares held by the TA Funds converted into 12,259,286 shares of common stock (on a split-adjusted basis). Based on the $10.00 initial public offering price, the value of the incremental shares

98

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

received by the TA Funds in connection with this induced conversion totaled $36.0 million. Such amount is reflected as an increase in the Company s net loss available to common stockholders for the year ended December 31, 2007. This induced conversion charge would typically be reflected as an increase in additional paid-in capital and a reduction of retained earnings. However, as the Company is in an accumulated deficit position, this reduction is recorded against additional paid-in capital instead, resulting in offsetting charges within additional paid-in capital.

The following table shows changes in the net carrying value of the Company s Series B redeemable convertible preferred stock for the years ended December 31, 2007, 2006, and 2005:

	2007	2006	2005
		(In thousands)	
Balance as of January 1	$ 76,594	$ 76,329	$
Issuances, net of issuance costs of $1,858			76,095
Accretion of issuance costs	251	265	234
Conversion into common stock	(76,845)		
Balance as of December 31	$	$ 76,594	$ 76,329

(15) Employee Benefits

The Company offers a 401(k) plan to its employees but has not historically made matching contributions. In 2007, the Company 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 employee s salary by the Company). Employees are immediately vested in their contributions while the Company s matching contributions will vest at a rate of 20% per year.

(16) Commitments and Contingencies

Legal and Other Regulatory Matters

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

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

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Matters. In 2006, Duane Reade, Inc. (Customer), one of the Company s merchant customers, filed a complaint in the New York State Supreme Court alleging that Cardtronics had breached its 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 the Company s 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 the Company, the New York State Supreme Court ruled in September 2007 that the Company s interpretation of the ATM operating agreement was the appropriate interpretation and expressly rejected the Customer s proposed interpretations. The Customer has appealed this ruling. Notwithstanding that appeal, we believe that the ultimate resolution of this dispute will not have a material adverse impact on our financial condition or results of operations.

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

The Company is also subject to various legal proceedings and claims arising in the ordinary course of its business. Additionally, the 7-Eleven Financial Services Business that the Company acquired is subject to various legal claims and proceedings in the ordinary course of its business. The Company 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.

Capital and Operating Lease Obligations

Capital Lease Obligations. As a result of the 7-Eleven ATM Transaction, the Company assumed responsibility for certain capital lease contracts that will expire at various times during the next three years. Upon the fulfillment of certain payment obligations related to the capital leases, ownership of the ATMs transfers to the Company. As of December 30, 2007, approximately $2.1 million of capital lease obligations were included within the Company s consolidated balance sheet.

Future minimum lease payments under the Company s capital leases as of December 31, 2007 were as follows for each of the five years indicated and in the aggregate thereafter (amounts in thousands):

2008	$ 1,147

2009	747
2010	235
Total minimum lease payments	$ 2,129

Operating Lease Obligations. In addition to the capital leases assumed in conjunction the 7-Eleven ATM Transaction, the Company also assumed certain operating leases in connection with the acquisition. In

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

conjunction with its purchase price allocation related to the 7-Eleven ATM Transaction, the Company recorded approximately $8.7 million of other liabilities (current and long-term) to value certain unfavorable equipment operating leases assumed as part of the acquisition. These liabilities are being amortized over the remaining terms of the underlying leases, the majority of which expire in late 2009, and serve to reduce ATM operating lease expense amounts to the fair value of these services as of the date of the acquisition. During the period from the acquisition date (July 20, 2007) to December 31, 2007, the Company recognized approximately $1.7 million in lease expense reductions associated with the amortization of these liabilities. Upon the expiration of the operating leases, the Company will be required to renew such lease contracts, enter into new lease contracts, or purchase new or used ATMs to replace the leased equipment. Additionally, in conjunction with the acquisition, the Company posted $7.5 million in letters of credit related to these operating and capital leases upon which the lessors can draw in the event the Company fails to make schedules payments under the leases. These letters of credit, which are reduced periodically as payments are made under the leases, will be released upon the expiration of the leases.

In addition to the ATM operating leases assumed in connection with the 7-Eleven ATM Transaction, the Company was a party to several operating leases as of December 31, 2007, primarily for office space and the rental of space at certain merchant locations. Such leases expire at various times during the next eight years.

Total rental expense under these Company s operating leases was approximately $5.8 million, $7.2 million, and $8.6 million for the year ended December 31, 2007, 2006, and 2005, respectively. The $5.8 million in 2007 includes the rental expense associated with the ATM operating leases assumed in the 7-Eleven ATM Transaction, is presented net of $1.7 million of amortization expense related to the liabilities recorded to value the unfavorable operating leases. For additional details related to these liabilities, see *Note 2*.

Future minimum lease payments under the Company s operating and merchant space leases (with initial lease terms in excess of one year) as of December 31, 2007 were as follows for each of the five years indicated and in the aggregate thereafter (amounts in thousands). Although the Company will receive the benefit of the amortization of the liabilities associated with the ATM operating leases assumed in the 7-Eleven ATM Transaction, such benefit has been excluded for the purposes of this disclosure.

2008	$ 10,203
2009	7,691
2010	2,757
2011	2,197
2012	2,038
Thereafter	4,262
Total minimum lease payments	$ 29,148

Other Commitments

Asset retirement obligations. The Company s asset retirement obligations consist primarily of deinstallation costs of the ATM and the costs to restore the ATM site to its original condition. The Company is legally required to perform this deinstallation and restoration work. The Company had $17.4 million accrued for such liabilities as of December 31, 2007. For additional information on the Company s asset retirement obligations, see *Note 11*.

Registration payment arrangements. In conjunction with the issuance of its Series B Notes, the Company entered into a registration rights agreement under which it is required to take certain steps to exchange the Series B Notes for notes registered with the SEC within 360 days following the original issuance date (July 19, 2007). In the event it is unable to meet the deadlines set forth in agreement, the Company will be subject to higher interest rates on the Series B Notes in subsequent periods until the exchange offer is

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

completed. FSP EITF No. 00-19-2, *Accounting for Registration Payment Arrangements*, requires that contingent obligations under registration payment arrangements be separately recognized and measured in accordance with SFAS No. 5, *Accounting for Contingencies*. The Company completed the first step of the registration process in February 2008 with the filing of a registration statement on Form S-4 with the SEC and currently believes the exchange offer will be complete within the allotted time. As a result, the Company believes it is not probable that incremental interest payments will be made as a result of the provisions of the registration rights agreement. As a result, the Company has not recognized a liability as of December 31, 2007 related to the registration rights agreement. In the event is becomes probable that the Company will be unable to affect the exchange offer in a timely manner, the Company will reevaluate the need to record a liability at that time.

Purchase commitments. The Company had no material purchase commitments as of December 31, 2007.

(17) Derivative Financial Instruments

As a result of its variable-rate debt and ATM cash management activities, the Company is exposed to changes in interest rates (LIBOR and the federal funds effective rate in the United States, LIBOR in the United Kingdom, and the Mexican Interbank Rate in Mexico). It is the Company s policy to limit the variability of a portion of its expected future interest payments as a result of changes in the underlying rates by utilizing certain types of derivative financial instruments.

To meet the above objective, the Company has entered into several LIBOR-based and federal funds effective rate-based interest rate swaps to fix the interest rate paid on $550.0 million of the Company s current and anticipated outstanding ATM cash balances in the United States. The effect of such swaps was 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%	January 1, 2008	December 31, 2008
$	450,000	4.68%	January 1, 2009	December 31, 2009
$	350,000	4.76%	January 1, 2010	December 31, 2010

As of December 31, 2007, the Company had a liability of $13.6 million recorded in its balance sheet related to the above interest rate swaps, which represented the fair value of such agreements based on third-party quotes for similar instruments with the same terms and conditions, as such instruments are required to be carried at fair value. These swaps have been classified as cash flow hedges pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended. Accordingly, changes in the fair values of such swaps have been reported in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. As a result of our overall net loss position for tax purposes, the Company has not recorded deferred tax benefits on the loss amount related to these interest rate swaps as of December 31, 2007, as management does not believe that it will be able to realize the benefits associated with its deferred tax positions. During the year ending December 31, 2008, the

Company expects approximately $4.5 million of the losses included in accumulated other comprehensive income (loss) to be reclassified into cost of ATM operating revenues as a yield adjustment to the hedged forecasted interest payments on the Company s expected ATM vault cash balances. As of December 31, 2006, the net accumulated unrealized gain on such swaps totaled approximately $4.4 million, which was net of taxes of $2.7 million.

