CARDTRONICS INC
Form 424B5
March 31, 2010

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-164395

Prospectus Supplement
(To Prospectus dated March 11, 2010)

7,000,000 Shares of Common Stock

The selling stockholders identified in this prospectus supplement are offering 7,000,000 shares of our common stock. We will not receive any of the proceeds from the shares of common stock sold in this offering. Our common stock trades on the NASDAQ Global Market under the symbol CATM. The last reported sale price of our common stock on March 30, 2010 was $12.62 per share.

Investing in our common stock involves a high degree of risk. You should read this prospectus supplement and the accompanying prospectus carefully before you make your investment decision. See Risk Factors beginning on page S-9 of this prospectus supplement, as well as the documents we file with the Securities and Exchange Commission that are incorporated by reference herein for more information.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful and complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 12.00	$ 84,000,000
Underwriting discount	$ 0.63	$ 4,410,000
Proceeds, before expenses, to the selling stockholders	$ 11.37	$ 79,590,000

The underwriters may also purchase up to an additional 1,050,000 shares from the selling stockholders, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments, if any.

The underwriters expect to deliver the shares to purchasers on or about April 6, 2010.

Joint Book-Running Managers

Piper Jaffray **UBS Investment Bank**

Co-Managers

William Blair & Company **SunTrust Robinson Humphrey**

The date of this prospectus supplement is March 30, 2010.

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Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectuses we may provide to you in

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connection with this offering. We and the selling stockholders have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling stockholders are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. The information contained in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference herein and any free writing prospectuses we may provide to you in connection with this offering is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. We are providing information to you about this offering in two parts. The first part is this prospectus supplement, which describes the specific terms of the securities that the selling stockholders are offering and also adds to, updates or changes information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, including the documents incorporated by reference, which provides you with more general information, some of which may not apply to this offering and some of which may have been supplemented or superseded by information in this prospectus supplement or documents incorporated or deemed to be incorporated by reference into this prospectus supplement that we filed with the SEC subsequent to the date of the prospectus. Before you invest in our securities, you should carefully read this prospectus supplement and the accompanying prospectus and the additional information described under the heading Documents Incorporated by Reference.

Unless the context requires otherwise, all references in this prospectus to Cardtronics, we, us and our refer to Cardtronics, Inc. and its subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any documents filed by us with the SEC at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our filings with the SEC are also available to the public from commercial document retrieval services and at the SEC s website at *http://www.sec.gov*.

We also make available free of charge on our Internet website at http://www.cardtronics.com all of the documents that we file with the SEC as soon as reasonably practicable after we electronically file such material with the SEC. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website as part of this prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference information into this prospectus supplement, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, except for any information superseded by information contained expressly in this prospectus supplement, and the information that we file later with the SEC will automatically supersede this information. You should not assume that the information in this prospectus supplement is current as of any date other than the date on the front page of this prospectus supplement.

We incorporate by reference the documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) (excluding any information furnished and not filed with the SEC), including all such documents that we may

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file with the SEC after the date of this prospectus supplement, until all offerings of any securities registered hereby are completed:

Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (the 2009 Form 10-K), including information specifically to be incorporated by reference into our Form 10-K from our definitive proxy statement to be prepared in connection with the 2010 Annual Meeting of Stockholders to be held on June 15, 2010;

Current Report on Form 8-K filed on January 22, 2010;

Current Report on Form 8-K filed on January 27, 2010;

Current Report on Form 8-K filed on February 8, 2010;

Current Report on Form 8-K filed on March 8, 2010; and

Current Report on Form 8-K filed on March 22, 2010.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus supplement will be deemed to be modified or superseded to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus supplement modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

You may request a copy of any document incorporated by reference in this prospectus supplement and any exhibit specifically incorporated by reference in those documents, at no cost, by writing or telephoning us at the following address or phone number:

Cardtronics, Inc.
Attention: Chief Financial Officer
3250 Briarpark Drive, Suite 400
Houston, Texas 77042
(832) 308-4000

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The information in this prospectus supplement and in the documents incorporated by reference includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Exchange Act. The words project, believe, expect, anticipate, intend, contemplate, forese could, plan or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we currently anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections.

Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- our financial outlook and the financial outlook of the ATM and financial services industry;
- our ability to expand our bank branding and surcharge-free service offerings;
- our ability to provide new ATM solutions to financial institutions;
- our vault cash rental needs, including potential liquidity issues with our vault cash providers;

the implementation of our corporate strategy;

our ability to compete successfully with our competitors;

our financial performance;

our ability to strengthen existing customer relationships and reach new customers;

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

our ability to pursue and successfully integrate acquisitions;

our ability to expand internationally;

our ability to prevent security breaches;

changes in interest rates, foreign currency rates and regulatory requirements; and

the additional risks we are exposed to in our armored courier operations.

The information contained in this prospectus supplement, including the information set forth under the heading Risk Factors, identifies factors that could affect our operating results and performance. When considering forward-looking statements, you should keep in mind these factors and other cautionary statements in this prospectus supplement and in the documents incorporated herein by reference. Should one or more of the risks or uncertainties described above or elsewhere in this prospectus supplement or in the documents incorporated by reference occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. We urge you to carefully consider those factors, as well as factors described in our reports filed from time to time with the SEC and other announcements we make from time to time.

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SUMMARY

This summary highlights selected information about us and this offering, including information appearing elsewhere in this prospectus supplement, the accompanying prospectus, and the documents incorporated by reference herein, and does not contain all of the information that you should consider in making your investment decision. You should read this summary together with the more detailed information appearing elsewhere in this prospectus supplement, as well as the information in the accompanying prospectus and in the documents incorporated by reference or deemed incorporated by reference into this prospectus supplement or the accompanying prospectus. You should carefully consider, among other things, the matters discussed in the sections titled Risk Factors on page S-9 of this prospectus supplement and in our 2009 Form 10-K. In addition, certain statements include forward-looking information that involves risks and uncertainties. See Cautionary Statement Concerning Forward-Looking Statements on page S-iii of this prospectus supplement.

Our Company

Cardtronics, Inc. provides convenient automated consumer financial services through its network of automated teller machines (ATMs) and multi-function financial services kiosks. As of December 31, 2009, we operated over 33,400 devices throughout the United States (including Puerto Rico), the United Kingdom and Mexico, of which 68% were owned by us, making us the world s largest non-bank owner of ATMs. Included within this number are approximately 2,200 multi-function financial services kiosks that, in addition to traditional ATM functions such as cash dispensing and bank account balance inquiries, perform other consumer financial services, including bill payments, check cashing, remote deposit capture (which represents deposits taken using electronic imaging at ATMs not physically located at a bank), and money transfers.

We often partner with large, nationally-known retail merchants under multi-year agreements to place our ATMs and kiosks within their store locations. In doing so, we provide our retail partners with an automated financial services solution that we believe helps attract and retain customers, and in turn, increases the likelihood that our devices will be utilized. Finally, we own and operate an electronic funds transfer (EFT) transaction processing platform that provides transaction processing services to our network of ATMs and financial services kiosks as well as ATMs owned and operated by third parties.

Historically, we have deployed and operated our devices under two distinct arrangements with our retail partners: Company-owned and merchant-owned arrangements. Under Company-owned arrangements, we provide the device and are typically responsible for all aspects of its operation, including transaction processing, procuring cash, supplies, and telecommunications as well as routine and technical maintenance. Under our merchant-owned arrangements, the retail merchant or the distributor owns the device and is usually responsible for providing cash and performing simple maintenance tasks, while we provide more complex maintenance services, transaction processing, and connection to the EFT networks. As of December 31, 2009, approximately 68% of our devices were Company-owned and 32% were merchant-owned. While we may continue to add merchant-owned devices to our network as a result of acquisitions and internal sales efforts, our focus for internal growth remains on expanding the number of Company-owned devices in our network due to the higher margins typically earned and the additional revenue opportunities available to us under Company-owned arrangements.

We partner with leading national financial institutions to brand selected ATMs and financial services kiosks within our network, including Citibank, N.A., HSBC Bank USA, N.A., JPMorgan Chase Bank, N.A., SunTrust Banks, Inc. and Sovereign Bank. As of December 31, 2009, approximately 11,100 of our Company-owned devices were under contract with financial institutions to place their logos on those machines, thus providing convenient surcharge-free access for their banking customers. We also own and operate the Allpoint network, which we believe is the largest surcharge-free ATM network within the United States (based on the number of participating ATMs). The Allpoint network, which has approximately 1,200 card issuer participants and more than 37,000 participating ATMs, including a majority of our ATMs in the United States and all of our ATMs in the United Kingdom, provides surcharge-free ATM access to customers of participating financial institutions that lack a significant ATM network. Allpoint also works with financial institutions that manage prepaid debit card programs on behalf of corporate entities and governmental agencies, including general

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purpose, payroll, and electronic benefits transfer cards. Under these programs, the issuing financial institutions pay Allpoint a fee per card or per transaction in return for allowing the users of those cards surcharge-free access to Allpoint s participating ATM network.

More recently, we have started offering a managed services solution to retailers and financial institutions that may prefer to maintain ownership of their ATM fleets, but are looking for us to handle some or all of the operational aspects associated with operating and maintaining those fleets. Under these types of arrangements, we will typically receive a fixed monthly management fee in return for providing certain services, including monitoring, maintenance, customer service, and cash management. Additionally, we will typically charge a per-transaction fee for any transaction processing services we provide under these arrangements.

Our revenues are recurring in nature and historically have been primarily derived from transaction fees, which are paid by cardholders, and interchange fees, which are paid by the cardholder s financial institution for the use of the devices serving customers and the applicable EFT network that transmits data between the device and the cardholder s financial institution. We generate additional revenues by branding our devices with the logos of leading national banks and other financial institutions, and by collecting fees from financial institutions that participate in the Allpoint surcharge-free ATM network.

Our Market Opportunity

We believe that the following industry factors result in an increased market opportunity for us:

- the dollar volume of cash used in the United States economy is large and growing;
- United States banks are seeking to increase customer touch points in a cost-effective manner, and provide convenient, surcharge-free access to ATMs;
- there has been a recent proliferation in the number of prepaid debit cards, especially in the United States, that can be used at our ATMs;
- recent increases in the fees charged by large United States financial institutions for non-customers to use their ATMs have provided us with an opportunity to increase the fees we charge on our ATMs and increased the value proposition of our Allpoint surcharge-free network;
- demand for automated consumer financial services beyond basic banking services continues to increase;
- outsourcing by financial institutions of non-core operations such as the management of their ATM fleets could provide us with additional revenue opportunities; and
- the continuing under-penetration of ATMs in many international markets.

Our Competitive Strengths

Leading Market Position. We are the world s largest non-bank owner of ATMs. As of December 31, 2009, we operated over 33,400 ATMs, including approximately 2,200 multi-function financial services kiosks, located throughout the United States (including Puerto Rico), the United Kingdom, and Mexico, of which 68% were owned by us. We estimate that approximately 90% of the United States population lives within five miles of one of the devices operated by us. We believe the breadth of our global footprint would be difficult to replicate and represents a significant competitive advantage, as well as a barrier to entry for potential competitors.

Leading ATM Debit Network. We have created one of the largest ATM debit networks in the United States. Our network leverages our customer relationships with well-known retailers and issuers of debit and prepaid debit cards, including leading national financial institutions and prepaid debit card companies. We operate the Allpoint network, which we believe is the largest surcharge-free network of ATMs in the United States based on the number of participating ATMs. Our network has enabled us to create new revenue streams, including bank branding and surcharge-free network revenues. As a result of the scale and reach of our network, we believe we benefit from significant network effects as evidenced by our growth in transactions

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per device. For the three years ended December 31, 2009, our worldwide monthly transactions per device grew from 729 to 966, representing a compounded annual growth rate of approximately 15%.

Multi-Year Contracts with Leading Retail Merchants. We have developed significant relationships with leading national and regional retail merchants within the United States (including Puerto Rico), the United Kingdom, and Mexico. These merchants typically operate high-traffic locations, which we have found to result in increased transaction activity and profitability. Our long-term retail merchant relationships can provide opportunities for us to deploy devices in additional locations of those retailers that do not currently have an ATM, and new locations opened by those retailers in the future. Our contracts with our retail merchant customers are typically multi-year arrangements with an initial targeted term of seven years. As of December 31, 2009, our contracts with our top ten retail merchant customers (based on 2009 revenues) had a weighted average remaining life of 5.7 years. In addition, our top ten retail merchant customers have worked with us, including the businesses we have acquired, for an average of over nine years and eight of these contracts have been renewed or extended since they were originally acquired. We believe our retail merchant customers value our high level of service, our 24-hour per day monitoring and accessibility, and that our devices in the United States are on-line and able to serve customers an average of 99.1% of the time.

Proprietary Transaction Processing Platform. We believe that our proprietary EFT transaction processing platform sets us apart from our competitors. Our platform manages the transaction processing services to our network of devices as well as ATMs owned and operated by third parties, substantially reducing the incremental cost to process a transaction. Our transaction processing platform also gives us the ability to control the content of the information appearing on the screens of our devices as well as those devices that we process on behalf of financial institutions and retailers.

Recurring and Stable Revenues and Operating Cash Flows. The long-term contracts that we enter into with our retail merchant partners provide us with relatively stable, recurring revenue streams. Additionally, our branding arrangements and surcharge-free network contracts provide us with additional revenues under long-term contracts that are generally not based on the number of transactions per device. For the year ended December 31, 2009, we derived approximately 98% of our total revenues from recurring transactions, branding, and surcharge-free fees, as well as other access fees generated through the provision of additional automated consumer financial services. Our recurring and stable revenue base, relatively low and predictable maintenance capital expenditure requirements, and minimal working capital requirements, allow us to generate operating cash flows to service our indebtedness and invest in future growth initiatives.

Efficient, Scalable Infrastructure and Operations. We believe the size of our ATM network combined with our operating infrastructure allows us to drive substantial economies of scale. Our infrastructure allows us to expand our operations without proportionally increasing our fixed and semi-fixed costs. The scale of our operations provides us with a competitive advantage in operating our own fleet, negotiating with third-party service providers, acquiring new ATM portfolios, and providing cost effective managed services solutions to financial institutions and large retailers. We believe that the operating efficiencies that result from our scale provide us with a significant cost advantage over our competitors. Our ATM operating gross profit margin (exclusive of depreciation, accretion and amortization) has increased from 22.9% in 2007 to 30.9% in 2009.

Experienced Management Team. Our management team has significant financial services, network, and payment processing-related experience. Our team is led by Steven A. Rathgaber, our recently hired Chief Executive Officer, who has over 32 years of broad payment product and network experience. Our management team has augmented the organic growth of our business by successfully identifying and integrating a number of acquired businesses, both in the United States and internationally, that have expanded our network and the products and services we offer. We believe the strength and expertise of our management team helps us attract new retail merchant customers and provides us with increased acquisition, bank branding, and managed services opportunities, thereby contributing significantly to our growth.

Our Growth Strategy

Our growth strategy is to expand and enhance our position as a leading provider of automated consumer financial services in the United States, the United Kingdom and Mexico; to leverage our existing ATM

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network with products and services that increase our revenues per ATM; to become a significant provider of managed services to financial institutions and retailers with significant ATM and financial services kiosk networks; and to further expand our network and service offerings into select international markets. In order to execute this strategy, we will endeavor to:

Expand our Network of Devices with Leading Merchants. We believe that we have opportunities to further expand the number of ATMs and financial services kiosks that we own and/or operate with leading merchants. With respect to our existing merchants, we have two principal opportunities to increase the number of deployed devices: first, by deploying devices in existing merchant locations that currently do not have a device, but where consumer traffic volumes and anticipated returns justify installing a device; and second, as our merchants open new locations, by installing devices in those locations. With respect to new merchant customers, we believe our expertise, national footprint, strong record of customer service, and significant scale position us to successfully market to, and enter into long-term contracts with, additional leading national and regional merchants.

Expand our Relationships with Leading Financial Institutions. We believe we are well-positioned to work with financial institutions to fulfill many of their ATM and automated consumer financial services requirements. Our services currently offered to financial institutions include branding our ATMs with their logos and providing surcharge-free access to their customers, as well as managing their off-premise ATMs (i.e., ATMs not located in a bank branch). In addition, our EFT transaction processing capabilities provide us with the ability to provide customized control over the content of the information appearing on the screens of our ATMs and ATMs we process for financial institutions, which we believe increases the types of products and services that we are able to offer to financial institutions. In the United Kingdom, our armored courier operation, coupled with our existing in-house engineering and EFT transaction processing capabilities, provides us with a full suite of services that we can offer to financial institutions in that market.

Continue to Capitalize on Surcharge-Free Network and Prepaid Debit Card Opportunities. We plan to continue pursuing opportunities with respect to our surcharge-free network offerings, where financial institutions pay us to allow their customers surcharge-free access to our ATM network on a non-exclusive basis. We believe surcharge-free arrangements will enable us to increase transaction counts and profitability on our existing machines. We also plan to pursue additional opportunities to work with financial institutions that issue and sponsor prepaid debit card programs. We believe that these programs represent significant transaction growth opportunities for us, as many users of prepaid debit cards do not have bank accounts, and consequently, have historically not been able to utilize our existing ATMs and financial services kiosks.

Pursue International Growth Opportunities. We have invested significant amounts of capital in the infrastructure of our United Kingdom and Mexico operations, and we plan to continue to selectively increase the number of our ATMs in these markets by increasing the number of machines deployed with our existing customer base, as well as adding new merchant customers. Additionally, we plan to expand our operations into selected international markets where we believe we can leverage our operational expertise, EFT transaction processing platform, and scale advantages. In particular, we expect to target high growth, emerging markets where cash is the predominant form of payment, where off-premise ATM penetration is relatively low, and where we believe significant financial institution and/or retail managed services opportunities exist. We believe Central and Eastern Europe, Central and South America, and the Asia-Pacific regions are examples of international markets that meet these criteria.

Develop and Provide Additional Automated Consumer Financial Services. Service offerings by ATMs have continued to evolve over time. Certain ATM models are now capable of providing numerous automated consumer financial services, including bill payments, check cashing, remote deposit capture, and money transfers. Certain of our devices are capable of, and currently provide, these types of services. We believe these non-traditional consumer financial services offered by our devices, and other machines that we or others may develop, provide us with additional growth opportunities as retailers and financial institutions seek to provide additional convenient automated financial services to their customers.

The Offering

Common stock offered by the selling stockholders	7,000,000 shares
Common stock to be outstanding after the offering	41,658,756 shares
Overallotment option	The selling stockholders have granted the underwriters the right to purchase up to an additional 1,050,000 shares to cover overallotments, if any, within 30 days from the date of this prospectus.
Use of proceeds	We will not receive any of the proceeds from this offering.
Dividend policy	We do not currently and do not expect to pay dividends on our common stock for the foreseeable future.
NASDAQ Global Market symbol for our common stock	CATM
Risk Factors	Investing in our common stock involves risks. See Risk Factors beginning on page S-9 of this prospectus supplement for a discussion of factors that you should carefully consider before deciding to invest in shares of our common stock.

The number of shares of common stock outstanding after this offering is based on 41,658,756 shares of common stock outstanding as of March 15, 2010 and excludes:

- 3,763,487 shares of common stock issuable upon the exercise of stock options outstanding as of March 15, 2010, at a weighted average exercise price of $8.44; and
- 584,777 shares of common stock reserved for issuance under our 2007 equity incentive compensation plan.

Unless otherwise indicated, all information in this prospectus supplement assumes no exercise of the underwriters overallotment option.

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Summary Selected Financial Data

The following tables set forth a summary of selected historical financial data derived from our consolidated financial statements. The financial information presented below is not necessarily indicative of results to be expected in any future period. Future results could differ materially from historical levels due to many factors, including, but not limited to, those discussed in Risk Factors in this prospectus supplement. You should read the information set forth below in conjunction with all information included and incorporated by reference in this prospectus supplement, including our historical consolidated financial statements and notes to those statements from our Annual Report on Form 10-K for the year ended December 31, 2009.

	For the Years Ended December 31,		
	2007	**2008**	**2009**
	(In thousands, except share and per share information, number of devices, and transactions per device)		
Consolidated Statements of Operations Data:			
ATM operating revenues	$ 365,322	$ 475,800	$ 483,138
Total revenues	378,298	493,014	493,353
Gross profit (exclusive of depreciation, accretion, and amortization expense)(1)	84,651	114,473	148,879
Income (loss) from operations(2)	7,158	(38,118)	43,000
Net income (loss)(2)	(27,857)	(72,397)	5,771
Net income (loss) attributable to controlling interests and available to common stockholders(2)(3)	(63,753)	(71,375)	5,277
Share and Per Share Data:			
Basic and diluted net income (loss) per common share	$ (4.13)	$ (1.84)	$ 0.13
Basic weighted average shares outstanding	15,423,744	38,800,782	39,244,057
Diluted weighted average shares outstanding	15,423,744	38,800,782	39,896,366
Consolidated Balance Sheet Data:			
Total cash and cash equivalents	$ 13,439	$ 3,424	$ 10,449
Total assets	590,737	480,828	460,404
Total long-term debt and capital lease obligations, including current portion	310,744	347,181	307,287
Total stockholders equity (deficit)	106,720	(19,750)	(1,290)
Other Financial Data (Unaudited):			
Adjusted EBITDA(4)	$ 60,582	$ 81,939	$ 110,376
Capital expenditures, excluding acquisitions(5)	70,959	60,133	26,031
Interest expense, net	29,523	31,090	30,133
Operating Data (Unaudited):			
Number of transacting Company-owned devices (at period end)	20,732	22,215	22,871
Average number of total transacting devices(6)	28,277	32,856	33,059
Total transactions	247,270	354,391	383,323
Total cash withdrawal transactions	166,248	228,306	244,378
Amounts per device per month:			
ATM operating revenues	$ 1,076	$ 1,207	$ 1,218
	829	921	842

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization)[7][8]						
ATM operating gross profit[9]	$	247	$	286	$	376
ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization)[7]		22.9%		23.7%		30.9%
Total transactions		729		899		966
Total cash withdrawal transactions		490		579		616

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(1) Gross Profit amounts exclude depreciation, accretion, and amortization expense of $43.1 million, $52.4 million, and $51.5 million for the years ended December 31, 2007, 2008 and 2009, respectively.

(2) For the year ended December 31, 2008, amounts include a $50.0 million goodwill impairment charge associated with our United Kingdom operations.

(3) For the year ended December 31, 2007, net loss attributable to controlling interests and available to common stockholders reflects a $36.0 million one-time, non-cash charge associated with the conversion of our Series B redeemable convertible preferred stock into shares of common stock in conjunction with our initial public offering in December 2007, and the accretion of issuance costs associated with the Series B redeemable convertible preferred stock.

(4) Adjusted EBITDA represents net income (loss) before interest expense, income tax expense, and depreciation, accretion and amortization expense, as well as adjustments for certain non-cash and non-recurring items, as defined in our revolving credit facility. For the year ended December 31, 2008, Adjusted EBITDA also excluded a $50.0 million impairment charge of the goodwill associated with our United Kingdom operation. This charge has been excluded as goodwill and associated write-downs would be company-specific and management believes the inclusion of such a charge in Adjusted EBITDA would not contribute to its understanding of the operating results and effectiveness of its business. Adjusted EBITDA, as we define it, may not be comparable to similarly titled measures employed by other companies and is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Adjusted 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 U.S. GAAP.

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

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

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

Our management uses Adjusted EBITDA:

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

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

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

in communications with lenders concerning our financial performance; and

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

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

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

	Years Ended December 31,		
	2007	2008	2009
		(In thousands)	
Net income (loss) attributable to controlling interests	$ (27,481)	$ (71,375)	$ 5,277
Income tax expense	4,477	989	4,245
Interest expense, including amortization of deferred financing costs and bond discounts	31,164	33,197	32,528
Goodwill impairment charge		50,003	
Amortization expense	18,870	18,549	18,916
Depreciation and accretion expense	26,781	39,164	39,420
EBITDA	$ 53,811	$ 70,527	$ 100,386
Add back:			
Loss on disposal of assets	$ 2,485	$ 5,807	$ 6,016
Other expense	(626)	93	(982)
Noncontrolling interest	(169)	(1,633)	(1,281)
Stock-based compensation expense	1,050	3,516	4,620
Adjustments to cost of ATM operating revenues[a]	3,236	2,911	154
Adjustments to selling, general, and administrative expenses[a]	795	718	1,463
Adjusted EBITDA	$ 60,582	$ 81,939	$ 110,376

(a) Adjustments to cost of ATM operating revenues for 2007 and 2008 primarily consisted of costs associated with the conversion of our ATMs over to our in-house EFT processing platform and, in 2008, start-up costs associated with our in-house armored operation in the United Kingdom. Adjustments to selling, general, and administrative expenses primarily consisted of litigation settlement costs in 2007, the write-off of certain acquisition-related costs in 2008, and the recognition of $1.2 million in severance costs associated with the departure of our former Chief Executive Officer in 2009.

(5) Capital expenditure amounts for Cardtronics Mexico are reflected gross of any noncontrolling interest amounts.

(6) The historical 2007 average number of transacting Company-owned devices and total transacting devices include the devices acquired in our acquisition of the 7-Eleven, Inc. financial services business beginning from the acquisition date (July 20, 2007) and continuing through the end of the year.

(7) Excludes effects of depreciation, accretion, and amortization expense of $43.1 million, $52.4 million, and $51.5 million for the years ended December 31, 2007, 2008, and 2009, respectively. The inclusion of this depreciation, accretion, and amortization expense in Cost of ATM operating revenues would have increased our cost of ATM operating revenues per ATM per month and decreased our ATM operating gross profit per ATM per month by $127, $133, and $130 for the years ended December 31, 2007, 2008, and 2009, respectively. Additionally, our ATM operating gross profit margin would have been 11.1%, 12.7%, and 20.2% for the years ended December 31, 2007, 2008, and 2009, respectively.

(8) The decline in the Cost of ATM operating revenues per ATM per month from 2008 to 2009 was due to foreign currency exchange rate movements between the two periods, lower vault cash interest costs, and other operating cost reductions as a result of better pricing terms under the renegotiated contracts with our maintenance and armored service providers.

(9) ATM operating gross profit is a measure of profitability that uses only the revenue and expenses that related to operating the ATMs. The revenue and expenses from ATM equipment sales and other ATM-related services are not included.

RISK FACTORS

Investing in our common stock involves risks. You should carefully considering the risks described below together with the other information contained in, or incorporated by reference into, this prospectus supplement, before you decide to buy the common stock offered by this prospectus supplement. We believe that the risks and uncertainties described below are the material risks and uncertainties facing us. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition, results of operations or future growth prospects could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose some or all of your investment.

Risks Related to Our Business

We depend on ATM and financial services transaction fees for substantially all of our revenues, and our revenues and profits would be reduced by a decline in the usage of our ATMs and financial services kiosks or a decline in the number of devices that we operate, whether as a result of global economic conditions or otherwise.

Transaction fees charged to cardholders and their financial institutions for transactions processed on our ATMs and financial services kiosks, including surcharge and interchange transaction fees, have historically accounted for most of our revenues. We expect that transaction fees, including fees we receive through our bank branding and surcharge-free network offerings, will continue to account for a substantial majority of our revenues for the foreseeable future. Consequently, our future operating results will depend on (i) the continued market acceptance of our services in our target markets, (ii) maintaining the level of transaction fees we receive, (iii) our ability to install, acquire, operate, and retain more devices, (iv) continued usage of our devices by cardholders, and (v) our ability to continue to expand our surcharge-free and other consumer financial services offerings. If alternative technologies to our services are successfully developed and implemented, we will likely experience a decline in the usage of our devices. Surcharge fees, which are determined through negotiations between us and our merchant partners, could be reduced over time. Further, growth in surcharge-free ATM networks and widespread consumer bias toward these networks could adversely affect our revenues, even though we maintain our own surcharge-free offerings. Many of our devices are utilized by consumers that frequent the retail establishments in which our devices are located, including convenience stores, malls, grocery stores, and other large retailers. If there is a significant slowdown in consumer spending, and the number of consumers that frequent the retail establishments in which we operate our devices declines significantly, the number of transactions conducted on those devices, and the corresponding transaction fees we earn, may also decline.

Although we experienced an increase in our monthly ATM operating revenues per device during 2009, we cannot assure you that our transaction revenues will not decline in the future. A decline in usage of our devices by cardholders or in the levels of fees received by us in connection with this usage, or a decline in the number of devices that we operate, would have a negative impact on our revenues and would limit our future growth.

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

The United States has seen a shift in consumer payment trends since the late 1990s, with more customers now opting for electronic forms of payment (e.g., credit cards and debit cards) for their in-store purchases over traditional paper-based forms of payment (e.g., cash and checks). Additionally, merchants are now offering free cash back at the point-of-sale for customers that utilize debit cards for their purchases, thus providing an additional incentive for consumers to use these cards. According to the Nilson Report from 2003 to 2008, cash transaction counts declined from approximately 41% of all payment transactions in 2003 to approximately 34% in 2008, with declines also seen in checks usage as credit and debit card transactions increased. However, in terms of absolute dollar value, the volume of cash used in payment transactions increased from $1.3 trillion in 2003 to $1.6 trillion in 2008. Furthermore, during 2009, we saw an increase in the number of cash withdrawal transactions conducted on our domestic ATMs, in part due to the proliferation of prepaid debit cards, thus implying a continued demand for cash and convenient, reliable access to that cash. Regardless, the continued growth in electronic payment methods could result in a reduced need for cash in the marketplace and ultimately, a decline in the usage of our ATMs.

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

Interchange fees, which represented approximately 31% of our total ATM operating revenues for the year ended December 31, 2009, are set by the various EFT networks through which transactions conducted on our devices are routed. Interchange fees are set by each network and typically vary from one network to the next. Additionally, certain EFT networks, primarily Visa and MasterCard, have recently increased their transaction fees charged to ATM operators for transactions routed through their networks, thereby offsetting a portion of the interchange fees received by the ATM operators. Accordingly, if some or all of the networks through which our ATM transactions are routed were to reduce the interchange rates paid to us or increase their transaction fees charged to us for routing transactions across their network, or both, our future transaction revenues and related profits would decline. Additionally, some federal officials have expressed concern that consumers using an ATM may not be aware that in addition to paying the surcharge fee that is disclosed to them at the ATM, their financial institution may also assess an additional fee to offset any interchange fee assessed to the financial institution with regard to that consumer s transaction. Any potential future legislation that affects the amount of interchange fees that can be assessed on a transaction may adversely affect our revenues. Historically, we have been successful in offsetting the effects of any such reductions in net interchange fees received by us through changes in our business. However, we can give no assurances that we will be successful in offsetting the effects of any future reductions in the interchange fees received by us, if and when they occur.

Deterioration in global credit markets could have a negative impact on financial institutions that we conduct business with.

We have a significant number of customer and vendor relationships with financial institutions in all of our key markets, including relationships in which those financial institutions pay us for the right to place their brands on our devices. Additionally, we rely on a small number of financial institution partners to provide us with the cash that we maintain in our Company-owned devices. Turmoil in the global credit markets in the future, such as the one recently experienced, may have a negative impact on those financial institutions and our relationships with them. In particular, if the liquidity positions of the financial institutions with which we conduct business deteriorate significantly, these institutions may be unable to perform under their existing agreements with us. If these defaults were to occur, we may not be successful in our efforts to identify new branding partners and cash providers, and the underlying economics of any new arrangements may not be consistent with our current arrangements. Furthermore, if our existing bank branding partners or cash providers are acquired by other institutions with assistance from the Federal Deposit Insurance Corp. (FDIC), or placed into receivership by the FDIC, it is possible that our agreements may be rejected in part or in their entirety. If these situations were to occur, and we were unsuccessful in our efforts to enter into similar agreements, our future financial results would be negatively impacted.

Further consolidations within the banking industry may impact our branding relationships as existing branding customers are acquired by other, more stable financial institutions, some of which may not be existing branding customers.

In recent years, an unprecedented amount of consolidation unfolded within the United States banking industry. For example, Washington Mutual, which had over 950 ATMs branded with us, was acquired by JPMorgan Chase, an existing branding customer of ours, in 2008. Additionally, Wachovia, which had 15 high-transaction ATMs branded with us, was acquired by Wells Fargo, a bank that was not an existing branding customer of ours, at the end of 2008. Furthermore, in 2009, Sovereign Bank, which currently has over 1,150 ATMs branded with us, was acquired by Banco Santander, one of the largest banks in Europe. Although our branding contracts were largely unaffected by these transactions, we cannot assure you that they will remain unaffected by future consolidations that may occur within the banking industry, and in particular, our branding partners.