Net amounts paid or received under such swaps are recorded as adjustments to the Company s Cost of ATM operating revenues in the accompanying consolidated statements of operations. During the years ended December 31, 2007, 2006, and 2005, gains or losses incurred as a result of ineffectiveness associated with the Company s interest rate swaps were immaterial.

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2007, the Company has not entered into any derivative financial instruments to hedge its variable interest rate exposure in the United Kingdom or Mexico.

As a result of the recent decline in interest rates, the Company entered into additional interest rate swaps in March 2008 to limit its exposure to changing rates on additional amounts of its anticipated outstanding domestic vault cash balances. The recently-executed swaps will serve to fix the interest-based rental rate paid on the following notional amounts at the following weighted average rates for the periods identified:

Notional Amount (In thousands)	Weighted Average Fixed Rate	Period	
$ 100,000	2.58%	January 1, 2009	December 31, 2009
$ 200,000	2.97%	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

As is the case with the Company s existing interest rate swaps, the interest rate swaps executed in March 2008 have been designated as cash flow hedges pursuant to SFAS No. 133.

(18) Income Taxes

Income tax expense (benefit) based on the Company s loss before income taxes consists of the following for the years ended December 31, 2007, 2006, and 2005:

	2007	2006	2005
	(In thousands)		
Current:			
U.S. federal	$	$	$
State and local	111	28	
Foreign		30	
Total current	$ 111	$ 58	$
Deferred:			
U.S. federal	$ 4,963	$ (584)	$ (1,831)
State and local	(153)	251	332
Foreign	(285)	787	229
Total deferred	4,525	454	(1,270)

Total	$ 4,636	$ 512	$ (1,270)

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income tax expense (benefit) differs from amounts computed by applying the statutory rate to loss before taxes as follows for the years ended December 31, 2007, 2006, and 2005:

	2007	2006	2005
	(In thousands)		
Income tax (benefit) expense at the statutory rate of 34.0%	$ (7,637)	$ (6)	$ (1,254)
State tax, net of federal benefit	(376)	195	131
Change in United Kingdom statutory tax rate	(208)		
Non-deductible expenses	21	52	22
Potential non-deductible interest of foreign subsidiary		205	
Impact of foreign rate differential	81	(55)	(31)
Change in effective state tax rate			(72)
Other	21	16	(66)
Subtotal	(8,098)	407	(1,270)
Change in valuation allowance	12,734	105	
Total tax expense (benefit)	$ 4,636	$ 512	$ (1,270)

The net current and non-current deferred tax assets and liabilities (by tax jurisdiction) as of December 31, 2007 and 2006 were as follows:

	United States		United Kingdom		Mexico		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	(In thousands)							
Current deferred tax asset	$ 2,268	$ 440	$ 216	$ 149	$ 88	$ 47	$ 2,572	$ 636
Valuation allowance	(1,927)				(88)	(47)	(2,015)	(47)
Current deferred tax liability	(341)	(316)					(341)	(316)
Net current deferred tax asset		124	216	149			216	273
Non-current deferred tax asset	22,610	11,740	137	248	463	187	23,210	12,175
Valuation allowance	(15,442)				(401)	(101)	(15,843)	(101)
Non-current deferred tax liability	(15,534)	(16,120)	(3,251)	(3,493)	(62)	(86)	(18,847)	(19,699)

Net non-current deferred tax liability	(8,366)	(4,380)	(3,114)	(3,245)			(11,480)	(7,625)
Net deferred tax liability	$ (8,366)	$ (4,256)	$ (2,898)	$ (3,096)	$	$	$ (11,264)	$ (7,352)

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2007 and 2006, were as follows:

	2007	2006
	(In thousands)	
Current deferred tax assets:		
Reserve for receivables	$ 233	$ 98
Accrued liabilities and reserves	1,857	438
Other	482	100
Subtotal	2,572	636
Valuation allowance	(2,015)	(47)
Current deferred tax assets	557	589
Non-current deferred tax assets:		
Net operating loss carryforward	16,656	8,827
Unrealized loss on derivative instruments	4,974	
Share-based compensation	507	353
Asset retirement obligations	850	367
Deferred revenue and reserves	167	1,679
Other	56	949
Subtotal	23,210	12,175
Valuation allowance	(15,843)	(101)
Non-current deferred tax assets	7,367	12,074
Current deferred tax liabilities:		
Unrealized gain on marketable securities		(293)
Other	(341)	(23)
Current deferred tax liabilities	(341)	(316)
Non-current deferred tax liabilities:		
Tangible and intangible assets	(13,374)	(13,506)
Deployment costs	(5,449)	(3,569)
Unrealized gain on derivative instruments		(2,624)
Other	(24)	
Non-current deferred tax liabilities	(18,847)	(19,699)

Net deferred tax liability	$ (11,264)	$ (7,352)

As noted in the table above, during the year ended December 31, 2007, the Company increased its valuation allowance by approximately $17.7 million. Such increase was largely due to the Company s decision to establish a valuation allowance in 2007 for the net deferred tax asset balance associated with its domestic operations, as the Company determined that it is more likely than not that such benefit will not be realized. Furthermore, the Company determined that all future domestic tax benefits will not be recognized until it is more likely than not that such benefits will be utilized. As of December 31, 2007, the Company s domestic valuation allowance totaled approximately $17.4 million. The Company also continues to maintain a valuation allowance on the net deferred tax asset balance associated with its Mexico operations. As of December 31, 2007, such valuation allowance totaled approximately $0.5 million.

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The deferred taxes associated with the Company s unrealized gains on marketable securities and unrealized gains and losses on derivative instruments have been reflected within the accumulated other comprehensive income (loss) balance in the accompanying consolidated balance sheet, net of any applicable valuation allowances. Accordingly, approximately $5.0 million of the $17.7 million change in the Company s valuation allowance during the year ended December 31, 2007, has not been reflected within the Company s current year tax provision line item within the accompanying consolidated statements of operations.

As of December 31, 2007, the Company had approximately $46.0 million in United States federal net operating loss carryforwards that will begin expiring in 2021, and $12.4 million in state net operating loss carryforwards that will begin expiring in 2008. The United States federal net operating loss amount excludes approximately $0.2 million in potential future tax benefits associated with employee stock option exercises that occurred in 2006 and 2007. Because the Company is currently in a net operating loss position, such benefits have not been reflected in the Company s consolidated financial statements, as required by SFAS No. 123R. As noted above, the Company has established a valuation allowance for its net deferred tax asset balance in the United States as of December 31, 2007, which includes the deferred tax effects of the above net operating loss carryforwards.

As of December 31, 2007, the Company had approximately $1.6 million in net operating loss carryforwards in Mexico that will begin expiring in 2009. However, as noted above, the deferred tax benefit associated with such carryforwards has been fully reserved for through a valuation allowance. If realized, approximately $43,000 of such valuation allowance will be applied to reduce the goodwill balance recorded in connection with the Company s acquisition of a majority stake in CCS Mexico.

The Company currently believes that the unremitted earnings of its United Kingdom and Mexico subsidiaries will be reinvested in the corresponding country of origin for an indefinite period of time. Accordingly, no deferred taxes have been provided for on the differences between the Company s book basis and underlying tax basis in those subsidiaries or on the foreign currency translation adjustment amounts related to such operations.

(19) Concentration Risk

Significant Supplier. The Company purchased equipment from one supplier that accounted for 58.2% and 74.4% of the Company s total ATM purchases for the years ended December 31, 2007 and 2006, respectively. As of December 31, 2007 and 2006, accounts payable to this supplier represented approximately 18.8% and 6.6%, respectively, of the Company s consolidated accounts payable balances.

Significant Customers. For the years ended December 31, 2007 and 2006, we derived 45.4% and 46.0%, respectively, of our total pro forma revenues from ATMs placed at the locations of our five largest merchants. For 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 33.0% and 35.8% of our total pro forma revenues for the year ended December 31, 2007 and 2006, respectively. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven and these other four merchants.