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

In the United States, we rely on Bank of America, N.A. (Bank of America), Wells Fargo, N.A. (Wells Fargo), and US Bancorp (US Bank) to provide us with the cash that we use in over 18,000 of our domestic devices where cash is not provided by the merchant (vault cash). In the United Kingdom, we rely on Alliance & Leicester Commercial Bank (ALCB) to provide us with the vault cash that we use in over 2,500 of our ATMs. Finally, S.A. Institución de Banca Multiple (Bansi) is our sole vault cash provider in Mexico and provides us with the cash that we use in over 2,300 of our ATMs in that market. Under our vault cash rental agreements with these providers, we pay a vault cash rental fee based on the total amount of vault cash that we are using at any given time. As of December 31, 2009, the balance of vault cash held in our United States, United Kingdom, and Mexico ATMs and financial services kiosks was approximately $895.4 million, $194.9 million, and $41.3 million, respectively.

Under our vault cash rental agreements, at all times during this process, beneficial ownership of the cash is retained by the cash providers, and we have no access or right to the cash except for those ATMs that are serviced by our wholly-owned armored courier operation in the United Kingdom. While our armored courier operation has physical access to the cash loaded in those machines, beneficial ownership of that cash remains with the cash provider at all times.

Our existing vault cash rental agreements expire at various times from March 2011 through December 2013. However, each provider has the right to demand the return of all or any portion of its cash at any time upon the occurrence of certain events beyond our control, including certain bankruptcy events of us or our subsidiaries, or a breach of the terms of our cash provider agreements. Other key terms of our agreements include the requirement that the cash providers provide written notice of their intent not to renew. Such notice provisions typically require a minimum of 180 to 360 days notice prior to the actual termination date. If such notice is not received, then the contracts will typically automatically renew for an additional one-year period. Additionally, our contract with one of our vault cash providers contains a provision that allows the provider to modify the pricing terms contained within the agreement at any time with 90 days prior written notice. However, in the event both parties do not agree to the pricing modifications, then either party may provide 180 days prior written notice of its intent to terminate.

If our vault cash providers were to demand return of their cash or terminate their arrangements with us and remove their cash from our devices, or if they fail to provide us with cash as and when we need it for our operations, our ability to operate our devices would be jeopardized, and we would need to locate alternative sources of vault cash. In the event this was to happen, the terms and conditions of the new or renewed agreements could potentially be less favorable to us, which would negatively impact our results of operations.

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

For the year ended December 31, 2009, we derived 49.0% of our total revenues from ATMs and financial services kiosks placed at the locations of our five largest merchant customers. For the year ended December 31, 2009, our top five merchants (based on our total revenues) were 7-Eleven, Inc. (7-Eleven), CVS Caremark Corporation (CVS), Walgreen Co. (Walgreens), Target Corporation (Target), and Hess Corporation (Hess). 7-Eleven, which is the single largest merchant customer in our portfolio, comprised approximately

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31% of our total revenues for the year ended December 31, 2009. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven as well as our other top merchants.

The loss of any of our largest merchants or a decision by any one of them to reduce the number of our devices placed in their locations would result in a decline in our revenues. Furthermore, if their financial condition were to deteriorate in the future and, as a result, one of more of these merchants was required to close a significant number of their domestic store locations, our revenues would be significantly impacted. Additionally, these merchants may elect not to renew their contracts when they expire. The contracts we have with our top five merchants have expiration dates of July 20, 2017; August 22, 2012; December 31, 2013; January 31, 2016; and December 31, 2013, respectively. Even if such contracts are renewed, the renewal terms may be less favorable to us than the current contracts. If any of our five largest merchants enters bankruptcy proceedings and rejects its contract with us, fails to renew its contract upon expiration, or if the renewal terms with any of them are less favorable to us than under our current contracts, it could result in a decline in our revenues and gross profits.

In May 2009, we settled a long-standing lawsuit with one of our merchant customers who was the seventh and fifth largest merchant customer in our portfolio (based on revenues) during the years ended December 31, 2009 and 2008, respectively. In accordance with the settlement, our placement agreement with this merchant and the related bank branding agreement associated with those ATMs were terminated. As a result of this loss, our revenues were negatively impacted during 2009 and will continue to be negatively impacted in the future. Any additional losses of our large merchant customers could result in further declines in our revenues and gross profits.

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

7-Eleven is the single largest merchant customer in our portfolio, representing approximately 31% of our total revenues for the year ended December 31, 2009. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven. If 7-Eleven s financial condition were to deteriorate in the future and, as a result, it was required to close a significant number of its domestic store locations, our financial results would be significantly impacted. Additionally, while the underlying placement agreement with 7-Eleven has an initial term of ten years, we may not be successful in renewing such agreement with 7-Eleven upon the end of that initial term, or such renewal may occur with terms and conditions that are not as favorable to us as those contained in the current agreement. Furthermore, the placement agreement executed with 7-Eleven contains certain terms and conditions that, if we fail to meet such terms and conditions, gives 7-Eleven the right to terminate the placement agreement or our exclusive right to provide certain services.

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

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

For example, during the fourth quarter of 2007 and the full year of 2008, our results of operations were negatively impacted by a higher percentage of downtime experienced by our ATMs in the United Kingdom as

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a result of certain third-party service-related issues. If such disruption of service should recur, our relationships with the affected merchants could be materially negatively impacted. Furthermore, any disruptions in service in any of our markets, whether caused by us or by third party providers, may result in a loss of revenues under certain of our contractual arrangements that contain minimum service-level requirements.

Additionally, in February 2010, Mt. Vernon Money Center (MVMC), one of our third-party armored service providers in the Northeast, ceased all cash replenishment operations for its customers following the arrest on charges of bank fraud of its founder and principal owner. Following that arrest, it is our understanding that the FBI seized all vault cash in the possession of MVMC. A few days later, the U.S. District Court in the Southern District of New York (the Court) appointed a receiver (the Receiver) to, among other things, seize all of the other assets in the possession of MVMC. While we currently do not believe that this event will have a material adverse affect on our operations, we were required to convert over 1,000 ATMs that were being serviced by MVMC to another third-party armored service provider, resulting in a minor amount of downtime being experienced by those ATMs. Further, based upon the Receiver s report dated March 1, 2010, and filed with the Court on that same date, it appears that some of the vault cash that was delivered to MVMC on our behalf was either commingled with vault cash belonging to MVMC s other customers or was misappropriated by MVMC. Regardless, we currently believe that our existing insurance policies will cover any cash losses that we may incur resulting from this incident, less any deductible payments required to be paid by us under such policies. If it is ultimately determined that we have suffered cash losses in connection with this incident, the timing of recognition of such losses and the related insurance reimbursement amounts may not coincide.

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

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

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

During 2008, we implemented our own armored courier operation in the United Kingdom. We are currently providing armored services to over 780 of our ATMs in that market and expect to transition approximately 800 additional locations over to our operation during 2010 by opening a second depot in that market. The armored transport business exposes us to significant risks, including the potential for cash-in-transit losses, as well as claims for personal injury, wrongful death, worker s compensation, punitive damages, and general liability. While we will seek to maintain appropriate levels of insurance to adequately protect us from these risks, there can be no assurance that we will avoid significant future claims or adverse publicity related thereto. Furthermore, there can be no assurance that our insurance coverage will be adequate to cover potential liabilities or that insurance coverage will remain available at costs that are acceptable to us. The availability of quality and reliable insurance coverage is an important factor in our ability to successfully operate this aspect of our operations. A successful claim brought against us for which coverage is denied or that is in excess of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

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Security breaches could harm our business by compromising customer information and disrupting our transaction processing services, thus damaging our relationships with our merchant customers and exposing us to liability.

As part of our transaction processing services, we electronically process and transmit sensitive cardholder information. In recent years, companies that process and transmit this information have been specifically and increasingly targeted by sophisticated criminal organizations in an effort to obtain the information and utilize it for fraudulent transactions. Unauthorized access to our computer systems, or those of our third-party service providers, could result in the theft or publication of the information or the deletion or modification of sensitive records, and could cause interruptions in our operations. While the security risks outlined above are mitigated by the use of encryption and other techniques, any inability to prevent security breaches could damage our relationships with our merchant customers and expose us to liability.

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

Computer viruses could infiltrate our systems, thus disrupting our delivery of services and making our applications unavailable. Although we utilize several preventative and detective security controls in our network, any inability to prevent computer viruses could damage our relationships with our merchant customers and cause us to be in non-compliance with applicable network rules and regulations.

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

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

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

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

The inaccurate settlement of funds between the various parties to our ATM transactions could harm our business and our relationships with our merchants.

As of December 31, 2009, we had transitioned a majority of our Company- and merchant-owned devices from third-party processors to our own EFT transaction processing platform, with the exception of roughly 3,600 ATMs that were under contract with a third-party processing organization through the end of 2009. These remaining ATMs are scheduled to be converted over to our own EFT transaction processing platform by the second quarter of 2010. If not performed properly, the processing of transactions conducted on our devices could result in the inaccurate settlement of funds between the various parties to those transactions and expose us to increased liability.

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

Interest on amounts borrowed under our revolving and swing line credit facilities is based on floating interest rates, and our vault cash rental expense is based on market interest rates. As a result, our interest expense and cash management costs are sensitive to changes in interest rates. Vault cash is the cash we use in our machines in cases where cash is not provided by the merchant. We pay rental fees on the average amount of vault cash outstanding in our ATMs under floating rate formulas based on the LIBOR to Bank of America, Wells Fargo, and US Bank in the United States and ALCB in the United Kingdom. Additionally, in Mexico, we pay a monthly rental fee to our vault cash provider under a formula based on the Mexican Interbank Rate. Although we currently hedge a significant portion of our vault cash interest rate risk related to our operations in the United States and in the United Kingdom through December 31, 2013, we may not be able to enter into similar arrangements for similar amounts in the future. Furthermore, we have not currently entered into any derivative financial instruments to hedge our variable interest rate exposure in Mexico. Any significant future increases in interest rates could have a negative impact on our earnings and cash flow by increasing our operating costs and expenses. See Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk Disclosure about Market Risk Interest Rate Risk in our 2009 Form 10-K.

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

As of December 31, 2009, there was approximately $1.1 billion in vault cash held in our domestic and international devices. Although legal and equitable title to such cash is held by the cash providers, any loss of such cash from our ATMs through theft or other means is typically our responsibility. We typically require that our cash service providers maintain adequate insurance coverage in the event cash losses occur as a result of misconduct or negligence on the part of such providers. However, we also maintain our own insurance policies to cover a significant portion of any losses that may occur that may ultimately not be covered by the insurance policies maintained by our service providers. In the event we incur losses that are covered by our insurance carriers, we will be required to fund a portion of those losses through the payment of any related deductible amounts under those policies. Furthermore, any increase in the frequency and/or amounts of such thefts and losses could negatively impact our operating results as a result of higher deductible payments and increased insurance premiums. Additionally, any damage sustained to our merchant customers store locations in connection with any ATM-related thefts, if extensive and frequent enough in nature, could negatively impact our relationships with such merchants and impair our ability to deploy additional ATMs in those locations (or new locations) with those merchants in the future. Finally, impacted merchants may request, and have requested on a limited basis, that we remove ATMs from store locations that have suffered damage as a result of ATM-related thefts, thus negatively impacting our financial results.

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

The ATM business is and can be expected to remain highly competitive. Our principal competition comes from independent ATM companies in the United States and the United Kingdom, and national and regional financial institutions in the United Kingdom and Mexico. Additionally, we experience competition from national and regional financial institutions in the United States that are not currently bank branding customers or members of our Allpoint surcharge-free ATM network. Our competitors could prevent us from obtaining or maintaining desirable locations for our devices, cause us to reduce the surcharge revenue generated by transactions at our devices, or cause us to pay higher merchant fees, thereby reducing our profits. In addition to our current competitors, additional competitors may enter the market. We can offer no assurance that we will be able to compete effectively against these current and future competitors. Increased competition could result in transaction fee reductions, reduced gross margins and loss of market share.

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

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

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

We have been an active business acquirer both in the United States and internationally, and may continue to be active in the future. The acquisition and integration of businesses involves a number of risks. The core risks are in the areas of valuation (negotiating a fair price for the business based on inherently limited due diligence) and integration (managing the complex process of integrating the acquired company s people, products, technology and other assets so as to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition).

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. The diversion of management s attention and any delays or difficulties encountered in connection with acquisitions and the integration of the two companies operations could have an adverse effect on our business, results of operations, financial condition or prospects.

In addition, acquired businesses may not achieve anticipated revenues, earnings or cash flows. Any shortfall in anticipated revenues, earnings or cash flows could require us to write down the carrying value of the intangible assets associated with any acquired company, which would adversely affect our reported earnings. For example, during the year ended December 31, 2008, we recorded a $50.0 million impairment charge to write down the value of the goodwill associated with our investment in Bank Machine.

Since May 2001, we have acquired 14 ATM networks and one surcharge-free ATM network. Prior to our E*TRADE Access acquisition in June 2004, we had acquired only the assets of deployed ATM networks, rather than businesses and their related infrastructure. While we have not completed any significant acquisitions since our July 2007 acquisition of the financial services business of 7-Eleven, we expect to continue to evaluate selected acquisition opportunities that complement our existing network, some of which could be material. We currently anticipate that any such future acquisitions will likely reflect a mix of asset acquisitions and acquisitions of businesses, with each acquisition having its own set of unique characteristics. To the extent that we elect to acquire an existing company or the operations, technology, and personnel of another ATM provider, we may assume some or all of the liabilities associated with the acquired company and face new and added challenges integrating such acquisition into our operations.

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

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

As of December 31, 2009, approximately 16% of our devices were located in the United Kingdom and Mexico. Those devices contributed 17.8% of our gross profits (exclusive of depreciation, accretion, and amortization) for the year ended December 31, 2009. We expect to continue to expand in the United Kingdom

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and Mexico and potentially into other countries as opportunities arise. However, our international operations are subject to certain inherent risks, including:

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

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

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

unanticipated political and social instability that may be experienced in developing countries;

rising crime rates in certain of the areas we operate in, including increased incidents of crimes against store personnel where our ATMs are located;

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

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

Any of these factors could reduce the profitability and revenues derived from our international operations and international expansion. For example, during the latter half of 2008 and during 2009, we incurred reduced revenues as a consequence of the United States dollar strengthening relative to the British pound and Mexican peso. Additionally, the recent political and social instability in Mexico resulting from an increase in drug-related violence could negatively impact the level of transactions incurred on our existing devices in that market, as well as our ability to successfully grow our business there.

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

We plan to continue expanding our operations internationally with a focus on high growth emerging markets, such as those in Central and Eastern Europe, Central and South America, and the Asia-Pacific region. Because the off-premise ATM industry is relatively undeveloped in these emerging markets, we may not be successful in these expansion efforts. In particular, many of these markets do not currently employ or support an off-premise ATM surcharging model, meaning that we would have to rely on interchange fees as our primary source of revenues. While we have had some success in deploying non-surcharging ATMs in selected markets, such a model requires significant transaction volumes to make it economically feasible to purchase and deploy ATMs. Furthermore, most of the ATMs in these markets are owned and operated by financial institutions, thus increasing the risk that cardholders would be unwilling to utilize an off-premise ATM with an unfamiliar brand. Finally, the regulatory environments in many of these markets are evolving and unpredictable, thus increasing the risk that a particular deployment model chosen at inception may not be economically viable in the future.

In 2008, we recognized a goodwill impairment charge of $50.0 million. If we experience additional impairments of our goodwill or other intangible assets, we will be required to record an additional charge to earnings, which may be significant.

We have a large amount of goodwill and other intangible assets and are required to perform periodic assessments for any possible impairment for accounting purposes. As of December 31, 2009, we had goodwill and other intangible assets of $254.2 million, or 55.2% of our total assets. We periodically evaluate the recoverability and the amortization period of our intangible assets under accounting principles generally accepted in the United States (GAAP). Some of the factors that we consider to be important in assessing whether or not impairment exists include the performance of the related assets relative to the expected historical or projected future operating results, significant changes in the manner of our use of the assets or the

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strategy for our overall business, and significant negative industry or economic trends. These factors, assumptions, and any changes in them could result in an impairment of our goodwill and other intangible assets. In the event we determine our goodwill or amortizable intangible assets are impaired, we may be required to record a significant charge to earnings in our financial statements, which would negatively impact our results of operations and that impact could be material. For example, during the year ended December 31, 2008, we recorded a $50.0 million goodwill impairment charge. Additionally, during each of the years ended December 2009 and 2008, we recorded $0.4 million in net impairment charges associated with intangibles related to our acquired merchant contracts/relationships. Other impairment charges in the future may also adversely affect our results of operations.