(20) Segment Information

Prior to the 7-Eleven ATM Transaction, the Company s operations consisted of its United States, United Kingdom, and Mexico segments. As a result of the 7-Eleven ATM Transaction, the Company determined that the advanced-functionality Vcom Services provided through the acquired Vcom units are distinctly different than its other three segments and has identified the Vcom operations as an additional separate segment (Advanced Functionality). Accordingly, as of December 31, 2007, the Company s operations consisted of its

106

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

United States, United Kingdom, Mexico, and Advanced Functionality segments. The Company s United States reporting segment now includes the traditional ATM operations of the acquired 7-Eleven Financial Services Business, including the traditional ATM activities conducted on the Vcom units. While each of these reporting segments provides similar kiosk-based and/or ATM-related services, each segment is managed separately, as they require different marketing and business strategies.

Management uses earnings before interest expense, income taxes, depreciation expense, accretion expense, and amortization expense (EBITDA) to assess the operating results and effectiveness of its business segments. Management believes EBITDA is useful because it allows them to more effectively evaluate the Company s operating performance and compare the results of its operations from period to period without regard to its financing methods or capital structure. Additionally, the Company excludes depreciation, accretion, and amortization expense as these amounts can vary substantially from company to company within its industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. EBITDA, as defined by the Company, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States (GAAP). Therefore, EBITDA should not be considered in isolation or as a substitute for operating income, net income, cash flows from operating, investing, and financing activities or other income or cash flow statement data prepared in accordance with GAAP. Below is a reconciliation of EBITDA to net loss for the years ended December 31, 2007, 2006, and 2005:

	2007	2006 (In thousands)	2005
EBITDA	$ 54,439	$ 55,631	$ 40,669
Depreciation and accretion expense	26,859	18,595	12,951
Amortization expense	18,870	11,983	8,980
Interest expense, net, including amortization and write-off of financing costs and bond discounts	31,164	25,072	22,426
Income tax expense (benefit)	4,636	512	(1,270)
Net loss	$ (27,090)	$ (531)	$ (2,418)

107

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables reflect certain financial information for each of the Company s reporting segments for the years ended December 31, 2007, 2006, and 2005 and as of December 31, 2007 and 2006. All intercompany transactions between the Company s reporting segments have been eliminated.

	As of or For The Year Ended December 31, 2007					
	United States	United Kingdom	Mexico	Advanced Functionality	Eliminations	Total
	(In thousands)					
Revenue from external customers	$ 308,827	$ 63,389	$ 4,831	$ 1,251	$	$ 378,298
Intersegment revenue	82				(82)	
Cost of revenues	238,368	44,925	3,985	6,065	(50)	293,293
Selling, general, and administrative expenses	23,391	4,525	1,268	157	16	29,357
EBITDA	46,177	13,471	(454)	(4,971)	216	54,439
Depreciation and accretion expense	19,005	7,456	421		(23)	26,859
Amortization expense	17,000	1,821	49			18,870
Interest expense, net	26,421	4,443	300			31,164
Capital expenditures, excluding acquisitions	$ 31,659	$ 33,982	$ 5,446	$ 226	$	$ 71,313
Additions to equipment to be leased to customers			548			548

	As of or For The Year Ended December 31, 2006[(1)]				
	United States	United Kingdom	Mexico	Eliminations	Total
	(In thousands)				
Revenue from external customers	$ 250,425	$ 42,157	$ 1,023	$	$ 293,605
Intersegment revenue	340			(340)	
Cost of revenues	193,673	27,157	717	(254)	221,293
Selling, general, and administrative expenses	17,823	3,206	641	(3)	21,667
EBITDA	45,083	10,932	(298)	(86)	55,631
Depreciation and accretion expense	14,155	4,401	39		18,595
Amortization expense	10,664	1,274	45		11,983
Interest expense, net	21,767	3,300	5		25,072
Capital expenditures, excluding acquisitions	$ 19,384	$ 14,912	$ 1,795	$	$ 36,901

Additions to equipment to be leased to customers	197	197

108

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	As of or For The Year Ended December 31, 2005[(1)]			
	United States	United Kingdom	Eliminations	Total
	(In thousands)			
Revenue from external customers	$ 247,143	$ 21,822	$	$ 268,965
Intersegment revenue	358		(358)	
Cost of revenues	195,476	14,208	(236)	209,448
Selling, general, and administrative expenses	15,543	2,326	(4)	17,865
EBITDA	35,652	5,136	(119)	40,669
Depreciation and accretion expense	10,865	2,086		12,951
Amortization expense	8,346	634		8,980
Interest expense, net	20,777	1,649		22,426
Capital expenditures, excluding acquisitions	$ 23,344	$ 8,582	$	$ 31,926

(1) No information is shown in 2005 and 2006 for the Company s Advanced Functionality operations, as they were not acquired until 2007. Additionally, no information is shown in 2005 for the Company s Mexico operations, as they were not acquired until 2006.

Identifiable Assets:

	December 31, 2007	December 31, 2006
	(In thousands)	
United States	$ 409,120	$ 238,127
United Kingdom	163,464	126,070
Mexico	12,337	3,559
Advanced Functionality	6,364	
Total	$ 591,285	$ 367,756

During the years ended December 31, 2006, and 2005, no single merchant customer represented 10.0% or more of the Company s consolidated revenues. However, as a result of the 7-Eleven ATM Transaction, the Company s revenues from its merchant contract with 7-Eleven comprised 17.5% (33.0% on a pro forma basis) of its consolidated revenues for the year ended December 31, 2007. Additionally, the Company expects that revenues from its contract with 7-Eleven will continue to represent in excess of 30% of its consolidated revenues in future years.

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(21) Supplemental Guarantor Financial Information

The Company s Series A and Series B Notes are guaranteed on a full and unconditional basis by the Company s domestic subsidiaries. The following information sets forth the condensed consolidating statements of operations and cash flows for the years ended December 31, 2007, 2006, and 2005, and the condensed consolidating balance sheets as of December 31, 2007 and 2006, of (i) Cardtronics, Inc., the parent company and issuer of the senior subordinated notes (Parent); (ii) the Company s domestic subsidiaries on a combined basis (collectively, the Guarantors); and (iii) the Company s international subsidiaries on a combined basis (collectively, the Non-Guarantors):

Consolidating Statements of Operations

	Year Ended December 31, 2007				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Revenues	$	$ 310,160	$ 68,220	$ (82)	$ 378,298
Operating costs and expenses	1,253	302,733	64,450	(57)	368,379
Operating income (loss)	(1,253)	7,427	3,770	(25)	9,919
Interest expense, net	8,269	18,152	4,743		31,164
Equity in (earnings) losses of subsidiaries	13,206			(13,206)	
Other expense, net	(112)	1,085	500	(264)	1,209
(Loss) income before income taxes	(22,616)	(11,810)	(1,473)	13,445	(22,454)
Income tax expense (benefit)	4,713	207	(284)		4,636
Net (loss) income	(27,329)	(12,017)	(1,189)	13,445	(27,090)
Preferred stock conversion and accretion expense	36,272				36,272
Net (loss) income available to common stockholders	$ (63,601)	$ (12,017)	$ (1,189)	$ 13,445	$ (63,362)

	Year Ended December 31, 2006				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Revenues	$	$ 250,765	$ 43,180	$ (340)	$ 293,605

Operating costs and expenses		865		235,450		37,480		(257)		273,538
Operating income (loss)		(865)		15,315		5,700		(83)		20,067
Interest expense, net		8,491		13,276		3,305				25,072
Equity in (earnings) losses of subsidiaries		(8,151)						8,151		
Other (income) expense, net		(175)		(5,639)		826		2		(4,986)
(Loss) income before income taxes		(1,030)		7,678		1,569		(8,236)		(19)
Income tax expense (benefit)		(584)		278		818				512
Net (loss) income		(446)		7,400		751		(8,236)		(531)
Preferred stock accretion expense		265								265
Net (loss) income available to common stockholders	$	(711)	$	7,400	$	751	$	(8,236)	$	(796)