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

As of December 31, 2009, we had outstanding indebtedness of approximately $307.3 million, which represents 100.4% of our total capitalization of $306.0 million. Our substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including financial and other restrictive covenants, could result in an event of default under the indentures governing our senior subordinated notes and the agreements governing our other indebtedness;
- require us to dedicate a substantial portion of our cash flow in the future to pay principal and interest on our debt, which will reduce the funds available for working capital, capital expenditures, acquisitions, and other general corporate purposes;
- limit our flexibility in planning for and reacting to changes in our business and in the industry in which we operate;
- make us more vulnerable to adverse changes in general economic, industry and competitive conditions, and adverse changes in government regulation; and
- limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy, research and development costs, or other purposes.

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

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

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

- sell or transfer property or assets;
- pay dividends on or redeem or repurchase stock;

merge into or consolidate with any third party;

create, incur, assume or guarantee additional indebtedness;

create certain liens;

make investments;

engage in transactions with affiliates;

issue or sell preferred stock of restricted subsidiaries; and

enter into sale and leaseback transactions.

In addition, we are required by our credit agreement to maintain specified financial ratios and limit the amount of capital expenditures incurred in any given 12-month period. While we currently have the ability to borrow the full amount available under our credit agreement, as a result of these ratios and limits, we may be limited in the manner in which we conduct our business in the future and may be unable to engage in favorable business activities or finance our future operations or capital needs. Accordingly, these restrictions may limit our ability to successfully operate our business and prevent us from fulfilling our debt obligations. A failure to comply with the covenants or financial ratios could result in an event of default. In the event of a default under our credit agreement, the lenders could exercise a number of remedies, some of which could result in an event of default under the indentures governing the senior subordinated notes. An acceleration of indebtedness under our credit agreement would also likely result in an event of default under the terms of any other financing arrangement we have outstanding at the time. If any or all of our debt were to be accelerated, we cannot assure you that our assets would be sufficient to repay our indebtedness in full. If we are unable to repay any amounts outstanding under our bank credit facility when due, the lenders will have the right to proceed against the collateral securing our indebtedness. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Facilities, included elsewhere herein.

We incurred substantial losses in the past and may incur losses again in the future.

Although we generated a net profit of $5.3 million for the year ended December 31, 2009, we incurred net losses in the preceding four years. As of December 31, 2009, we had an accumulated deficit of $96.9 million. There can be no guarantee that we will continue to achieve profitability in the future. Even if we continue to be profitable, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase such profitability on a quarterly or annual basis.

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

With its initial roots in the banking industry, the United States ATM industry is regulated by the rules and regulations of the federal Electronic Funds Transfer Act, which establishes the rights, liabilities, and responsibilities of participants in EFT systems. The vast majority of states have few, if any, licensing requirements. However, legislation related to the United States ATM industry is periodically proposed at the state and local level. Additionally, the recent increase in surcharge fees by several large financial institutions has prompted certain members of the United States Congress to call for a reexamination of the interchange and surcharge fees that consumers are charged at an ATM. To date, no such legislation has been enacted that materially adversely affects our business. In the United Kingdom, the ATM industry is largely self-regulating. Most ATMs in the United Kingdom are part of the LINK network and must operate under the network rules set forth by LINK, including complying with rules regarding required signage and screen messages. Additionally, legislation is proposed from time-to-time at the national level, though nothing to date has been enacted that materially affects our business.

Finally, the ATM industry in Mexico has been historically operated by financial institutions. Banco de Mexico supervises and regulates ATM operations of both financial institutions and non-bank ATM deployers. Although, Banco de Mexico s regulations permit surcharge fees to be charged in ATM transactions, it has not issued specific regulations for the provision of ATM services. In addition, in order for a non-bank ATM deployer to provide ATM services in Mexico, the deployer must be affiliated with PROSA-RED or E-Global, which are credit card and debit card proprietary networks that transmit information and settle ATM transactions between their participants. As only financial institutions are allowed to be participants of PROSA-RED or E-Global, Cardtronics Mexico entered into a joint venture with Bansi, who is a member of PROSA-RED. As a financial institution, Bansi and all entities in which it participates, including Cardtronics Mexico,

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are regulated by the Ministry of Finance and Public Credit (Secretaria de Hacienda y Crédito Público) and supervised by the Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). Additionally, Cardtronics Mexico is subject to the provisions of the Ley del Banco de Mexico (Law of Banco de Mexico), the Ley de Instituciones de Crédito (Mexican Banking Law), and the Ley para la Transparencia y Ordenamiento de los Servicios Financieros (Law for the Transparency and Organization of Financial Services).

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

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

Despite the nationwide acceptance of surcharge fees at ATMs in the United States since their introduction in 1996, consumer activists have from time to time attempted to impose local bans or limits on surcharge fees. Even in the few instances where these efforts have passed the local governing body (such as with an ordinance adopted by the city of Santa Monica, California), federal courts have overturned these local laws on federal preemption grounds. However, those efforts may resurface and, should the federal courts abandon their adherence to the federal preemption doctrine, those efforts could receive more favorable consideration than in the past. Any successful legislation banning or limiting surcharge fees could result in a substantial loss of revenues and significantly curtail our ability to continue our operations as currently configured.

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

In Mexico, surcharging for off-premise ATMs was legalized in late 2003, but was not formally implemented until July 2005. As such, the charging of fees to consumers to utilize off-premise ATMs is a relatively new event in Mexico. Accordingly, it is too soon to predict whether public concerns over surcharging will surface in Mexico. However, if such concerns were to be raised, and if the applicable legislative or regulatory bodies in Mexico decided to impose limits on the level of surcharges for ATM transactions, our revenue from operations in Mexico would be negatively impacted. In October 2009, Banco de Mexico adopted new rules regarding how ATM operators disclose fees to consumers. The objective of these rules is to provide more transparency to the consumer regarding the cost of a specific ATM transaction, rather than to limit the amount of fees charged to the consumer. The effect of these rules will require ATM operators to elect between receiving interchange fees from card issuers or surcharge fees from consumers. As these new rules only require an ATM operator to disclose the total fees charge to a consumer, rather than limit the amount of fees that can be charged to a consumer, we do not anticipate that these new rules will have a material effect on Cardtronics Mexico s operations. However, we cannot be sure that additional rulings that limit the amount of fees charged to the consumer or that may be earned on an individual ATM transaction will be not adopted in the future.

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Potential new currency designs may require modifications to our ATMs that could severely impact our cash flows.

On November 26, 2006, a U.S. District Court judge ruled that the United States currencies (as currently designed) violate the Rehabilitation Act, a law that prohibits discrimination in government programs on the basis of disability, as the paper currencies issued by the United States are identical in size and color, regardless of denomination. As a consequence of this ruling, the United States Treasury conducted a study to determine the options to make United States paper currency accessible to the blind or visually impaired. It is our understanding that the Bureau of Engraving and Printing (BEP) received that study on or about July 28, 2009, and together with the United States Treasury and the Federal Reserve, are reviewing the study. Upon the completion of that review, these institutions will publish their recommendations and thereafter seek public comments (in writing and at public forums) on those recommendations. Following the public comment period, a final recommendation will be made to the Secretary of the Treasury, who has authority to change the design and features of the currency notes utilized in the United States. While it is still uncertain at this time what impact, if any, this process will have on the ATM industry (including us), it is possible that any changes made to the design of the paper currency notes utilized in the United States could require us to incur additional costs, which could be substantial, to modify our ATMs in order to store and dispense such notes.

Noncompliance with established EFT network rules and regulations could expose us to fines and penalties and could negatively impact our results of operations. Additionally, new EFT network rules and regulations could require us to expend significant amounts of capital to remain in compliance with such rules and regulations.

Our transactions are routed over various EFT networks to obtain authorization for cash disbursements and to provide account balances. These networks include Star, Pulse, NYCE, Cirrus, and Plus in the United States; LINK in the United Kingdom; and PROSA-RED in Mexico. EFT networks set the interchange fees that they charge to the financial institutions, as well as the amounts paid to us. Additionally, EFT networks, including MasterCard and Visa, establish rules and regulations that ATM providers, including ourselves, must comply with in order for member cardholders to use those ATMs. Failure to comply with such rules and regulations could expose us to penalties and/or fines, which could negatively impact our financial results. For example, in the United Kingdom, MasterCard and Visa require compliance with the EMV security standard. This standard provides for the security and processing of information contained on microchips imbedded in certain debit and credit cards, known as smart cards. While we completed our compliance efforts in this regard in 2008, we incurred $1.2 million in charges earlier that year due to transactions conducted on our machines with counterfeit cards prior to the completion of our EMV certification efforts.

In addition to the above, new rules or regulations enacted by the EFT networks could require us to expend significant sums of capital to ensure that our ATMs and financial services kiosks remain in compliance with such rules and regulations. For example, we expended significant sums of capital in recent years to meet the Triple-DES security standards mandated by MasterCard and Visa. Similar rules and regulations that may be enacted in the future could result in us having to make additional capital outlays in order to remain in compliance, some of which could be significant.

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

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

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

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

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

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

Risks Related to the Offering

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

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

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

We may sell additional shares of common stock in subsequent public offerings. We may also issue additional shares of common stock or convertible securities. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Additionally, a number of our stockholders, including the selling stockholders offering securities in this offering, will retain a significant amount of our common stock, even after giving effect to this offering. Our stockholders may freely sell all or some of their holdings in us, in one or more transactions. Sales of substantial amounts of our common stock by us or our stockholders (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock.

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

CapStreet II, L.P. and CapStreet Parallel II, L.P. (together with The CapStreet Group LLC, The CapStreet Group) and TA Associates are our largest equity stockholders. Even after giving effect to this offering, assuming no exercise by the underwriters of their over-allotment option and assuming a public offering price at the midpoint of the range set forth on the cover of this prospectus supplement, affiliates of The CapStreet Group will beneficially own 5,541,074 shares, or 13.3%, of our common stock, and affiliates of TA Associates will beneficially own 8,056,886 shares, or 19.3%, of our common stock. As a result of their ownership interests, these investors will be in a position to exert significant influence over the outcome of matters requiring a stockholder vote, including the election of directors, the entering into of mergers, sales of substantially all of our assets and other extraordinary transactions, and amendments to our certificate of incorporation or bylaws. In addition, this concentration of ownership may have the effect of preventing, discouraging or referring a change of control, which could depress the market price of our common stock. See Selling Stockholders.

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

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

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

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

- authorize the issuance of blank check preferred stock that could be issued by our board of directors to thwart a takeover attempt;
- classify the board of directors into staggered, three-year terms, which may lengthen the time required by a third party to gain control of our board of directors;

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

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

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

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

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

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

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

Our ability to use our net operating loss carryforwards may be subject to limitation and may result in increased future tax liabilities to us.

Generally, a change of more than 50% in the ownership of a corporation s stock, by value, over a three-year period constitutes an ownership change for United States federal income tax purposes. An ownership change may limit a company s ability to use its net operating loss carryforwards attributable to the period prior to such change. The number of shares of common stock sold in connection with this offering may be sufficient, taking into account prior or future shifts in our ownership over a three-year period, to cause us to undergo an ownership change. If an ownership change occurs, and if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards to offset United States federal taxable income may become subject to limitations, which could potentially result in increased future tax liabilities to us. In addition, although we currently have valuation allowances established against our net deferred tax assets, the carrying values of any tax assets related to our net operating loss carryforwards, to the extent recognized, could be significantly reduced.

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USE OF PROCEEDS

All of the shares of common stock covered by this prospectus supplement are being sold by the selling stockholders named in this prospectus supplement. We will not receive any of the proceeds from the sale of the shares of our common stock by the selling stockholders, including from any exercise by the underwriters of their over-allotment option. We will pay the expenses of this offering other than the underwriters discounts and commissions.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2009. You should read this table in conjunction with our Selected Historical Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations, and our historical consolidated financial statements and related notes thereto included in our 2009 Form 10-K, filed with the SEC on March 4, 2010, which is incorporated by reference in this prospectus supplement and the accompanying prospectus. See Where You Can Find More Information.

	As of December 31, 2009 (In thousands)	
Cash and cash equivalents	$	10,449
Debt (including current maturities):		
Revolving credit facility	$	
Long-term notes payable and capital lease obligations		10,045
$300.0 million 9.25% senior subordinated notes due 2013, net of discounts of $2.8 million		297,242
Total debt		307,287
Stockholders deficit:		
Common stock, par value $0.0001 per share, 125,000,000 shares authorized; 46,238,028 shares issued; 40,900,532 shares outstanding		4
Additional paid-in capital		200,323
Accumulated other comprehensive loss, net		(57,618)
Accumulated deficit		(96,922)
Treasury stock, 5,337,496 shares as cost		(48,679)
Total parent stockholders deficit		(2,892)
Noncontrolling interests		1,602
Total stockholders deficit		(1,290)
Total capitalization	$	305,997

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PRICE RANGE OF OUR COMMON STOCK

As of March 15, 2010, we had 41,658,756 shares of common stock outstanding, held by approximately 100 holders of record. Our common stock trades on the NASDAQ Global Market under the symbol CATM. The following table reflects the high and low closing sales prices for our common stock as reported on the NASDAQ Global Market for the periods indicated:

	High	Low
Fiscal Year Ended December 31, 2010		
First Quarter (through March 30, 2010)	$ 12.90	$ 9.64
Fiscal Year Ended December 31, 2009		
Fourth Quarter	$ 12.16	$ 7.74
Third Quarter	8.06	3.47
Second Quarter	4.05	1.81
First Quarter	2.02	0.85
Fiscal Year Ended December 31, 2008		
Fourth Quarter	$ 8.16	$ 0.47
Third Quarter	9.48	3.37
Second Quarter	10.44	5.88
First Quarter	10.30	6.60

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DIVIDENDS

We have historically not paid, nor do we anticipate paying, dividends with respect to our common stock. Instead, we anticipate that all of our earnings in the foreseeable future will be used for the operation and growth of our business. Our ability to pay dividends to holders of our common stock is currently prohibited by the terms of our credit facility. For further information on restrictions regarding our ability to pay dividends, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing Facilities Revolving Credit Facility, Senior Subordinated Notes and Part II, Item 8. Financial Statements and Supplementary Data, Note 11 to our 2009 Form 10-K. Any future determination to pay dividends on our common stock is subject to the discretion of our board of directors and will depend upon various factors, including our financial position, results of operations, liquidity requirements, restrictions that may be imposed by applicable law and our contracts, including our credit facility and the indentures governing our senior subordinated notes, and other factors deemed relevant by our board of directors.

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SELECTED HISTORICAL FINANCIAL DATA

As a result of our acquisition of the 7-Eleven Financial Services Business in July 2007 and Bank Machine in May 2005, our financial results for the years presented below are not comparable. As a result, the following selected historical consolidated financial and operating data should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes to those statements from our 2009 Form 10-K, which is incorporated herein by reference. The selected consolidated balance sheet data as of December 31, 2007, 2008, and 2009 and the selected consolidated statements of operations data for the years ended December 31, 2006, 2007, 2008, and 2009 have been derived from our audited consolidated financial statements from our Annual Reports on Forms 10-K for the years ended December 31, 2008 and 2009. The balance sheet data as of December 31, 2005 and 2006, and the statements of operations data for the year ended December 31, 2005 have been derived from our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2006, which is not included in or incorporated by reference in this prospectus. Historical results are not necessarily indicative of the results to be expected in the future.

	For the Years Ended December 31,				
	2005	**2006**	**2007**	**2008**	**2009**
	(In thousands, except share and per share amounts)				
Consolidated Statements of Operations Data:					
Revenues:					
ATM operating revenues	$ 258,979	$ 280,985	$ 365,322	$ 475,800	$ 483,138
ATM product sales and other revenues	9,986	12,620	12,976	17,214	10,215
Total revenues	268,965	293,605	378,298	493,014	493,353
Cost of revenues:					
Cost of ATM operating revenues (excludes depreciation, accretion, and amortization shown separately below)(1)	199,767	209,850	281,705	362,916	333,907
Cost of ATM product sales and other revenues	9,681	11,443	11,942	15,625	10,567
Total cost of revenues	209,448	221,293	293,647	378,541	344,474
Gross profit	59,517	72,312	84,651	114,473	148,879
Operating expenses:					
Selling, general, and administrative expenses	17,865	21,667	29,357	39,068	41,527
Depreciation and accretion expense	12,951	18,595	26,781	39,164	39,420
Amortization expense(2)	8,980	11,983	18,870	18,549	18,916
Loss on disposal of assets	1,036	1,653	2,485	5,807	6,016
Goodwill impairment charge				50,003	
Total operating expenses	40,832	53,898	77,493	152,591	105,879
Income (loss) from operations	18,685	18,414	7,158	(38,118)	43,000
Other (income) expense:					
Interest expense, net	15,485	23,143	29,523	31,090	30,133
	6,941	1,929	1,641	2,107	2,395

Amortization and write-off of financing costs and bond discounts[3]					
Other expense (income)[4]	(68)	(6,414)	(626)	93	456
Total other expense	22,358	18,658	30,538	33,290	32,984
Income (loss) before income taxes	(3,673)	(244)	(23,380)	(71,408)	10,016
Income tax expense (benefit)	(1,270)	512	4,477	989	4,245
Net (loss) income	(2,403)	(756)	(27,857)	(72,397)	5,771

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	For the Years Ended December 31,				
	2005	2006	2007	2008	2009
	(In thousands, except share and per share amounts)				
Net income (loss) attributable to noncontrolling interests	15	(225)	(376)	(1,022)	494
Net income (loss) attributable to controlling interests	(2,418)	(531)	(27,481)	(71,375)	5,277
Preferred stock conversion and accretion expense	1,395	265	36,272		
Net income (loss) attributable to controlling interests and available to common stockholders	$ (3,813)	$ (796)	$ (63,753)	$ (71,375)	$ 5,277
Net income (loss) per common share basic and diluted	$ (0.27)	$ (0.06)	$ (4.13)	$ (1.84)	$ 0.13
Weighted average shares outstanding basic	14,040,353	13,904,505	15,423,744	38,800,782	39,244,057
Weighted average shares outstanding diluted	14,040,353	13,904,505	15,423,744	38,800,782	39,896,366
Consolidated Statements of Cash Flows Data:					
Cash flows from operating activities	$ 33,227	$ 25,446	$ 55,108	$ 16,218	$ 74,874
Cash flows from investing activities	(139,960)	(35,973)	(202,529)	(60,476)	(26,031)
Cash flows from financing activities	107,214	11,192	158,155	34,507	(42,232)
Operating Data (unaudited):					
Total number of devices (at period end)	26,208	25,259	32,319	32,950	33,408
Total transactions	156,851	172,808	247,270	354,391	383,323
Total cash withdrawal transactions	118,960	125,078	166,248	228,306	244,378

	As of December 31,				
	2005	2006	2007	2008	2009
	(In thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$ 1,699	$ 2,718	$ 13,439	$ 3,424	$ 10,449

Total assets	343,751	367,756	590,737	480,828	460,404
Total long-term debt and capital lease obligations, including current portion	247,624	252,895	310,744	347,181	307,287
Preferred stock	76,329	76,594			
Total stockholders equity (deficit)	(49,084)	(37,168)	106,720	(19,750)	(1,290)

(1) Costs of ATM Operating Revenues excludes depreciation, accretion, and amortization expense of $20.6 million, $29.2 million, $43.1 million, $52.4 million, and $51.5 million for the years ended December 31, 2005, 2006, 2007, 2008 and 2009, respectively.

(2) Amortization expense includes pre-tax impairment charges of $1.2 million, $2.8 million, $5.7 million, $0.4 million, and $1.2 million for the years ended December 31, 2005, 2006, 2007, 2008, and 2009, respectively.

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

(4) Other for the year ended December 31, 2006 reflects the recognition of approximately $4.8 million in other income primarily related to settlement proceeds received from Winn-Dixie Stores, Inc., one of our merchant customers, as a part of its emergence from bankruptcy, a $1.1 million contract termination payment received from one of our customers, and a $0.5 million payment received from one of our customers related to the sale of a number of its stores to another party.

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

Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that are based on management s current expectations, estimates, and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of numerous factors, including those we discuss under Risk Factors, which begin on page S-9 of this prospectus supplement. Additionally, you should read the following discussion together with the historical consolidated financial statements and the related notes included in our 2009 Form 10-K.

Our discussion and analysis includes the following:

- Economic and Strategic Outlook
- Overview of Business
- Developing Trends in the ATM and Financial Services Industry
- Recent Events
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- New Accounting Pronouncements Issued but Not Yet Adopted
- Commitments and Contingencies

Certain unaudited pro forma financial and operational information has been presented herein as if the Company s acquisition of the financial service business of 7-Eleven, Inc. (the 7-Eleven Financial Services Business), which was consummated in July 2007, occurred at the beginning of the year on January 1, 2007. This unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of what our actual financial or operational results would have been had the acquisition (the 7-Eleven ATM Transaction) been consummated on such date. This unaudited pro forma information should be read in conjunction with our historical consolidated financial statements and the related notes, included in our 2009 Form 10-K.

Economic and Strategic Outlook

Over the past several years, we made significant capital investments in our business, including (1) the acquisition of our United Kingdom operation in 2005, (2) our expansion into Mexico in 2006, (3) the launch of our EFT transaction processing platform in 2006, (4) our acquisition of the ATM and consumer financial services business of 7-Eleven in 2007, and (5) the launch of our armored courier operation in the United Kingdom in 2008. Additionally, during this same period of time, we continued to deploy ATMs in high-traffic locations under our contracts with large, well-known retailers, which has led to the development of relationships with large financial institutions through bank branding opportunities and enhanced the value of our wholly-owned surcharge-free network, Allpoint. As a result of these strategic actions and the relatively conservative use of capital during this time, the negative impact of the recent economic downturn on our business has been, and we expect will continue to be, mitigated by the following:

Stable and recurring nature of our business. Our financial results for the year ended December 31, 2009 demonstrate that the significant capital investments made over the past several years have provided us with an operating platform that we believe should continue to generate relatively stable earnings and consistent cash flows. Based on our recent results, transactions conducted on our ATMs have not been negatively affected by the recent economic downturn and we currently expect that this trend will continue. For example, average monthly cash withdrawal transactions per ATM increased to 616 during 2009 from 579 in 2008. Furthermore, while we have seen declines in surcharge-related withdrawal transactions in the United States and the United

Kingdom, we have continued to see increases in overall withdrawal transaction levels (especially surcharge-free withdrawal transactions), which increased by approximately 7% from 2008 to 2009.

Strong liquidity position. We believe that we have sufficient liquidity to meet our anticipated operating needs for the foreseeable future. Our $175.0 million revolving credit facility does not expire until May 2012 and is comprised of a syndicate of leading large financial institutions. As of December 31, 2009, we had no borrowings outstanding under this facility and $4.7 million in letters of credit posted under the facility, leaving us $170.3 million in available, committed funding. Our remaining indebtedness included $0.2 million of capital leases in the United States, $9.8 million of secured equipment loans in Mexico, and $300.0 million in senior subordinated notes. The fixed-rate notes, which mature in August 2013, contain no maintenance covenants and only limited incurrence covenants, which we continue to be in compliance with, and require only semi-annual interest payments prior to their maturity date.

Product diversification. Over the past few years, we have consciously worked to diversify our product and service offerings beyond the traditional ATM surcharging model, which we believe will provide for future growth opportunities that we do not expect to require significant amounts of new capital. Examples of these growth opportunities include (1) providing managed services offerings to financial institutions and retailers with dispersed ATM and financial services kiosk networks; (2) adding more third parties to our EFT transaction processing platform, similar to the arrangement we currently have in place to process transactions for over 1,600 ATMs owned and operated by a third-party convenience store chain in the United States; (3) continued expansion and improvement in the types of services that we currently offer through our multi-function financial services kiosks located in 7-Eleven convenience stores across the United States; and (4) continued growth in our bank branding and surcharge-free offerings.

Overview of Business

As of December 31, 2009, we operated a network of over 33,400 ATMs, including approximately 2,200 financial services kiosks, throughout the United States (including Puerto Rico), the United Kingdom and Mexico. Our extensive network is strengthened by multi-year contractual relationships with a wide variety of nationally and internationally-known merchants pursuant to which we operate ATMs and financial services kiosks in their locations. We deploy our devices under two distinct arrangements with our merchant partners: Company-owned and merchant-owned arrangements.

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

Typically, we deploy our devices under Company-owned arrangements for our national and regional merchant customers. Our customers include 7-Eleven, Chevron, Costco, CVS, ExxonMobil, Hess, Rite Aid, Safeway, Target, Walgreens, and Winn-Dixie in the United States; Asda, Euro Garages Ltd., Forces Financial, IKEA, Martin McColl Ltd., Murco Petroleum Ltd., The Noble Organisation Ltd., Tates Ltd., and Welcome Break in the United Kingdom;

and OXXO in Mexico. Because Company-owned locations are controlled by us (i.e., we control the on-line availability of the machines), are usually located in major national chains, and are thus more likely candidates for additional sources of revenue such as bank branding, they generally offer higher transaction volumes and greater profitability, which we consider necessary to justify the upfront capital cost of installing such machines. As of December 31, 2009, we operated approximately 22,870 devices under Company-owned arrangements.

Merchant-owned Arrangements. Under a merchant-owned arrangement, a merchant owns the device and is responsible for its first-line maintenance and the majority of the operating costs; however, we generally continue to provide all transaction processing services, second-line maintenance, 24-hour per day monitoring and customer service, and, in some cases, retain responsibility for providing and loading cash. We typically enter into merchant-owned arrangements with our smaller, independent merchant customers. In situations where a merchant purchases a device from us, the merchant normally retains responsibility for providing cash for the device. Because the merchant bears more of the operating costs under this arrangement, the merchant typically receives a higher fee on a per-transaction basis than is the case under a Company-owned arrangement. In merchant-owned arrangements under which we have assumed responsibility for providing and loading cash and/or second line maintenance, the merchant receives a smaller fee on a per-transaction basis than in the typical merchant-owned arrangement. As of December 31, 2009, we operated approximately 10,540 devices under merchant-owned arrangements.

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

Electronic Funds Transfer (EFT) Transaction Processing. As of December 31, 2009, we had substantially completed the process of converting our devices from various third-party transaction processing companies to our own EFT transaction processing platform, with the exception of approximately 3,600 traditional ATMs placed in 7-Eleven stores that are in the process of being converted in 2010. We were historically unable to transition these ATMs over to our platform as we were under-contract with a third party to provide the transaction processing services for these machines through December 2009. Our EFT transaction processing capabilities provide us with the ability to control the processing of transactions conducted on our network and allow us to control the content of the information appearing on the screens of our devices, which increases the types of products and services that we are able to offer to financial institutions. For example, with the ability to control screen flow, we are able to offer customized branding solutions to financial institutions, including one-to-one marketing and advertising services at the point of transaction. Additionally, the transition of our devices to our own EFT transaction processing platform has provided us with operational cost savings in terms of lower overall processing costs.

As our EFT transaction processing efforts are focused on controlling the flow and content of information on the device screens, we typically rely on third party service providers to handle the generic back-end connections to the EFT networks and limited funds settlement and reconciliation processes for our Company-owned accounts.

Components of Revenues, Cost of Revenues, and Expenses

Revenues

We derive our revenues primarily from providing ATM and automated consumer financial services and, to a lesser extent, from branding arrangements, surcharge-free network offerings, and sales of ATM equipment. We currently classify revenues into two primary categories: ATM operating revenues and ATM product sales and other revenues.

ATM Operating Revenues. We present revenues from ATM and automated consumer financial services, branding arrangements, and surcharge-free network offerings as ATM operating revenues in our Consolidated Statements of

Operations. These revenues include the fees we earn per transaction on our network, fees we generate from bank branding arrangements and our surcharge-free network offerings, and fees earned from providing certain maintenance services. Our revenues from ATM services have increased rapidly in recent years due to the acquisitions we have completed since 2001, as well as through internal expansion of our existing and acquired networks.

ATM operating revenues primarily consist of the three following components: (1) surcharge revenue, (2) interchange revenue, and (3) branding and surcharge-free network revenue.

Surcharge revenue. A surcharge fee represents a convenience fee paid by the cardholder for making a cash withdrawal from an ATM. Surcharge fees often vary by the type of arrangement under which we place our ATMs and can vary widely based on the location of the ATM and the nature of the contracts negotiated with our merchants. In the future, we expect that surcharge fees per surcharge-bearing transaction will vary depending upon negotiated surcharge fees at newly-deployed ATMs, the roll-out of additional branding arrangements, and future negotiations with existing merchant partners, as well as our ongoing efforts to improve profitability through improved pricing. For those ATMs that we own or operate on surcharge-free networks, we do not receive surcharge fees related to withdrawal transactions from cardholders who are participants of such networks, but rather we receive interchange and branding revenues (as discussed below). Surcharge fees in the United Kingdom are typically higher than the surcharge fees charged in the United States. In Mexico, domestic surcharge fees are generally less than those charged in the United States, except for machines that dispense U.S. dollars, where we charge an additional foreign currency convenience fee.

Interchange revenue. An interchange fee is a fee paid by the cardholder s financial institution for the use of an ATM owned by another operator and the applicable EFT network that transmits data between the ATM and the cardholder s financial institution. We typically receive a majority of the interchange fee paid by the cardholder s financial institution, with the remaining portion being retained by the EFT network. In the United States and Mexico, interchange fees are earned not only on cash withdrawal transactions but on any ATM transaction, including balance inquiries, transfers, and surcharge-free transactions. However, based on recent legislation passed in Mexico, ATM operators will be required in the future to elect between receiving interchange fees from card issuers or surcharge fees from consumers. In the United Kingdom, interchange fees are earned on all ATM transactions other than pay-to-use cash withdrawals. Interchange fees are set by the EFT networks and vary according to EFT network arrangements with financial institutions, as well as the type of transaction. Such fees are typically lower for balance inquiries and fund transfers and higher for withdrawal transactions.

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

Under the Allpoint network, which we acquired through our acquisition of ATM National, Inc. in December 2005, financial institutions who are members of the network pay us either a fixed monthly fee per cardholder or a set fee per transaction in exchange for us providing their cardholders with surcharge-free access to most of our domestic owned and/or operated ATMs. These fees are meant to compensate us for the loss of surcharge revenues. Although we forego surcharge revenues on those transactions, we do continue to earn interchange revenues. We believe that many of these surcharge-free transactions represent withdrawal transactions from cardholders who have not previously utilized the underlying ATMs, and these increased transaction counts more than offset the foregone surcharge. Consequently, we believe that Allpoint enables us to profitably operate in that portion of the ATM transaction market that does not involve a surcharge. Allpoint also works with financial institutions that manage stored-value debit card programs on behalf of corporate entities and governmental agencies, including general purpose, payroll and electronic benefits transfer (EBT) cards. Under these programs, the issuing financial institutions pay Allpoint a fee per issued prepaid debit card in return for allowing the users of those cards surcharge-free access to Allpoint s participating network.

In addition to Allpoint, the ATMs that we operate in 7-Eleven stores, as well as select other merchant locations, participate in the CO-OP network, the nation s largest surcharge-free network devoted exclusively to credit unions. Additionally, the financial services kiosks located in 7-Eleven stores are under an arrangement with Financial Services Centers Cooperative, Inc. (FSCC), a cooperative service organization that provides shared branching services for credit unions, to provide virtual branching services through the machines for members of the FSCC network.

In addition to the above, we also earn ATM operating revenues from the provision of more sophisticated financial services transactions at over 2,200 financial services kiosks that, in addition to standard ATM services, offer bill payment, check cashing, remote deposit capture, and money transfer services.

The following table sets forth, on a historical and pro forma basis, information on our surcharge, interchange, branding and surcharge-free network fees, and other ATM operating revenues per cash withdrawal transaction for the periods indicated. The pro forma information presented below assumes the 7-Eleven ATM Transaction occurred effective January 1, 2007.

	2009	2008	2007	Pro Forma 2007
Per cash withdrawal transaction(1):				
Surcharge revenue(2)	$ 1.04	$ 1.17	$ 1.36	$ 1.31
Interchange revenue(3)	0.61	0.62	0.59	0.59
Branding and surcharge-free network revenue(4)	0.28	0.25	0.21	0.21
Other revenue	0.05	0.04	0.04	0.07
Total ATM operating revenues	$ 1.98	$ 2.08	$ 2.20	$ 2.18

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

(2) Excluding surcharge-free cash withdrawal transactions, per transaction amounts would have been $1.96, $1.88, and $1.88 for the years ended December 31, 2009, 2008, and 2007, respectively, and $1.86 for the pro forma year ended December 31, 2007.

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

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

The decline in our ATM operating revenues per cash withdrawal transaction over the past three years, as reflected in the table above, is primarily attributable to our efforts to increase the percentage of surcharge-free cash withdrawal transactions conducted on our network of devices. Such efforts have resulted in a significant increase in the number of withdrawal transactions being conducted on our devices, and thus, a corresponding increase in the overall revenues earned per device. However, the revenues earned per surcharge-free transaction are typically lower than the per-transaction amounts earned from surcharge-bearing transactions, thus contributing to the per-transaction decline reflected in the table above. Additionally, our ATM operating revenues per cash withdrawal transaction were negatively impacted in 2009 when compared to 2008 due to the effects of foreign currency exchange rate movements.