110

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31, 2005				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Revenues	$	$ 247,501	$ 21,822	$ (358)	$ 268,965
Operating costs and expenses	2,547	227,682	19,254	(239)	249,244
Operating income (loss)	(2,547)	19,819	2,568	(119)	19,721
Interest expense, net	8,062	12,715	1,649		22,426
Equity in (earnings) losses of subsidiaries	(6,399)			6,399	
Other expense, net		830	153		983
(Loss) income before income taxes	(4,210)	6,274	766	(6,518)	(3,688)
Income tax expense (benefit)	(1,911)	412	229		(1,270)
Net (loss) income	(2,299)	5,862	537	(6,518)	(2,418)
Preferred stock dividends and accretion expense	1,395				1,395
Net (loss) income available to common stockholders	$ (3,694)	$ 5,862	$ 537	$ (6,518)	$ (3,813)

Consolidating Balance Sheets

	As of December 31, 2007				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Assets:					
Cash and cash equivalents	$ 76	$ 11,576	$ 1,787	$	$ 13,439
Receivables, net	(292)	20,894	2,713	(67)	23,248
Other current assets	1,031	8,781	10,876	(590)	20,098
Total current assets	815	41,251	15,376	(657)	56,785
Property and equipment, net		99,764	64,360	(212)	163,912
Intangible assets, net	8,768	106,808	15,325		130,901
Goodwill		150,445	84,740		235,185
Investments and advances to subsidiaries	50,249			(50,249)	
Intercompany receivable	(863)	6,395	(5,532)		

Prepaid expenses and other assets	368,424	2,970	1,532	(368,424)	4,502
Total assets	$ 427,393	$ 407,633	$ 175,801	$ (419,542)	$ 591,285
Liabilities and Stockholders Equity (Deficit):					
Current portion of long-term debt and notes payable	$	$	$ 882	$	$ 882
Current portion of capital lease obligations		1,147			1,147
Current portion of other long-term liabilities		16,032	169		16,201
Accounts payable and accrued liabilities	12,808	66,726	26,027	(652)	104,909
Total current liabilities	12,808	83,905	27,078	(652)	123,139
Long-term debt, less current portion	300,088	265,725	110,343	(368,423)	307,733
Capital lease obligations, less current portion		982			982
Deferred tax liability	7,386	980	3,114		11,480
Asset retirement obligations		12,332	5,116		17,448
Other non-current liabilities and minority interest		22,868	524		23,392
Total liabilities	320,282	386,792	146,175	(369,075)	484,174
Stockholders equity (deficit)	107,111	20,841	29,626	(50,467)	107,111
Total liabilities and stockholders equity (deficit)	$ 427,393	$ 407,633	$ 175,801	$ (419,542)	$ 591,285

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	As of December 31, 2006				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
			(In thousands)		
Assets:					
Cash and cash equivalents	$ 97	$ 1,818	$ 803	$	$ 2,718
Receivables, net	3,463	13,068	1,966	(3,606)	14,891
Other current assets	544	14,069	6,204	(39)	20,778
Total current assets	4,104	28,955	8,973	(3,645)	38,387
Property and equipment, net		59,512	27,326	(170)	86,668
Intangible assets, net	6,982	45,757	15,024		67,763
Goodwill		86,702	82,861		169,563
Investments and advances to subsidiaries	81,076			(81,076)	
Intercompany receivable	(122)	5,046	(4,924)		
Prepaid expenses and other assets	211,175	5,006	369	(211,175)	5,375
Total assets	$ 303,215	$ 230,978	$ 129,629	$ (296,066)	$ 367,756
Liabilities and Stockholders Equity (Deficit):					
Current portion of long-term debt and notes payable	$	$	$ 194	$	$ 194
Current portion of other long-term liabilities		2,458	43		2,501
Accounts payable and accrued liabilities	8,458	32,202	14,218	(3,622)	51,256
Total current liabilities	8,458	34,660	14,455	(3,622)	53,951
Long-term debt, less current portion	251,883	132,351	79,641	(211,174)	252,701
Deferred tax liability	3,340	1,040	3,245		7,625
Asset retirement obligations		7,673	2,316		9,989
Other non-current liabilities and minority interest	108	3,806	150		4,064
Total liabilities	263,789	179,530	99,807	(214,796)	328,330
Preferred stock	76,594				76,594
Stockholders equity (deficit)	(37,168)	51,448	29,822	(81,270)	(37,168)
Total liabilities and stockholders equity (deficit)	$ 303,215	$ 230,978	$ 129,629	$ (296,066)	$ 367,756

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Consolidating Statements of Cash Flows

	Year Ended December 31, 2007				
	Parent	Guarantors	Non-Guarantors (In thousands)	Eliminations	Total
Net cash provided by (used in) operating activities	$ (4,509)	$ 39,986	$ 19,985	$	$ 55,462
Additional to property and equipment, net of proceeds from sale of property and equipment		(30,748)	(37,569)		(68,317)
Payments for exclusive license agreements and site acquisition costs		(1,133)	(1,860)		(2,993)
Additions to equipment to be leased to customers, net of principal payments received under direct financing leases			(514)		(514)
Acquisitions, net of cash acquired		(135,009)			(135,009)
Proceeds from sale of Winn-Dixie equity securities		3,950			3,950
Net cash (used in) provided by investing activities		(162,940)	(39,943)		(202,883)
Proceeds from issuance of long-term debt	185,934	166,635	19,957	(184,782)	187,744
Repayments of long-term debt and capital leases	(140,100)	(33,733)	(192)	33,260	(140,765)
Issuance of long-term notes receivable	(184,782)			184,782	
Payments received on long-term notes receivable	33,260			(33,260)	
Proceeds from borrowing under bank overdraft facility, net			642		642
Issuance of capital stock	111,552	(736)	547		111,363
Minority interest shareholder capital contribution		547			547
Other financing activities	(1,376)				(1,376)
Net cash (used in) provided by financing activities	4,488	132,713	20,954		158,155

Effect of exchange rate changes			(13)		(13)
Net (decrease) increase in cash and cash equivalents	(21)	9,759	983		10,721
Cash and cash equivalents at beginning of period	97	1,818	803		2,718
Cash and cash equivalents at end of period	$ 76	$ 11,577	$ 1,786	$	$ 13,439

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31, 2006				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Net cash provided by (used in) operating activities	$ (12,716)	$ 27,485	$ 10,677	$	$ 25,446
Additions to property and equipment, net of proceeds from sale of property and equipment		(17,534)	(14,873)		(32,407)
Payments for exclusive license agreements and site acquisition costs		(2,486)	(871)		(3,357)
Additions to equipment to be leased to customers, net of principal payments received under direct financing leases			(197)		(197)
Acquisitions, net of cash acquired	(1,039)	27		1,000	(12)
Net cash (used in) provided by investing activities	(1,039)	(19,993)	(15,941)	1,000	(35,973)
Proceeds from issuance of long-term debt	44,800	18,200	861	(18,200)	45,661
Repayments of long-term debt	(37,500)	(25,400)	(3)	25,400	(37,503)
Issuance of long-term notes receivable	(18,200)			18,200	
Payments received on long-term notes receivable	25,400			(25,400)	
Proceeds from borrowing under bank overdraft facility, net			3,818		3,818
Issuance of capital stock			1,000	(1,000)	
Purchase of treasury stock	(50)				(50)
Other financing activities	(716)	(18)			(734)
Net cash (used in) provided by financing activities	13,734	(7,218)	5,676	(1,000)	11,192
Effect of exchange rate changes			354		354
Net (decrease) increase in cash and cash equivalents	(21)	274	766		1,019
Cash and cash equivalents at beginning of period	118	1,544	37		1,699

Cash and cash equivalents at end of period	$ 97	$ 1,818	$ 803	$	$ 2,718

Table of Contents

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year Ended December 31, 2005				
	Parent	Guarantors	Non-Guarantors	Eliminations	Total
	(In thousands)				
Cash flows provided by (used in) operating activities	$ (4,607)	$ 32,563	$ 5,271	$	$ 33,227
Capital expenditures, net		(22,300)	(4,883)		(27,183)
Payments for exclusive license agreements and site acquisition costs		(988)	(3,677)		(4,665)
Acquisitions, net of cash acquired	(25,369)	(17,108)	(88,669)	23,034	(108,112)
Cash flows (used in) provided by investing activities	(25,369)	(40,396)	(97,229)	23,034	(139,960)
Proceeds from issuance of long-term debt	451,056	173,037	66,235	(212,319)	478,009
Repayments of long-term debt	(206,600)	(162,141)		6,600	(362,141)
Issuance of long-term notes receivable	(215,083)			215,083	
Payments received on long-term notes receivable	6,600			(6,600)	
Issuance of preferred stock	73,142			155	73,297
Redemption of preferred stock	(24,795)				(24,795)
Purchase of treasury stock	(46,453)				(46,453)
Issuance of capital stock	88		25,954	(25,953)	89
Other financing activities	(7,861)	(2,931)			(10,792)
Cash flows (used in) provided by financing activities	30,094	7,965	92,189	(23,034)	107,214
Effect of exchange rate changes			(194)		(194)
Increase in cash and cash equivalents	118	132	37		287
Cash and cash equivalents at beginning of period		1,412			1,412
Cash and cash equivalents at end of period	$ 118	$ 1,544	$ 37	$	$ 1,699