While our ATM operating revenues per cash withdrawal transaction have declined in recent years, our ATM operating expenses per withdrawal transaction have shown similar, if not greater, declines during the same period. As a result, our overall profitability per ATM during this period has increased significantly, as reflected in the Key Operating Metrics discussion contained below.

The following table presents, on a historical and pro forma basis, the components of our total ATM operating revenues for the years indicated:

	2009	2008	2007	Pro Forma 2007
Surcharge revenue	52.7%	56.0%	61.7%	59.8%
Interchange revenue	31.0	29.6	26.7	27.2
Branding and surcharge-free network revenue	14.1	12.2	9.7	9.7
Other revenue	2.2	2.2	1.9	3.3
Total ATM operating revenues	100.0%	100.0%	100.0%	100.0%

ATM Product Sales and Other Revenues. We present revenues from the sale of ATMs and other non-transaction-based revenues as ATM product sales and other revenues in our Consolidated statements of Operations. These revenues consist primarily of sales of ATMs and related equipment to merchants operating under merchant-owned arrangements, as well as sales under our value-added reseller (VAR) program with NCR. Under our VAR program, we primarily sell ATMs to Associate VARs who in turn resell the ATMs to various financial institutions throughout the United States in territories authorized by the equipment manufacturer. While we expect to continue to derive a portion of our revenues from direct sales of ATMs in the future, we expect that this source of revenue will not comprise a substantial portion of our total revenues in future periods.

Cost of Revenues

Our cost of revenues primarily consists of those costs directly associated with transactions completed on our network of ATMs and financial services kiosks. These costs include merchant fees, vault cash rental expense, other cost of cash, repairs and maintenance expense, processing fees, communications expense, and direct operations expense. To a lesser extent, cost of revenues also includes those costs associated with the sales of ATMs. The following is a description of our primary cost categories:

Merchant Fees. We pay our merchants a fee that depends on a variety of factors, including the type of arrangement under which the device is placed and the number of transactions on that device. For the year ended December 31, 2009, merchant fees represented 32.5% of our ATM operating revenues.

Vault Cash Rental Expense. We pay a fee to our vault cash providers for renting the cash that is maintained in our devices. As the fees we pay under our contracts with our vault cash providers are based on market rates of interest, changes in interest rates affect our cost of cash. In order to limit our exposure to increases in interest rates, we have entered into a number of interest rate swaps on varying amounts of our current and anticipated outstanding cash balances in our domestic and United Kingdom operations through 2013. For the year ended December 31, 2009, vault cash rental expense represented 7.0% of our ATM operating revenues.

Other Cost of Cash. Other cost of cash includes all costs associated with the provision of cash for our devices except for rental expense, including armored courier services, insurance, cash reconciliation, associated wire fees, and other costs. For the year ended December 31, 2009, other cost of cash represented 9.0% of our ATM operating revenues.

Repairs and Maintenance. Depending on the type of arrangement with the merchant, we may be responsible for first and/or second line maintenance for the device. We typically use third parties with national operations to provide these services. Our primary maintenance vendors are Diebold, NCR, and Pendum. For the year ended December 31, 2009, repairs and maintenance expense represented 8.0% of our ATM operating revenues.

Processing Fees. For processing transactions originating on our devices that have not yet been transitioned to our EFT transaction processing platform, we continue to pay fees to third-party vendors. These vendors, which include Elan Financial Services and Fidelity Information Services in the United States, LINK in the United Kingdom, and PROSA-RED in Mexico, communicate with the cardholder s financial institution through EFT networks to gain transaction authorization and to settle transactions. As we have converted most of our domestic devices over to our EFT transaction processing platform except for approximately 3,600 traditional ATMs in 7-Eleven stores that are currently in the process of being converted, we expect to see a slight reduction in our overall processing costs on a go-forward basis.

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

Other Expenses. Other expenses primarily consists of direct operations expenses, which are costs associated with managing our network, including expenses for monitoring the devices, program managers, technicians, and customer service representatives.

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

We define variable costs as those incurred on a per transaction basis. Processing fees and the majority of merchant fees fall under this category. Processing fees and merchant fees accounted for 48.9% of our cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization related to ATMs and ATM-related assets) for the year ended December 31, 2009. Therefore, we estimate that 51.1% of our cost of ATM operating revenues is generally fixed in nature, meaning that any significant decrease in transaction volumes would lead to a decrease in the profitability of our operations, unless there was an offsetting increase in per-transaction revenues or decrease in our fixed costs. Conversely, as a majority of our operating costs are fixed in nature, a significant increase in transaction volumes would lead to an increase in the profitability of our operations. We currently exclude depreciation, accretion, and amortization from ATMs and ATM-related assets from our cost of ATM revenues. However, the inclusion of such costs would have increased the percentage of our cost of ATM operating revenues that we consider fixed in nature by approximately 6.5% for the year ended December 31, 2009.

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

Indirect Operating Expenses

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

Developing Trends in the ATM and Financial Services Industry

Increase in Surcharge-Free Offerings. Many United States banks serving the market for consumer banking services are aggressively competing for market share, and part of their competitive strategy is to

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increase their number of customer touch points, including the establishment of an ATM network to provide convenient, surcharge-free access to cash for their customers. While a large owned-ATM network would be a key strategic asset for a bank, we believe it would be uneconomical for all but the largest banks to build and operate an extensive ATM network. Bank branding of ATMs and participation in surcharge-free networks allows financial institutions to rapidly increase surcharge-free ATM access for their customers at substantially less cost than building their own ATM networks. These factors have led to an increase in bank branding and participation in surcharge-free networks, and we believe that there will be continued growth in such arrangements.

Increase in Prepaid Debit Cards. In the United States, we have seen a proliferation in the issuance and acceptance of prepaid debit cards as a means for consumers to access their cash and make routine retail purchases. Based on estimates published by Mercator Advisory Group, the number of prepaid debit cards among open loop network-branded money and financial services cards, payroll cards, social security cards, and unemployment benefit cards, is expected to increase from approximately 26.8 million cards in 2008 to 90.3 million cards in 2012. These numbers do not include card types less likely to be used at ATMs such as gift cards, consumer incentive cards, and transit cards.

We believe that our network of ATMs and financial services kiosks, located in well-known retail establishments throughout the United States, provides a convenient and cost-effective way for holders of such cards to access their cash and potentially conduct other financial services transactions. Furthermore, through Allpoint, which partners with financial institutions that issue and sponsor prepaid debit card programs on behalf of corporate entities and governmental organizations, we are able to provide holders of such cards convenient, surcharge-free access to their cash. While it is difficult to measure the precise number of cash withdrawal transactions occurring from prepaid debit cards on our network, we believe that such number increased significantly during 2009 and represented a significant portion of the year-over-year withdrawal transaction count gains that we saw in the United States.

In response to the recent proliferation in the issuance and acceptance of prepaid debit cards, as well as perceived abuses within the credit and debit card industries in general, the United States Congress recently passed the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (the Credit Card Act). With respect to prepaid debit cards (in particular, gift certificates, store gift cards and general-use prepaid cards), the Credit Card Act imposes certain restrictions on card expiration dates and fees that can be charged to users of those cards. Additionally, the Credit Card Act mandates certain additional consumer disclosure requirements by issuers of these types of prepaid debit cards. The Credit Card Act does not apply to other types of prepaid debit cards, including reloadable prepaid cards that are not marketed or labeled as a gift card or gift certificate.

As a result of these new requirements, the Federal Reserve Board recently issued amendments to Regulation E, which are expected to become effective beginning in August 2010. Moreover, some state attorneys general have indicated a desire to implement specific state-by-state regulations on the emerging prepaid debit card industry. At this point, it is unclear whether the increase in the use of prepaid debit cards on our network will be negatively impacted by these recent regulatory actions and trends.

Growth in Other Automated Consumer Financial Services. Approximately 75% of all ATM transactions in the United States are cash withdrawals, with the remainder representing other basic banking functions such as balance inquiries, transfers, and deposits. We believe that there are significant opportunities for a large non-bank ATM operator to provide additional financial services to customers, such as check cashing, remote deposit capture, money transfer, bill payment services, and prepaid debit card reload services through self-service kiosks. These additional consumer financial services would result in additional revenue streams for us and could ultimately result in increased profitability.

Managed Services. While many banks own significant networks of ATMs that serve as extensions of their branch networks and increase the level of service offered to their customers, large ATM networks are costly to operate and typically do not provide significant revenue for banks and smaller financial institutions. As operating a network of ATMs is not a core competency for banks or other financial institutions, we believe there is an opportunity for a large non-bank ATM and financial services kiosk operator such as ourselves, with lower costs and an established operating history, to contract with financial institutions to manage their ATM networks. Such an outsourcing arrangement could reduce a financial institution s operational costs while extending their customer service. Additionally, we believe there are opportunities to provide selected services on an outsourced basis, such as transaction processing services, to other independent owners and operators of ATMs and financial services kiosks.

Growth in International Markets. In most regions of the world, ATMs are less common than in the United States. We believe the ATM industry will grow faster in international markets than in the United States, as the number of ATMs per capita in those markets increases and begins to approach the levels seen here. In addition, there has been a trend towards growth of off-premise ATMs in several international markets, including the United Kingdom and Mexico.

United Kingdom. The United Kingdom is the largest ATM market in Europe. Until the late 1990s, most United Kingdom ATMs were installed at bank and building society branches. Non-bank operators began to deploy ATMs in the United Kingdom in December 1998 when LINK (which connects the ATM networks of all United Kingdom ATM operators) allowed them entry into its network via arrangements between non-bank operators and United Kingdom financial institutions. We believe that non-bank ATM operators have benefited in recent years from customer demand for more conveniently located cash machines, the emergence of internet banking with no established point of presence, and the closure of bank branches due to consolidation. According to LINK, a total of approximately 64,000 ATMs were deployed in the United Kingdom as of June 2009, of which approximately 29,000 were operated by non-banks. This has grown from approximately 36,700 total ATMs in the United Kingdom in 2001, with less than 7,000 operated by non-banks. Similar to the United States, electronic payment alternatives have gained popularity in the United Kingdom in recent years. However, cash is still the primary payment method preferred by consumers, representing nearly two-thirds of total transaction spending according to the APACS United Kingdom Payment Statistics 2009 publication.

Mexico. Historically, surcharge fees were not allowed pursuant to Mexican law. However, in July 2005, the Mexican government approved a measure that now allows ATM operators to charge a fee to individuals withdrawing cash from their ATMs. However, in October 2009, the Central Bank of Mexico adopted new rules that would require ATM operators to elect between receiving interchange fees from card issuers or surcharge fees from consumers, which will go into effect on April 30, 2010. At this time, it is our expectation that Cardtronics Mexico will elect to assess the surcharge fee to the consumer rather than the interchange fee to that consumer s financial institution. According to the Central Bank of Mexico, as of September 2009, Mexico had approximately 32,700 ATMs operating throughout the country, substantially all of which are owned by national and regional banks.

Increases in Surcharge Rates. In 2007 and 2008, several large financial institutions in the United States began increasing the surcharge rate charged to non-customers for the use of their ATMs. This increase in fees could potentially increase the amount of transactions conducted on our ATMs, as customers seek to minimize the amount of transaction fees paid by using ATMs that charge lower rates (such as ours). Alternatively, this increase by other institutions could provide us with the opportunity to increase the surcharge rates charged on our ATMs in selected markets and make our surcharge-free offerings more attractive to consumers and other financial institutions.

Recent Events

Cash Withdrawal Transaction Trends. For the year ended December 31, 2009, total cash withdrawal transactions per ATM per month conducted on our domestic ATMs increased 4% over the prior year. This increase was due to a 28% increase in the number of surcharge-free cash withdrawal transactions, which was primarily attributable to two factors: 1) the mix shift in transactions (and the related revenues) that has occurred due to the continuing evolution of our product offerings away from the traditional surcharge-based model to a surcharge-free model, and 2) the proliferation in the use of network-branded prepaid debit cards by employers and governmental agencies for payroll and other benefit-related payments. Specifically, the increase in the number of prepaid debit cards in circulation has served to increase our potential customer base, as these prepaid debit cards are capable of being used in ATMs, and many of the individuals to whom the cards are being issued are traditionally unbanked and have not historically been able to utilize ATMs. We expect to see a continued increase in the number of prepaid debit cards in the future, which we believe will result in an increase in the number of cash withdrawal transactions conducted on our ATMs. Additionally, although our surcharge-free offerings contributed to a 12% decline in the number of surcharge transactions conducted on our machines in 2009 versus 2008, our bank branding and surcharge-free network revenues, along with higher interchange revenues from the increased number of transactions being conducted on our ATMs, more than offset the decline in surcharge revenues.

In the United Kingdom, total cash withdrawal transactions per ATM per month increased by approximately 17% in 2009 when compared to 2008, due to a 44% increase in the number of free-to-use cash withdrawal transactions and a 4% increase in the number of pay-to-use cash withdrawal transactions conducted on our ATMs in that market. Despite the overall increase in pay-to-use withdrawals, the actual number of pay-to-use withdrawals per ATM per month declined during the period. We believe this decline is primarily the result of regulatory changes, including requirements to place more prominent fee notifications on pay-to-use ATMs, which has appeared to have caused a shift in consumer behavior. We believe this trend will continue in the future, and therefore have recently been installing more free-to-use machines in this market. Specifically, of the additional machines that we installed in the United Kingdom during 2009, approximately 90% were free-to-use as opposed to pay-to-use. Although we earn less revenue per cash withdrawal transaction on a free-to-use machine, the increase in the number of transactions conducted on free-to-use machines has translated to higher interchange revenues, which has more than offset the loss of surcharge revenues. For example, our per-ATM operating revenues per month totaled £1,487 during the year ended December 31, 2009, which represents an increase of approximately 8% when compared to the £1,377 earned per ATM per month during the previous year. As previously noted, we expect that this trend toward free-to-use ATMs will continue and we anticipate installing additional free-to-use ATMs in this market in the future.

Foreign Currency Exchange Rates. The strengthening of the United States dollar relative to the British pound and Mexican peso negatively impacted our results during 2009 and 2008 in terms of translating those foreign earnings into United States dollars. Despite the negative impact on our revenues and gross profits, this trend did not have a significant negative impact on our cash flows, as we do not currently rely on cash generated by our international operations to fund our domestic operating needs and each operation conducts substantially all of its business in its local currency. Additionally, we continue to explore potential growth opportunities in the two international markets in which we currently operate, and the strengthening of the United States dollar could enhance our ability to invest in those markets at favorable exchange rates.

Revolving Credit Facility Modification. In February 2009, we amended our revolving credit facility to (i) authorize our repurchase of common stock up to an aggregate of $10.0 million (further discussed below); (ii) increase the amount of aggregate Investments (as defined in the credit facility agreement) that we may make in non wholly-owned subsidiaries from $10.0 million to $20.0 million and correspondingly increase the aggregate amount of Investments that we may make in subsidiaries that are not Loan Parties (as defined in the credit facility agreement) from $25.0 million to $35.0 million; (iii) increase the maximum amount of letters of credit that may be issued under the facility from $10.0 million to $15.0 million; and (iv) modify the amount of capital expenditures that may be incurred on a rolling 12-month basis, as measured on a quarterly basis.

Stock Repurchase Program. In February 2009, our Board of Directors approved a common stock repurchase program up to an aggregate of $10.0 million. To date, we have purchased approximately 35,000 shares of our common stock at a total cost of $0.1 million and at an average price per share of $3.37, which were repurchased on various dates in the open market. The share repurchase program had an initial expiration date of March 31, 2010. However, in March 2010, our Board of Directors extended the program through March 31, 2011, unless further extended or terminated earlier by our Board of Directors.

Expansion into Puerto Rico. During the third quarter of 2009, we entered into the Puerto Rican ATM market. As of December 31, 2009, we had installed 21 ATMs in that market and we plan to continue to explore other growth opportunities on the island, as well as entrance into other Caribbean, Latin, and Central American ATM markets.

Mount Vernon Money Center. In February 2010, MVMC, one of our third-party armored service providers in the Northeast, ceased all cash replenishment operations for its customers following the arrest on charges of bank fraud of its founder and principal owner. A few days later, the U.S. District Court in the Southern District of New York (the Court) appointed a receiver (the Receiver) to, among other things, seize all of the assets in the possession of MVMC. While we currently do not believe that this event will have a material adverse affect on our operations, we were required to convert over 1,000 ATMs that were being serviced by MVMC to another third-party armored service provider, resulting in a minor amount of downtime being experienced by those ATMs. Further, based upon the Receiver s report dated March 1, 2010, and filed with the Court on that same date, it appears that some of the vault cash that was delivered to MVMC on our behalf was either commingled with vault cash belonging to MVMC s other customers or was misappropriated by MVMC. Regardless, we currently believe that our existing insurance policies will cover any cash losses that we may incur resulting from this incident, less any deductible payments required to be paid by us under such policies. If it is ultimately determined that we have suffered cash losses in connection with this incident, the timing of recognition of such losses and the related insurance reimbursement amounts may not coincide.

Factors Impacting Comparability

7-Eleven ATM Transaction. In July 2007, we acquired the 7-Eleven Financial Services Business for approximately $137.3 million in cash. The acquisition included approximately 5,500 ATMs located in 7-Eleven stores throughout the United States. Additionally, in connection with the 7-Eleven ATM Transaction, we entered into a placement agreement that provides us with, subject to certain conditions, a 10-year exclusive right to operate all ATMs in 7-Eleven locations throughout the United States, including any new stores opened or acquired by 7-Eleven.

The operating results of our United States segment include the results of the 7-Eleven Financial Services Business. Because of the significance of this acquisition, our operating results for the years ended December 31, 2009 and 2008 are not comparable to our historical results for the year ended December 31, 2007. In particular, our revenues and gross profits for 2009 and 2008 were substantially higher, but the increased revenue and gross profit amounts were initially substantially offset by higher operating expense amounts, including higher selling, general, and administrative expenses associated with running the combined operations. In addition, depreciation, accretion, and amortization expense amounts were significantly higher as a result of the tangible and intangible assets recorded as part of the acquisition. For more information on the 7-Eleven ATM Transaction, see Part II, Item 8. Financial Statements and Supplementary Data, Note 3 to our 2009 Form 10-K.

Foreign Currency Exchange Rates. As noted above, our results during 2009 and 2008 were negatively impacted by changes in foreign currency rates. As a result, we have provided certain information on a constant-currency basis in the following sections in an effort to allow for more meaningful comparisons to be made between the years presented.

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Results of Operations

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

	Years Ended December 31,		
	2009	2008	2007
Revenues:			
ATM operating revenues	97.9%	96.5%	96.6%
ATM product sales and other revenues	2.1	3.5	3.4
Total revenues	100.0	100.0	100.0
Cost of revenues:			
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)[(1)]	67.7	73.6	74.5
Cost of ATM product sales and other revenues	2.1	3.2	3.2
Total cost of revenues	69.8	76.8	77.6
Gross profit	30.2	23.2	22.4
Operating expenses:			
Selling, general, and administrative expenses	8.4	7.9	7.8
Depreciation and accretion expense	8.0	7.9	7.1
Amortization expense[(2)]	3.8	3.8	5.0
Loss on disposal of assets	1.2	1.2	0.7
Goodwill impairment charge[(3)]		10.1	
Total operating expenses	21.5	31.0	20.5
Income (loss) from operations	8.7	(7.7)	1.9
Other expense (income):			
Interest expense, net	6.1	6.3	7.8
Amortization of deferred financing costs and bond discounts	0.5	0.4	0.4
Other	0.1		(0.2)
Total other expense	6.7	6.8	8.1
Income (loss) before income taxes	2.0	(14.5)	(6.2)
Income tax expense	0.9	0.2	1.2
Net income (loss)	1.2	(14.7)	(7.4)
Net income (loss) attributable to noncontrolling interests	0.1	(0.2)	(0.1)
Net income (loss) attributable to controlling interests	1.1	(14.5)	(7.3)
Preferred stock conversion and accretion expense			9.6
	1.1%	(14.5)%	(16.9)%

Net income (loss) attributable to controlling interest and available to common stockholders

(1) Excludes effects of depreciation, accretion, and amortization expense of $51.5 million, $52.4 million, and $43.1 million, for the years ended December 31, 2009, 2008, and 2007, respectively. The inclusion of this depreciation, accretion, and amortization expense in Cost of ATM operating revenues would have increased our Cost of ATM operating revenues as a percentage of total revenues by 10.4%, 10.6%, and 11.4% for the years ended December 31, 2009, 2008, and 2007, respectively.

(2) Includes pre-tax impairment charges of $1.2 million, $0.4 million, and $5.7 million for the years ended December 31, 2009, 2008, and 2007, respectively.

(3) Represents a $50.0 million charge in 2008 to write-down the value of the goodwill associated with our United Kingdom operations.

Key Operating Metrics

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

	2009	2008	2007
Average number of transacting ATMs:			
United States: Company-owned	18,190	17,993	14,143
United States: Merchant-owned	10,066	10,695	11,632
United Kingdom	2,606	2,421	1,718
Mexico	2,197	1,747	784
Total average number of transacting ATMs	33,059	32,856	28,277
Total transactions (in thousands)	383,323	354,391	247,270
Total cash withdrawal transactions (*in thousands*)	244,378	228,306	166,248
Monthly cash withdrawal transactions per ATM	616	579	490
Per ATM per month:			
ATM operating revenues	$ 1,218	$ 1,207	$ 1,076
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization)[1][2]	842	921	829
ATM operating gross profit[1][3]	$ 376	$ 286	$ 247
ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization)	30.9%	23.7%	22.9%
ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization)	20.2%	12.7%	11.1%

(1) Excludes effects of depreciation, accretion, and amortization expense of $51.5 million, $52.4 million, and $43.1 million for the years ended December 31, 2009, 2008, and 2007, respectively. The inclusion of this depreciation, accretion, and amortization expense in Cost of ATM operating revenues would have increased our cost of ATM operating revenues per ATM per month and decreased our ATM operating gross profit per ATM per month by $130, $133, and $127 for the years ended December 31, 2009, 2008, and 2007, respectively.

(2) The decline in the Cost of ATM operating revenues per ATM per month from 2008 to 2009 was due to foreign currency exchange rate movements between the two periods, lower vault cash interest costs, and other operating cost reductions as a result of better pricing terms under the renegotiated contract with our maintenance and armored service providers.

(3)

ATM operating gross profit is a measure of profitability that uses only the revenue and expenses that related to operating the ATMs. The revenue and expenses from ATM equipment sales and other ATM-related services are not included.

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Revenues

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
ATM operating revenues	$ 483,138	$ 475,800	1.5%	$ 365,322	30.2%
ATM product sales and other revenues	10,215	17,214	(40.7)%	12,976	32.7%
Total revenues	$ 493,353	$ 493,014	0.1%	$ 378,298	30.3%

Year ended December 31, 2009 compared to year ended December 31, 2008

ATM operating revenues. ATM operating revenues generated during the year ended December 31, 2009 increased $7.3 million over the year ended December 31, 2008. Below is a detail, by segment, of changes in the various components of ATM operating revenues:

	2008 to 2009 Variance			
	U.S.	U.K.	Mexico	Total
	Increase (Decrease) (In thousands)			
Surcharge revenues	$ (11,557)	$ (4,978)	$ 4,712	$ (11,823)
Interchange revenues	3,692	4,098	253	8,043
Branding and surcharge-free network revenues	9,565		(5)	9,560
Other revenues	798		760	1,558
Total increase (decrease) in ATM operating revenues	$ 2,498	$ (880)	$ 5,720	$ 7,338

United States. During the year ended December 31, 2009, our United States operations experienced a $2.5 million increase in ATM operating revenues over 2008. This increase was primarily due to a 16% increase in bank branding and surcharge-free network revenues that resulted from the continued growth of participating banks in our surcharge-free offerings. Additionally, increased participation in these programs and growth in the use of prepaid debit cards contributed to the 2% increase in the number of cash withdrawal transactions conducted on our ATMs, which resulted in a 3% increase in interchange revenues. Offsetting the increase in bank branding and surcharge-free network revenues and interchange revenues during the period was a 12% decline in the number of surcharge transactions, which resulted in an $11.6 million decline in surcharge revenue. Since our surcharge-free programs allow participants cardholders to make cash withdrawals on a surcharge-free basis at our ATMs, a decline in the number of surcharge transactions was expected. Also contributing to the decrease in surcharge transactions was a 6% decline in our merchant-owned account base, which contributed $4.8 million of the $11.6 million surcharge revenue decline but had a minimal impact on our overall gross profit as much of the surcharge revenues generated by those accounts are paid to the underlying merchants. Accordingly, as surcharge revenues declined, so did the related merchant payments.

United Kingdom. During the year ended December 31, 2009, ATM operating revenues from our United Kingdom operations decreased $0.9 million from the year ended December 31, 2008, due to the unfavorable foreign currency exchange rate movements between the years. Specifically, during 2009, the average exchange rate between the United States dollar and the British pound was $1.57 to £1.00 compared to $1.85 to £1.00 in 2008. Excluding the impact of foreign currency movements, surcharge revenues and interchange revenues increased by $3.6 million (7%) and $8.6 million (39%), respectively. These increases were primarily driven by a 26% increase in cash withdrawal transactions that resulted from an 8% increase in the average number of transacting ATMs, which increased from 2,421 during 2008 to 2,606 ATMs during 2009. Additionally, the higher number of cash withdrawal transactions on our free-to-use ATMs also contributed to the increase in the amount of interchange revenues earned during 2009 on a constant currency basis.

Mexico. Our Mexico operations experienced the most significant percentage increase in ATM operating revenues during the year ended December 31, 2009, primarily as a result of a 26% increase in the average number of transacting ATMs associated with these operations. Specifically, the average number of transacting ATMs increased from 1,747 during 2008 to 2,197 during 2009, with an ending machine count of 2,616 as of December 31, 2009. This increased machine count contributed to the increase in total surcharge transactions of approximately 30%, which resulted in an additional $4.7 million and $0.3 million in surcharge and interchange revenues, respectively. Excluding the impact of unfavorable foreign currency exchange rate movements, the increases in surcharge and interchange revenues would have been $7.3 million and $1.3 million, respectively.

ATM product sales and other revenues. ATM product sales and other revenues for the year ended December 31, 2009 were lower than those generated during 2008 by $7.0 million primarily due to lower equipment sales and lower VAR program sales. Under our VAR program, we primarily sell ATMs to Associate VARs who in turn resell the ATMs to various financial institutions throughout the United States in territories authorized by the equipment manufacturer. In the current economic climate, financial institutions and others have reduced their ATM purchases and we have, therefore, seen a decline in these sales during 2009. Also contributing to the decline was the completion of our Triple Data Encryption Standard (Triple-DES) upgrades in 2008, which generated a higher amount of product sales and service-related revenues during 2008.

Year ended December 31, 2008 compared to year ended December 31, 2007

ATM operating revenues. ATM operating revenues generated during the year ended December 31, 2008 increased $110.5 million over the year ended December 31, 2007. Below is a detail, by segment, of changes in the various components of ATM operating revenues:

	2007 to 2008 Variance			
	U.S.	U.K.	Mexico	Total
	Increase (Decrease) (In thousands)			
Surcharge revenue	$ 33,355	$ 2,273	$ 5,111	$ 40,739
Interchange revenue	32,303	8,349	2,655	43,307
Branding and surcharge-free network revenue	22,481		(2)	22,479
Other	3,952	1		3,953
Total increase in ATM operating revenues	$ 92,091	$ 10,623	$ 7,764	$ 110,478

<u>United States</u>. During the year ended December 31, 2008, our United States operations experienced a $92.1 million (30.9%) increase in ATM operating revenues over 2007. The majority of this increase was attributable to the 7-Eleven ATM Transaction. Specifically, our 2008 results included $41.8 million of incremental surcharge revenue, $29.7 million of incremental interchange revenue, $7.6 million of incremental branding and surcharge-free network revenue, and $4.0 million of advanced-functionality revenue generated by the acquired operations as a result of the inclusion of these operations in our results for the full year of 2008. Also contributing to the increase in ATM operating revenues were the additional branding and surcharge-free network agreements entered into during 2007, which resulted in $14.8 million in incremental bank branding and surcharge-free network fees from our pre-existing domestic operations. Finally, we also generated $4.5 million of incremental interchange revenues from our pre-existing Company-owned domestic operations in 2008 when compared to 2007, the majority of which can be attributed to the additional bank branding and surcharge-free network agreements entered into in 2007 as well as the higher number of Company-owned ATMs in 2008 compared to 2007.

The overall increase in ATM operating revenues described above was partially offset by lower surcharge and interchange revenues associated with our domestic merchant-owned operations. As a result of declines in the average number of transacting ATMs, surcharge revenues and interchange revenues generated by our merchant-owned base were $8.0 million and $1.9 million lower, respectively, during 2008 when compared to 2007. These declines were primarily a result of the decline in the average number of transacting merchant-owned ATMs in the United States, the majority of which was attributable to attrition related to the Triple-DES upgrades mandated by the EFT networks. Specifically, rather than incurring the costs to update or replace their existing machines to be Triple-DES compliant, merchants with lower transacting ATMs decided to dispose of their ATMs. Additionally, surcharge revenues from our Company-owned base declined by $0.5 million during

2008, primarily as a result of a shift in revenues from surcharge-based fees to surcharge-free branding and network fees due to the additional branding and surcharge-free network arrangements entered into with financial institutions during 2007.

United Kingdom. Our United Kingdom operations further contributed to the higher ATM operating revenues during the year ended December 31, 2008, as surcharge revenues and interchange revenues increased by 4.6% and 61.4%, respectively, over 2007 due to the additional ATM deployments that occurred during 2007 and 2008. Specifically, the average number of transacting ATMs in the United Kingdom increased from 1,718 ATMs during 2007 to 2,421 ATMs during 2008. Additionally, a higher number of free-to-use ATMs also contributed to the increase in the amount of interchange revenues earned during 2008. However, the increase in revenues was lower than originally anticipated due to lower than expected surcharge transaction levels during 2008, which we believe were due to a number of factors, including (i) certain service-related issues associated with one of our third-party armored cash providers that resulted in a higher percentage of downtime at our ATMs during 2008, (ii) the overall economic downturn experienced in the United Kingdom, (iii) the installation of a significant number of new free-to-use ATMs in that market in 2008, and (iv) additional regulatory changes, including requirements to place more prominent fee notifications on pay-to-use ATMs.

In addition to the above factors that negatively impacted our surcharge transaction levels, and therefore our surcharge revenues, the strengthening of the United States dollar relative to the British pound also negatively impacted the revenues from our United Kingdom operations. Specifically, during 2008, the average exchange rate between the United States dollar and the British pound was $1.85 to £1.00 compared to $2.00 to £1.00 in 2007.

Mexico. Our Mexico operations contributed to the increase in ATM operating revenues during the year ended December 31, 2008 as a result of the deployment of additional ATMs during 2007 and 2008. Specifically, the average number of transacting ATMs associated with these operations increased from 784 during 2007 to 1,747 during 2008.

ATM product sales and other revenues. ATM product sales and other revenues for the year ended December 31, 2008 were slightly higher than those generated during 2007 primarily due to higher VAR program sales, which resulted from the additions of two new Associate VARs during the latter half of 2007 and one new Associate VAR in the first quarter of 2008.

Cost of Revenues

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization)	$ 333,907	$ 362,916	(8.0)%	$ 281,705	28.8%
Cost of ATM product sales and other revenues	10,567	15,625	(32.4)%	11,942	30.8%
Total cost of revenues (exclusive of depreciation, accretion, and amortization)	$ 344,474	$ 378,541	(9.0)%	$ 293,647	28.9%

Year ended December 31, 2009 compared to year ended December 31, 2008

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization). The cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred during the year ended December 31, 2009 decreased $29.0 million from the year ended December 31, 2008. Below is a detail, by segment, of changes in the various components of the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization):

	2008 to 2009 Variance			
	U.S.	U.K.	Mexico	Total
	Increase (Decrease) (In thousands)			
Merchant commissions	$ (7,933)	$ (1,091)	$ 1,422	$ (7,602)
Vault cash rental expense	(5,409)	(7,575)	154	(12,830)
Other cost of cash	(3,370)	(656)	282	(3,744)
Repairs and maintenance	(204)	77	576	449
Communications	(1,050)	(1,278)	180	(2,148)
Transaction processing	(1,936)	76	22	(1,838)
Stock-based compensation	177			177
Other expenses	1,173	(2,684)	38	(1,473)
Total increase (decrease) in cost of ATM revenues	$ (18,552)	$ (13,131)	$ 2,674	$ (29,009)

United States. During the year ended December 31, 2009, the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred by our United States operations decreased $18.6 million from the costs incurred during 2008. This decrease was primarily due to lower merchant fees, which resulted from the 6% decline in the number of our merchant-owned accounts that resulted in an overall decline in surcharge transactions and the related surcharge revenues, as noted above. Also contributing to the decline in the cost of ATM operating revenues was lower vault cash rental expense, primarily due to reduced market interest rates on the unhedged portion of our vault cash rental obligations, and a decrease in other cost of cash, which was attributable to lower armored costs resulting from fewer cash fills and the effect of better pricing terms under the renegotiated contract with one of our primary armored service providers. Similarly, our primary domestic maintenance service agreement was renewed on favorable terms earlier in the year, which resulted in a lower repairs and maintenance expense for 2009 compared to the prior year. Our communications expense also declined, primarily as a result of the renegotiated contract with our telecommunications provider. Finally, we incurred lower transaction processing costs due to the continued conversion of the ATMs in our portfolio over to our EFT transaction processing platform.