115

CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Supplemental Selected Quarterly Financial Information (Unaudited)

Financial information by quarter is summarized below for 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)				
2007					
Total revenues	$ 74,518	$ 77,239	$ 110,587	$ 115,954	$ 378,298
Gross profit[1]	16,985	17,607	24,866	25,547	85,005
Net loss[2]	(3,387)	(5,615)	(10,683)	(7,405)	(27,090)
Net loss available to common stockholders[2]	(3,454)	(5,681)	(10,750)	(43,477)	(63,362)
Basic and diluted net loss per common share[2]	$ (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[3]	16,043	18,370	18,980	18,919	72,312
Net income (loss)[4]	(3,124)	769	(327)	2,151	(531)
Net income (loss) available to common stockholders[4]	(3,190)	703	(394)	2,085	(796)
Net income (loss) per common share[4]:					
Basic	$ (0.23)	$ 0.05	$ (0.03)	$ 0.15	$ (0.06)
Diluted	$ (0.23)	$ 0.03	$ (0.03)	$ 0.09	$ (0.06)

(1) 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, June 30, September 30, and December 31, respectively.

(2) Includes pre-tax impairment changes of $0.1 million, $5.2 million, and $0.4 million for the quarters ended March 31, September 30, and December 31, respectively.

(3) 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, June 30, September 30, and December 31, respectively.

(4) Includes pre-tax impairment charge of $2.8 million related to certain contract-based intangible assets for the quarter ended March 31. Includes $4.8 million in other income in the quarter ended December 31 primarily related to settlement proceeds received from Winn-Dixie, one of the Company s merchant customers, as a part of

that company s emergence from bankruptcy.

Table of Contents

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE***

There have been no changes in or disagreements on any matters of accounting principles or financial statement disclosure between us and our independent registered public accountants.

ITEM 9A(T). ***CONTROLS AND PROCEDURES***

Management s Quarterly Evaluation of Disclosure Controls and Procedures

We are responsible for establishing and maintaining effective disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management conducted an evaluation, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of December 31, 2007. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2007 as a result of material weaknesses identified in our (1) overall control environment over financial reporting, (2) expenditures and accounts payable and (3) end-user developed applications, each of which is discussed in more detail below.

Management s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, our management used the criteria described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment and those criteria, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, concluded that we did not maintain effective internal control over financial reporting as of December 31, 2007, as a result of material weaknesses identified in our (1) control environment over financial reporting, (2) expenditures and accounts payable and (3) end user developed applications, each of which is discussed in more detail below.

Control Environment over Financial Reporting. We did not maintain an effective control environment based on the criteria established in the COSO framework, particularly in light of our recent rapid growth and increased operating complexities. Specifically, the following deficiencies were identified as of December 31, 2007: (1) we did not have formally documented policies and procedures in place until the latter part of 2007,

(2) we did not have a formal risk assessment and management program focusing on internal control processes and procedures and (3) we did not sufficiently train our employees on the importance of performing established controls and in particular, effectively evidencing and documenting the performance of such controls. These factors, combined with our manually intensive financial reporting processes, created an operating environment in which certain established internal controls over financial reporting were not properly followed or sufficiently evidenced. Furthermore, our management

believes that the material weakness in our control environment over financial reporting was a contributing factor in the other material weaknesses described below.

Expenditures and Accounts Payable. We were unable to demonstrate that the established controls surrounding the prevention or detection of unauthorized payments to vendors were functioning as intended as of December 31, 2007. In particular, due to a combination of employee turnover and a lack of adequate training, our accounts payable personnel were not consistently performing or documenting their performance of certain established controls requiring the review of invoices for appropriate approval, in accordance with our existing expenditure authorization policy. Additionally, certain additional review procedures, including detailed reviews of disbursements and the related supporting documentation, were not properly evidenced.

In addition to the factors described above, we were unable to demonstrate that an effective segregation of duties existed within our general ledger system and certain third-party treasury management systems, as it relates to the ability of certain employees to initiate, record and/or approve invoices for payment. Specifically, despite considerable efforts on our part, we were unable to obtain information from our general ledger software system in sufficient detail to effectively evaluate the rights and privileges granted in such software system to each employee. Although we purchased a software tool during 2007 to assist management in its evaluation efforts in this regard, we were unable to successfully implement the tool in time for management to make an informed assessment as of December 31, 2007. Furthermore, we identified potential conflicts in the initiation and approval rights granted to certain of our employees in selected third-party treasury management systems as of December 31, 2007.

End-User Developed Applications. In the course of preparing our consolidated financial statements, we rely on numerous internally developed spreadsheets (End-User Developed Applications). We utilize these End-User Developed Applications in calculating certain financial estimates, allocating costs and posting journal entries, among other things. As of December 31, 2007, we identified a material weakness resulting from the ineffective operation of the information technology general controls, such as the physical access, logical security and processes related to program changes and data integrity (IT General Controls), related to the End-User Developed Applications.

In light of these material weaknesses, we performed additional analyses and other procedures that were designed to provide our management with reasonable assurance regarding the reliability of (1) our financial reporting and (2) the preparation of the consolidated financial statements contained in this Form 10-K in accordance with accounting principles generally accepted in the United States of America. Based on these additional procedures, our management has determined that the consolidated financial statements included in this Form 10-K present fairly, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

This Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management s Annual Report on Internal Control over Financial Reporting was not subject to attestation by our independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management s report in this Form 10-K.

Remediation Efforts and Plans for Material Weaknesses in Internal Control over Financial Reporting

Our management, with oversight from our Audit Committee, has dedicated significant resources to implement enhancements to our internal control over financial reporting in an effort to remediate the material weaknesses identified as of December 31, 2007. These efforts are primarily focused on (1) expanding our organizational capabilities to improve our monitoring, communication, and training processes; (2) formalizing our risk assessment and management processes to ensure the proper allocation of internal and external resources to focus on internal control processes and procedures; and (3) implementing financial reporting process and system improvements to strengthen and automate selected internal control activities. Through the first quarter of 2008, our management has hired two full-time senior internal audit professionals, including an

Table of Contents

Executive Vice President of Audit and Risk Management, as part of these efforts. The Executive Vice President of Audit and Risk Management, who reports administratively to our Chief Executive Officer and directly to the Chairman of the Audit Committee, is responsible for implementing programs, policies and procedures to improve the effectiveness of our overall control environment.

The material weaknesses identified as of December 31, 2007 will not be considered remediated until (1) the new resources described above are fully engaged and new processes are fully implemented, (2) the new processes are implemented for a sufficient period of time, and (3) we are confident that the new processes are operating effectively.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except for the remediation efforts described above.

ITEM 9B. *OTHER INFORMATION*

None.

Table of Contents

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Pursuant to General Instruction G of Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2008 Annual Meeting of Stockholders.

Code of Ethics

We have adopted a Code of Ethics applicable to our principal executive officer, principal financial and accounting officer, and other accounting and finance executives. A copy of the Code of Ethics is available on our website at http://www.cardtronics.com, and you may also request a copy of the Code of Ethics at no cost, by writing or telephoning us at the following address: Cardtronics, Inc., Attention: Chief Financial Officer, 3110 Hayes Road, Suite 300, Houston, Texas 77082, (281) 596-9988. We intend to disclose any amendments to or waivers of the Code of Ethics on behalf of our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller, and persons performing similar functions on our website at http://www.cardtronics.com promptly following the date of the amendment or waiver.

ITEM 11. *EXECUTIVE COMPENSATION*

Pursuant to General Instruction G of Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2008 Annual Meeting of Stockholders.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

Pursuant to General Instruction G of Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2008 Annual Meeting of Stockholders.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE*

Pursuant to General Instruction G of Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2008 Annual Meeting of Stockholders.

ITEM 14. *PRINCIPAL ACCOUNTING FEES AND SERVICES*

Pursuant to General Instruction G of Form 10-K, we incorporate by reference into this Item the information to be disclosed in our definitive proxy statement for our 2008 Annual Meeting of Stockholders.

PART IV

ITEM 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

1. Financial Statements

2. Financial Statement Schedules

All schedules are omitted because they are either not applicable or required information is shown in the financial statements or notes thereto.

3. Index to Exhibits

(a) *Exhibits.* The following exhibits are filed herewith pursuant to the requirements of Item 601 of Regulation S-K:

Exhibit Number	Description
1.1	Underwriting Agreement (incorporated herein by reference to Exhibit 1.1 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
2.1	Share Sale and Purchase Agreement between Bank Machine (Holdings) Limited and Cardtronics Limited, dated effective as of May 17, 2005 (incorporated herein by reference to Exhibit 2.1 of the Amendment No. 1 to Registration Statement on Form S-4/A, filed by Cardtronics, Inc. on July 10, 2006, Registration No. 333-131199).
2.2	Purchase and Sale Agreement Between E*TRADE Access, Inc., E*TRADE Bank, Cardtronics, LP and Cardtronics, Inc., dated effective as of June 2, 2004 (incorporated herein by reference to Exhibit 2.2 of the Amendment No. 1 to Registration Statement on Form S-4/A, filed by Cardtronics, Inc. on July 10, 2006, Registration No. 333-131199).
2.3	Purchase and Sale Agreement, dated as of July 20, 2007, by and between Cardtronics, LP and 7-Eleven, Inc. (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on July 26, 2007 Registration No. 333-113470).
3.1	Third Amended and Restated Certificate of Incorporation of Cardtronics, Inc. (incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
3.2	Second Amended and Restated Bylaws of Cardtronics, Inc. (incorporated herein by reference to Exhibit 3.2 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
4.1	Indenture dated as of July 20, 2007 among Cardtronics, Inc., the Subsidiary Guarantors party thereto, and Wells Fargo Bank, N.A. as Trustee (incorporated herein by reference to Exhibit 4.1 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
4.2	Form of Senior Subordinated Note (incorporated by reference to Exhibit A to Exhibit 4.1 hereto).
4.3	Registration Rights Agreement dated as of July 20, 2007 among Cardtronics, Inc., the Guarantors named therein, Banc of America Securities LLC and BNP Paribas Securities Corp. (incorporated herein by reference to Exhibit 4.2 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
4.4	Supplemental Indenture dated as of June 22, 2007 among Cardtronics Holdings, LLC and Wells Fargo Bank, N.A. as Trustee (incorporated herein by reference to Exhibit 4.3 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
4.5	Indenture dated as of August 12, 2005 by and among Cardtronics, Inc., the Subsidiary Guarantors party thereto and Wells Fargo Bank, NA as Trustee (incorporated herein by reference to Exhibit 4.1 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
4.6	Form of Senior Subordinated Note (incorporated by reference to Exhibit A to Exhibit 4.5 hereto).
4.7	Supplemental Indenture dated as of December 22, 2005 among ATM National, LLC and Wells Fargo Bank, N.A. as Trustee (incorporated herein by reference to Exhibit 4.4 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
10.1	ATM Cash Services Agreement between Bank of America and Cardtronics, LP, dated effective as of August 2, 2004 (incorporated herein by reference to Exhibit 10.1 of the Amendment No. 2 to Registration Statement on Form S-4/A filed by Cardtronics, Inc. on August 25, 2006, Registration No. 333-131199).
10.2	Amendment No. 1 to ATM Cash Services Agreement, dated August 2, 2004 (incorporated herein by reference to Exhibit 10.25 of the Amendment No. 2 to Registration Statement on Form S-4/A filed by Cardtronics, Inc. on August 25, 2006, Registration No. 333-131199).
10.3	

Amendment No. 2 to ATM Cash Services Agreement, dated February 9, 2006 (incorporated herein by reference to Exhibit 10.26 of the Amendment No. 2 to Registration Statement on Form S-4/A filed by Cardtronics, Inc. on August 25, 2006, Registration No. 333-131199).

10.4 Third Amended and Restated First Lien Credit Agreement, dated as of May 17, 2005, by and among Cardtronics, Inc., the Subsidiary Guarantors party thereto, Bank of America, N.A., BNP Paribas, and the other Lenders parties thereto (incorporated herein by reference to Exhibit 10.2 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).

122

Table of Contents

Exhibit Number	Description
10.5	Amendment No. 1 to Credit Agreement, dated as of July 6, 2005 (incorporated herein by reference to Exhibit 10.3 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.6	Amendment No. 2 to Credit Agreement, dated as of August 5, 2005 (incorporated herein by reference to Exhibit 10.4 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.7	Amendment No. 3 to Credit Agreement, dated as of November 17, 2005 (incorporated herein by reference to Exhibit 10.5 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.8	Amendment No. 4 to Credit Agreement, dated as of February 14, 2006 (incorporated herein by reference to Exhibit 10.28 of the Annual Report on Form 10-K filed on April 2, 2007).
10.9	Amendment No. 5 to Credit Agreement, dated as of September 29, 2006 (incorporated herein by reference to Exhibit 10.29 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on September 7, 2007, Registration No. 145929).
10.10	Amendment No. 6 to Credit Agreement, dated as of May 3, 2007 (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on May 9, 2007).
10.11	Amendment No. 7 to Credit Agreement, dated as of July 18, 2007 (incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q filed on August 14, 2007).
10.12	Amendment No. 8 to Credit Agreement, dated as of March 19, 2008 (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on March 25, 2008).
10.13	Employment Agreement between Cardtronics, LP and Jack M. Antonini, dated effective as of January 30, 2003 (incorporated by reference to Exhibit 10.10 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.14	First Amendment to Employment Agreement between Cardtronics, LP and Jack M. Antonini, dated effective as of February 4, 2004 (incorporated by reference to Exhibit 10.11 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.15	Second Amendment to Employment Agreement between Cardtronics, LP and Jack M. Antonini, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.8 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.16	Restricted Stock Agreement, dated as of February 4, 2004 between Cardtronics, Inc. and Jack M. Antonini (incorporated herein by reference to Exhibit 10.9 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.17	First Amendment to Restricted Stock Agreement, dated as of March 1, 2004, between Cardtronics, Inc. and Jack M. Antonini (incorporated herein by reference to Exhibit 10.10 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.18	Second Amendment to Restricted Stock Agreement, dated as of February 10, 2005, between Cardtronics, Inc. and Jack M. Antonini (incorporated herein by reference to Exhibit 10.11 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.19	Employment Agreement between Cardtronics, LP and Michael H. Clinard, dated effective as of June 4, 2001 (incorporated by reference to Exhibit 10.12 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004) (incorporated by reference to Exhibit 10.12 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.20	First Amendment to Employment Agreement between Cardtronics, LP and Michael H. Clinard, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.13 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).

10.21	Employment Agreement between Cardtronics, LP and Thomas E. Upton, dated effective as of June 1, 2001 (incorporated by reference to Exhibit 10.13 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.22	First Amendment to Employment Agreement between Cardtronics, LP and Thomas E. Upton, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.15 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).

Table of Contents

Exhibit Number	Description
10.23	Employment Agreement between Cardtronics, LP and J. Chris Brewster, dated effective as of March 31, 2004 (incorporated by reference to Exhibit 10.14 of the Registration Statement on Form S-1/A filed by Cardtronics, Inc. on May 14, 2004).
10.24	First Amendment to Employment Agreement between Cardtronics, LP and J. Chris Brewster, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.17 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.25	Employment Agreement between Cardtronics, LP, Cardtronics, Inc. and Drew Soinski, dated effective as of July 12, 2005 (incorporated herein by reference to Exhibit 10.18 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.26	Employment Agreement between Cardtronics, LP, Cardtronics, Inc., and Rick Updyke, dated effective as of July 20, 2007.
10.27	Amended and Restated Service Agreement between Bank Machine Limited and Ron Delnevo, dated effective as of May 17, 2005 (incorporated herein by reference to Exhibit 10.19 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.28	Bonus Agreement between Bank Machine Limited and Ron Delnevo, dated effective as of May 17, 2005 (incorporated herein by reference to Exhibit 10.20 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.29	2001 Stock Incentive Plan of Cardtronics Group, Inc., dated effective as of June 4, 2001 (incorporated herein by reference to Exhibit 10.21 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.30	Amendment No. 1 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc., dated effective as of January 30, 2004 (incorporated herein by reference to Exhibit 10.22 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.31	Amendment No. 2 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc., dated effective as of June 23, 2004 (incorporated herein by reference to Exhibit 10.23 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.32	Amendment No. 3 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc. dated effective as of May 9, 2006 (incorporated herein by reference to Exhibit 10.38 of Post-effective Amendment No. 1 to the Registration Statement on Form S-1 filed on December 10, 2007, Registration No. 333-145929).
10.33	Amendment No. 4 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc. dated effective as of August 22, 2007 (incorporated herein by reference to Exhibit 10.39 of Post-effective Amendment No. 1 to the Registration Statement on Form S-1 filed on December 10, 2007, Registration No. 333-145929).
10.34	Amendment No. 5 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc. dated effective as of November 26, 2007 (incorporated herein by reference to Exhibit 10.40 of Post-effective Amendment No. 1 to the Registration Statement on Form S-1 filed on December 10, 2007, Registration No. 333-145929).
10.35	Form of Director Indemnification Agreement entered into by and between Cardtronics, Inc. and each of its directors, dated as of February 10, 2005 (incorporated herein by reference to Exhibit 10.24 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.36	Vault Cash Agreement, dated as of July 20, 2007, by and between Cardtronics, Inc. and Wells Fargo, N.A. (incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on November 8, 2007).
10.37	Placement Agreement, dated as of July 20, 2007, by and between Cardtronics, Inc. and 7-Eleven, Inc. (incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on

November 8, 2007).

10.38 Cardtronics, Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q filed on November 8, 2007).

10.39 First Amended and Restated Investors Agreement, dated as of February 10, 2005, by and among Cardtronics, Inc. and certain securityholders thereof. (incorporated herein by reference to Exhibit 10.35 of the Registration Statement on Form S-1, filed by Cardtronics, Inc. on December 11, 2007, Registration No. 333-145929).

124

Table of Contents

Exhibit Number	Description
10.40	First Amendment to First Amended and Restated Investors Agreement, dated as of May 17, 2005, by and among Cardtronics, Inc. and certain securityholders thereof (incorporated herein by reference to Exhibit 10.36 of the Registration Statement on Form S-1, filed by Cardtronics, Inc. on December 11, 2007, Registration No. 333-145929).
10.41	Second Amendment to First Amended and Restated Investors Agreement, dated as of November 26, 2007, by and among Cardtronics, Inc. and certain securityholders thereof. (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
10.42	2007 Bonus Plan of Cardtronics, Inc., effective as of January 1, 2007.
12.1*	Computation of Ratio of Earnings to Fixed Charges
14.1*	Cardtronics, Inc. Code of Business Conduct and Ethics Approved by the Board of Directors on November 26, 2007.
14.2*	Cardtronics, Inc. Financial Code of Ethics (adopted as of November 26, 2007).
21.1	Subsidiaries of Cardtronics, Inc. (Incorporated by reference to Exhibit 21.1 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on February 14, 2008, Registration No. 333-149236).
23.1*	Consent of Independent Registered Public Accounting Firm KPMG LLP.
31.1*	Certification of the Chief Executive Officer of Cardtronics, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of Cardtronics, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer of Cardtronics, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

Management contract or compensatory plan or arrangement.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas, on March 28, 2008.

CARDTRONICS, INC.

/s/ Jack Antonini
Jack Antonini

President, Chief Executive Officer, and Director
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on March 28, 2008.

Signature	Title
/s/ Jack Antonini Jack Antonini	Chief Executive Officer, President, and Director (Principal Executive Officer)
/s/ J. Chris Brewster J. Chris Brewster	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Fred R. Lummis Fred R. Lummis	Director and Chairman of the Board of Directors
/s/ Tim Arnoult Tim Arnoult	Director
/s/ Robert P. Barone Robert P. Barone	Director
/s/ Jorge M. Diaz Jorge M. Diaz	Director
/s/ Dennis F. Lynch	Director

Dennis F. Lynch	
/s/ Michael A.R. Wilson	Director
Michael A.R. Wilson	

126

Table of Contents

EXHIBIT INDEX

Exhibit Number	Description
1.1	Underwriting Agreement (incorporated herein by reference to Exhibit 1.1 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
2.1	Share Sale and Purchase Agreement between Bank Machine (Holdings) Limited and Cardtronics Limited, dated effective as of May 17, 2005 (incorporated herein by reference to Exhibit 2.1 of the Amendment No. 1 to Registration Statement on Form S-4/A, filed by Cardtronics, Inc. on July 10, 2006, Registration No. 333-131199).
2.2	Purchase and Sale Agreement Between E*TRADE Access, Inc., E*TRADE Bank, Cardtronics, LP and Cardtronics, Inc., dated effective as of June 2, 2004 (incorporated herein by reference to Exhibit 2.2 of the Amendment No. 1 to Registration Statement on Form S-4/A, filed by Cardtronics, Inc. on July 10, 2006, Registration No. 333-131199).
2.3	Purchase and Sale Agreement, dated as of July 20, 2007, by and between Cardtronics, LP and 7-Eleven, Inc. (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on July 26, 2007 Registration No. 333-113470).
3.1	Third Amended and Restated Certificate of Incorporation of Cardtronics, Inc. (incorporated herein by reference to Exhibit 3.1 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
3.2	Second Amended and Restated Bylaws of Cardtronics, Inc. (incorporated herein by reference to Exhibit 3.2 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
4.1	Indenture dated as of July 20, 2007 among Cardtronics, Inc., the Subsidiary Guarantors party thereto, and Wells Fargo Bank, N.A. as Trustee (incorporated herein by reference to Exhibit 4.1 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
4.2	Form of Senior Subordinated Note (incorporated by reference to Exhibit A to Exhibit 4.1 hereto).
4.3	Registration Rights Agreement dated as of July 20, 2007 among Cardtronics, Inc., the Guarantors named therein, Banc of America Securities LLC and BNP Paribas Securities Corp. (incorporated herein by reference to Exhibit 4.2 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
4.4	Supplemental Indenture dated as of June 22, 2007 among Cardtronics Holdings, LLC and Wells Fargo Bank, N.A. as Trustee (incorporated herein by reference to Exhibit 4.3 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
4.5	Indenture dated as of August 12, 2005 by and among Cardtronics, Inc., the Subsidiary Guarantors party thereto and Wells Fargo Bank, NA as Trustee (incorporated herein by reference to Exhibit 4.1 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
4.6	Form of Senior Subordinated Note (incorporated by reference to Exhibit A to Exhibit 4.5 hereto).
4.7	Supplemental Indenture dated as of December 22, 2005 among ATM National, LLC and Wells Fargo Bank, N.A. as Trustee (incorporated herein by reference to Exhibit 4.4 of the Quarterly Report on Form 10-Q filed by Cardtronics, Inc. on August 14, 2007).
10.1	ATM Cash Services Agreement between Bank of America and Cardtronics, LP, dated effective as of August 2, 2004 (incorporated herein by reference to Exhibit 10.1 of the Amendment No. 2 to Registration Statement on Form S-4/A filed by Cardtronics, Inc. on August 25, 2006, Registration No. 333-131199).
10.2	Amendment No. 1 to ATM Cash Services Agreement, dated August 2, 2004 (incorporated herein by reference to Exhibit 10.25 of the Amendment No. 2 to Registration Statement on Form S-4/A filed by

Cardtronics, Inc. on August 25, 2006, Registration No. 333-131199).

10.3 Amendment No. 2 to ATM Cash Services Agreement, dated February 9, 2006 (incorporated herein by reference to Exhibit 10.26 of the Amendment No. 2 to Registration Statement on Form S-4/A filed by Cardtronics, Inc. on August 25, 2006, Registration No. 333-131199).

127

Exhibit Number	Description
10.4	Third Amended and Restated First Lien Credit Agreement, dated as of May 17, 2005, by and among Cardtronics, Inc., the Subsidiary Guarantors party thereto, Bank of America, N.A., BNP Paribas, and the other Lenders parties thereto (incorporated herein by reference to Exhibit 10.2 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.5	Amendment No. 1 to Credit Agreement, dated as of July 6, 2005 (incorporated herein by reference to Exhibit 10.3 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.6	Amendment No. 2 to Credit Agreement, dated as of August 5, 2005 (incorporated herein by reference to Exhibit 10.4 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.7	Amendment No. 3 to Credit Agreement, dated as of November 17, 2005 (incorporated herein by reference to Exhibit 10.5 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.8	Amendment No. 4 to Credit Agreement, dated as of February 14, 2006 (incorporated herein by reference to Exhibit 10.28 of the Annual Report on Form 10-K filed on April 2, 2007).
10.9	Amendment No. 5 to Credit Agreement, dated as of September 29, 2006 (incorporated herein by reference to Exhibit 10.29 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on September 7, 2007, Registration No. 145929).
10.10	Amendment No. 6 to Credit Agreement, dated as of May 3, 2007 (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on May 9, 2007).
10.11	Amendment No. 7 to Credit Agreement, dated as of July 18, 2007 (incorporated herein by reference to Exhibit 10.2 of the Quarterly Report on Form 10-Q filed on August 14, 2007).
10.12	Amendment No. 8 to Credit Agreement, dated as of March 19, 2008 (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K filed on March 25, 2008).
10.13	Employment Agreement between Cardtronics, LP and Jack M. Antonini, dated effective as of January 30, 2003 (incorporated by reference to Exhibit 10.10 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.14	First Amendment to Employment Agreement between Cardtronics, LP and Jack M. Antonini, dated effective as of February 4, 2004 (incorporated by reference to Exhibit 10.11 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.15	Second Amendment to Employment Agreement between Cardtronics, LP and Jack M. Antonini, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.8 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.16	Restricted Stock Agreement, dated as of February 4, 2004 between Cardtronics, Inc. and Jack M. Antonini (incorporated herein by reference to Exhibit 10.9 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.17	First Amendment to Restricted Stock Agreement, dated as of March 1, 2004, between Cardtronics, Inc. and Jack M. Antonini (incorporated herein by reference to Exhibit 10.10 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.18	Second Amendment to Restricted Stock Agreement, dated as of February 10, 2005, between Cardtronics, Inc. and Jack M. Antonini (incorporated herein by reference to Exhibit 10.11 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.19	Employment Agreement between Cardtronics, LP and Michael H. Clinard, dated effective as of June 4, 2001 (incorporated by reference to Exhibit 10.12 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004) (incorporated by reference to Exhibit 10.12 of the Registration

	Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.20	First Amendment to Employment Agreement between Cardtronics, LP and Michael H. Clinard, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.13 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).

Exhibit Number	Description
10.21	Employment Agreement between Cardtronics, LP and Thomas E. Upton, dated effective as of June 1, 2001 (incorporated by reference to Exhibit 10.13 of the Registration Statement on Form S-1 filed by Cardtronics, Inc. on March 10, 2004, Registration No. 333-113470).
10.22	First Amendment to Employment Agreement between Cardtronics, LP and Thomas E. Upton, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.15 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.23	Employment Agreement between Cardtronics, LP and J. Chris Brewster, dated effective as of March 31, 2004 (incorporated by reference to Exhibit 10.14 of the Registration Statement on Form S-1/A filed by Cardtronics, Inc. on May 14, 2004).
10.24	First Amendment to Employment Agreement between Cardtronics, LP and J. Chris Brewster, dated effective as of January 1, 2005 (incorporated herein by reference to Exhibit 10.17 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.25	Employment Agreement between Cardtronics, LP, Cardtronics, Inc. and Drew Soinski, dated effective as of July 12, 2005 (incorporated herein by reference to Exhibit 10.18 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.26	Employment Agreement between Cardtronics, LP, Cardtronics, Inc., and Rick Updyke, dated effective as of July 20, 2007.
10.27	Amended and Restated Service Agreement between Bank Machine Limited and Ron Delnevo, dated effective as of May 17, 2005 (incorporated herein by reference to Exhibit 10.19 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.28	Bonus Agreement between Bank Machine Limited and Ron Delnevo, dated effective as of May 17, 2005 (incorporated herein by reference to Exhibit 10.20 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.29	2001 Stock Incentive Plan of Cardtronics Group, Inc., dated effective as of June 4, 2001 (incorporated herein by reference to Exhibit 10.21 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.30	Amendment No. 1 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc., dated effective as of January 30, 2004 (incorporated herein by reference to Exhibit 10.22 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.31	Amendment No. 2 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc., dated effective as of June 23, 2004 (incorporated herein by reference to Exhibit 10.23 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration No. 333-131199).
10.32	Amendment No. 3 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc. dated effective as of May 9, 2006 (incorporated herein by reference to Exhibit 10.38 of Post-effective Amendment No. 1 to the Registration Statement on Form S-1 filed on December 10, 2007, Registration No. 333-145929).
10.33	Amendment No. 4 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc. dated effective as of August 22, 2007 (incorporated herein by reference to Exhibit 10.39 of Post-effective Amendment No. 1 to the Registration Statement on Form S-1 filed on December 10, 2007, Registration No. 333-145929).
10.34	Amendment No. 5 to the 2001 Stock Incentive Plan of Cardtronics Group, Inc. dated effective as of November 26, 2007 (incorporated herein by reference to Exhibit 10.40 of Post-effective Amendment No. 1 to the Registration Statement on Form S-1 filed on December 10, 2007, Registration No. 333-145929).
10.35	Form of Director Indemnification Agreement entered into by and between Cardtronics, Inc. and each of its directors, dated as of February 10, 2005 (incorporated herein by reference to Exhibit 10.24 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on January 20, 2006, Registration

No. 333-131199).

10.36	Vault Cash Agreement, dated as of July 20, 2007, by and between Cardtronics, Inc. and Wells Fargo, N.A. (incorporated herein by reference to Exhibit 10.1 of our Quarterly Report on Form 10-Q filed on November 8, 2007).
10.37	Placement Agreement, dated as of July 20, 2007, by and between Cardtronics, Inc. and 7-Eleven, Inc. (incorporated herein by reference to Exhibit 10.2 of our Quarterly Report on Form 10-Q filed on November 8, 2007).

129

Table of Contents

Exhibit Number	Description
10.38	Cardtronics, Inc. 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of our Quarterly Report on Form 10-Q filed on November 8, 2007).
10.39	First Amended and Restated Investors Agreement, dated as of February 10, 2005, by and among Cardtronics, Inc. and certain securityholders thereof. (incorporated herein by reference to Exhibit 10.35 of the Registration Statement on Form S-1, filed by Cardtronics, Inc. on December 11, 2007, Registration No. 333-145929).
10.40	First Amendment to First Amended and Restated Investors Agreement, dated as of May 17, 2005, by and among Cardtronics, Inc. and certain securityholders thereof (incorporated herein by reference to Exhibit 10.36 of the Registration Statement on Form S-1, filed by Cardtronics, Inc. on December 11, 2007, Registration No. 333-145929).
10.41	Second Amendment to First Amended and Restated Investors Agreement, dated as of November 26, 2007, by and among Cardtronics, Inc. and certain securityholders thereof. (incorporated herein by reference to Exhibit 10.1 of the Current Report on Form 8-K, filed by Cardtronics, Inc. on December 14, 2007, Registration No. 001-33864).
10.42	2007 Bonus Plan of Cardtronics, Inc., effective as of January 1, 2007.
12.1*	Computation of Ratio of Earnings to Fixed Charges
14.1*	Cardtronics, Inc. Code of Business Conduct and Ethics Approved by the Board of Directors on November 26, 2007.
14.2*	Cardtronics, Inc. Financial Code of Ethics (adopted as of November 26, 2007).
21.1	Subsidiaries of Cardtronics, Inc. (Incorporated by reference to Exhibit 21.1 of the Registration Statement on Form S-4, filed by Cardtronics, Inc. on February 14, 2008, Registration No. 333-149236).
23.1*	Consent of Independent Registered Public Accounting Firm KPMG LLP.
31.1*	Certification of the Chief Executive Officer of Cardtronics, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer of Cardtronics, Inc. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer of Cardtronics, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

Management contract or compensatory plan or arrangement.