With respect to our domestic vault cash rental obligations, we negotiated new pricing terms and conditions with one of our vault cash providers, which became effective in August 2009. Additionally, we are currently negotiating new pricing terms and conditions with another vault cash provider in the United States, which we expect will become effective July 1, 2010. As a result of these negotiations, we expect to see a slight increase in our vault cash rental costs in future periods, thus negatively impacting our domestic ATM operating gross profit margins. See Gross Profit Margin below for a discussion of our expectations regarding gross margin levels for 2010.

United Kingdom. During 2009, our United Kingdom operations also contributed to the decrease in the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization). The overall $13.1 million decrease was primarily due to foreign currency exchange rate movements between periods. Excluding the impact of exchange rate movements, our United Kingdom operations cost of ATM operating revenues decreased by $3.8 million, despite an increase in the average number of transacting ATMs in 2009 when compared to 2008. The decrease in costs (excluding exchange rate movements) was primarily due to lower vault cash rental expense as a result of reduced market interest rates on our vault cash rental obligations in 2009 when compared to 2008. Additionally, we maintained higher cash balances in our ATMs within the United Kingdom during the latter half of 2008 in an effort to minimize the amount of downtime caused by service-related issues with a third-party armored service provider, which further contributed to the year-over-year decline in vault cash rental expense. Finally, our communications expense also declined as a result of the renegotiated contract with our primary communications provider in the United Kingdom.

With respect to our United Kingdom vault cash rental obligations, we renegotiated new pricing terms and conditions during 2009 with our existing vault cash provider in that market. The revised pricing terms and conditions are somewhat less favorable to us than those that were in effect under the previous agreement. As a result, the vault cash rental costs associated with our operations in the United Kingdom are expected to increase in future periods, thus negatively impacting our ATM operating gross profit margins in that segment. Additionally, during 2009, we entered into certain interest rate swap transactions to fix the interest rate utilized in calculating the monthly vault cash rental fees under our vault cash rental agreement in the United Kingdom. Such fixed rates, which became effective in January 2010, are higher than current market interest rates as the fixed rates under the swap contracts represent intermediate-term rates (which are typically higher) while the current market rates are short-term floating rates (which are typically lower). Accordingly, the amount we pay for our vault cash rental fees in the United Kingdom is expected to increase from current levels beginning in 2010, regardless of any changes that may occur with respect to market interest rates. See Gross Profit Margin below for a discussion of our expectations regarding gross margin levels for 2010.

Mexico. Partially offsetting the decrease in the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) of our United States and United Kingdom operations were the costs incurred by our Mexico operations. The higher costs in Mexico were attributable to a 26% increase in the average number of transacting ATMs and a 30% increase in the total number of transactions conducted on these machines during 2009 when compared to 2008, which resulted in a $2.7 million increase in the cost of ATM operating revenues for the year ended December 31, 2009, when compared to 2008. Excluding the impact of exchange rate movements (which were advantageous to the costs associated with these operations), the increase in our cost of ATM operating revenues for Mexico for year ended December 31, 2009 were $5.5 million higher than the same period last year.

Cost of ATM product sales and other revenue. Relatively consistent with the 40.7% decrease in ATM product sales and other revenues discussed above, the cost of ATM product sales and other revenues decreased 32.4% during 2009 compared to 2008 primarily due to lower equipment and VAR program sales during the period.

Year ended December 31, 2008 compared to year ended December 31, 2007

Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization). The cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred during the year ended December 31, 2008 increased $81.2 million over the year ended December 31, 2007. Below is a detail, by segment, of changes in the various components of the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization):

	2007 to 2008 Variance			
	U.S.	**U.K.**	**Mexico**	**Total**
	Increase (Decrease) (In thousands)			
Merchant commissions	$ 21,928	$ 7,636	$ 3,103	$ 32,667
Vault cash rental expense	7,522	2,384	1,164	11,070
Other cost of cash	8,628	3,035	944	12,607
Repairs and maintenance	9,037	1,816	722	11,575
Direct operations	5,423	732	505	6,660
Communications	3,862	672	384	4,918
Transaction processing	(2,497)	(924)	(33)	(3,454)
Stock-based compensation	534			534
Charges related to EMV certification		793		793

Other expenses	686	3,118	37	3,841
Total increase in cost of ATM revenues	$ 55,123	$ 19,262	$ 6,826	$ 81,211

United States. During the year ended December 31, 2008, the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) incurred by our United States operations increased $55.1 million over the cost incurred during 2007. This increase was primarily the result of the 7-Eleven ATM Transaction, as the operations of the acquired 7-Eleven Financial Services Business, which were included in our results for the full year of 2008 compared to only five and a half months during 2007, incurred $110.3 million of expenses during 2008 compared to $53.4 million of expenses during 2007. The incremental $56.9 million of expenses incurred by these operations during 2008 included $28.5 million of merchant fees, $13.8 million in costs of cash, $7.1 million of repairs and maintenance costs, $3.6 million in communication costs, $3.1 million of processing costs, and $0.8 million of direct operations and other costs. The $110.3 million of expenses incurred by the operations of the acquired 7-Eleven Financial Services Business during 2008 is net of $8.2 million of expense reductions related to the liabilities we recorded in connection with the acquisition to value certain unfavorable operating leases and an operating contract assumed as a part of the 7-Eleven ATM Transaction.

Our pre-existing United States operations also contributed to the higher cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization), including (1) $5.2 million of additional costs directly allocable to our pre-existing domestic operations, primarily as a result of our decision to hire additional personnel during 2007 to focus on our strategic initiatives at that time; (2) $2.4 million of higher costs of cash, primarily due to higher armored courier costs as a result of the increase in the number of Company-owned machines; and (3) $1.1 million of higher maintenance costs. Offsetting these increases in costs was a $6.6 million reduction in merchant fees associated with our pre-existing domestic operations, comprised of a $7.3 million decrease attributable to the year-over-year decline in the number of domestic merchant-owned ATMs and the related surcharge revenues that was partially offset by a $0.7 million increase in merchant fees associated with the increased number of ATMs under domestic Company-owned arrangements. Also offsetting these increases was a $3.0 million decrease in processing and other costs as a result of the conversion of a higher number of our ATMs over to our EFT processing platform.

United Kingdom. During the 2008, our United Kingdom operations contributed to the increase in the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) with those costs increasing $19.3 million over 2007. These increases were primarily due to higher merchant commissions and higher costs of cash, which resulted from the increased number of ATMs operating in the United Kingdom during 2008 compared to 2007. With respect to merchant commissions, although we saw a decline in surcharge revenues, as discussed above, we did not see a corresponding decline in merchant fees due to the fact that certain our of merchant contracts in the United Kingdom contain fixed or minimum yearly rentals. As a result, surcharge revenues in certain of these merchant locations declined without a similar decline in the related merchant fees. While we worked with a number of our merchant customers in the United Kingdom to restructure the terms and conditions of the underlying merchant contracts, we expect that this trend will continue for the foreseeable future. With respect to our cost of cash, due to the third-party armored cash service-related issues discussed above, we maintained higher cash balances in our ATMs within the United Kingdom during 2008 in an effort to minimize the amount of downtime caused by the service disruptions, thus contributing to the overall year-over-year increase in our cost of cash amounts. Finally, contributing to the increase were the costs incurred related to the establishment of our own armored courier operation, which formally commenced operations during the fourth quarter of 2008.

In addition to the factors described above, during the year ended December 31, 2008, we incurred $1.2 million of charges associated with transactions conducted with counterfeit cards that resulted from a delay in our EMV certification process. During the year ended December 31, 2007, we incurred a similar charge in the amount of $0.4 million. In the United Kingdom, the major international networks require ATM operators and merchant acquirers be certified under the EMV security standard. The EMV security standard provides for the security and processing of information contained on microchips imbedded in certain debit and credit cards, known as smart cards. All of our ATMs in the United Kingdom are EMV compliant, and through the second quarter of 2008, we had successfully certified our machines and network for EMV compliance with Link, the dominant network in the United Kingdom through whom we clear over 95% of our transactions, as well as one of the other two major international networks. However, during the second quarter of 2008, we experienced a significant increase in transactions conducted on our United Kingdom ATMs with counterfeit credit cards containing the brand of the network with whom we had not yet achieved EMV certification. Because we had not yet completed our EMV certification with this network at that time, we are liable for the resulting claims, which totaled approximately $1.2 million. However, during the third quarter of 2008, we successfully achieved EMV certification with this particular network, and thus, we do not expect to incur additional charges related to this issue in the future.

Partially offsetting the factors described above that resulted in an increase in the cost of ATM operating revenues incurred by our United Kingdom operations was the strengthening of the United States dollar relative to the British pound. Specifically, during 2008, the average exchange rate between the United States dollar and the British pound was $1.85 to £1.00 compared to $2.00 to £1.00 in 2007.

Mexico. Our Mexico operations contributed to the increase in the cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization) as a result of the increase in the average number of transacting ATMs associated with our Mexico operations and the increased number of transactions conducted on our machines during 2008 compared to 2007.

Cost of ATM product sales and other revenue. The cost of ATM product sales and other revenues increased by $3.7 million during the year ended December 31, 2008 compared to the year ended December 31, 2007. This 30.8% increase is comparable to the 32.7% increase in ATM product sales and other revenues during the period, the majority of which was attributable to the higher number of Associate VARs, which resulted in higher VAR program sales during 2008 compared to 2007.

Gross Profit Margin

	For the Years Ended December 31,		
	2009	**2008**	**2007**
ATM operating gross profit margin:			
Exclusive of depreciation, accretion, and amortization	30.9%	23.7%	22.9%
Inclusive of depreciation, accretion, and amortization	20.2%	12.7%	11.1%
ATM product sales and other revenues gross profit margin	(3.4)%	9.2%	8.0%
Total gross profit margin:			
Exclusive of depreciation, accretion, and amortization	30.2%	23.2%	22.4%
Inclusive of depreciation, accretion, and amortization	19.7%	12.6%	11.0%

ATM operating gross profit margin. Our ATM operating gross profit margin exclusive of depreciation, accretion, and amortization earned during the year ended December 31, 2009 increased by 7.2 percentage points over the year ended December 31, 2008. Additionally, our ATM operating gross profit margin inclusive of depreciation, accretion, and amortization for the year ended December 31, 2009 increased 7.5 percentage points over the prior year. These increases were due to higher margins earned in all three of our operating segments during 2009. However, our United States and United Kingdom operations contributed to the majority of the increases due to favorable cash withdrawal transaction and related revenue trends in those markets, the effect of lower market interest rates on our vault cash rental costs, and lower armored and maintenance costs during 2009. Additionally in the United States, the year-over-year decline in our merchant-owned account base contributed to the increased margins in 2009, as the revenues related to those merchant-owned accounts were replaced with higher-margin Company-owned accounts and related services.

We expect our future ATM operating gross profit margins to remain relatively consistent with the levels achieved during 2009, as unfavorable changes in certain operating cost line items, including increased vault cash rental costs in the United States and the United Kingdom, are expected to be substantially offset by lower maintenance and armored costs in the United States. Additionally, we expect to continue to see a shift in our revenue mix from lower margin surcharge revenues to higher margin interchange and bank branding and surcharge-free revenues.

For the year ended December 31, 2008, ATM operating gross profit margins exclusive of depreciation, accretion, and amortization increased 0.8 percentage points when compared to 2007. Inclusive of depreciation, accretion, and amortization, ATM operating gross profit margins increased 1.6 percentage points compared to 2007. These increases were primarily the result of our United States operation, which earned higher margins in 2008, primarily due to higher bank branding and surcharge-free network revenues and the inclusion of the acquired 7-Eleven ATM operations for the full year of 2008. However, these increases were partially offset by lower margins earned by our United Kingdom operations as a result of lower-than-anticipated surcharge transactions without a corresponding decline in merchant fees, as well as higher costs of cash resulting from the previously discussed third-party armored cash service related issues. Inclusion of depreciation, accretion, and amortization increased the gross profit margin as these expenses associated with our ATM operations decreased as a percentage of revenues in 2008 compared to 2007. This decrease in 2008 was primarily the result of a $5.2 million intangible asset impairment charge recorded during 2008, which increased depreciation, accretion, and amortization as a percentage of revenues for 2008. For additional information on this charge, see Amortization Expense below.

ATM product sales and other revenues gross profit margin. ATM product sales and other revenues gross profit margin during 2009 decreased by 12.6 percentage points compared to 2008 primarily due to lower margins achieved on VAR, equipment, and other service sales during the 2009, as we were required to lower our sales prices in light of the reduced market demand for ATM product sales. ATM product sales and other revenues gross profit margin was higher in 2008 compared to 2007 primarily due to the completion of our Triple-DES upgrade efforts. Because all ATMs operating on the domestic EFT networks were required to be Triple-DES compliant by the end of 2007 and early 2008, we saw an increase during 2007 in the number of ATM sales associated with the Triple-DES upgrade process. However, in certain circumstances, we sold the machines at little or, in some cases, negative margins in exchange for renewals of the underlying ATM operating agreements. As a result, gross margins associated with our ATM product sales and other activities were negatively impacted during 2007 and the early part of 2008.

Selling, General, and Administrative Expenses

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Selling, general, and administrative expenses, excluding stock-based compensation	$ 37,705	$ 36,173	4.2%	$ 28,394	27.4%
Stock-based compensation expense	3,822	2,895	32.0%	963	200.6%
Total selling, general, and administrative expenses	$ 41,527	$ 39,068	6.3%	$ 29,357	33.1%
Percentage of revenues:					
Selling, general, and administrative expenses, excluding stock-based compensation	7.6%	7.3%		7.5%	
Stock-based compensation expense	0.8%	0.6%		0.3%	
Total selling, general, and administrative expenses	8.4%	7.9%		7.8%	

Selling, general, and administrative expenses (SG&A expenses), excluding stock-based compensation. For the year ended December 31, 2009, SG&A expenses, excluding stock-based compensation, increased $1.5 million compared to 2008. This increase was primarily attributable to the recognition of $1.2 million in severance costs associated with the departure of our former Chief Executive Officer in March 2009. Additionally, employee-related costs increased due to the incremental salary expense for additional personnel hired during 2009 and higher performance-based bonuses earned by our employees during the year. Partially offsetting these increases was a decline in accounting and professional services expenses due to costs incurred during 2008 that were not repeated in 2009, including $1.9 million of incremental accounting and professional services expenses that were primarily related to our Sarbanes-Oxley Act of 2002 compliance efforts and $0.8 million of acquisition-related costs that were written off as a result of our decision not to pursue selected international acquisitions.

In 2010, we expect that our SG&A expenses will continue to increase on an absolute basis as a result of growth initiative expenses including new hires throughout the Company, as well as increased marketing efforts; however, we expect that our SG&A costs will decrease slightly as a percentage of total revenues.

For the year ended December 31, 2008, SG&A expenses, excluding stock-based compensation, increased $7.8 million compared to 2007. This increase was primarily attributable to our United States operations, which experienced an increase in SG&A expenses of $7.8 million (34.6%), primarily due to incremental employee-related costs totaling $3.1 million. The majority of these costs were associated with the sales and marketing side of our business and the employees assumed in connection with the 7-Eleven ATM Transaction. Additionally, during 2008, we incurred $2.0 million of incremental costs associated with accounting and professional services, the majority of which were associated with our Sarbanes-Oxley compliance efforts and previously-mentioned acquisition costs that were written off during 2008.

Stock-based compensation. The increases in stock-based compensation during the years ended December 31, 2009 and 2008 were due to the issuance of additional shares of restricted stock and stock options during the periods. For additional details on these stock and option grants, see Part II, Item 8. Financial Statements and Supplementary Data, Note 4 to our 2009 Form 10-K. In 2010, we expect that our stock-based compensation costs will increase due to additional equity grants made to certain executive officers, including our new Chief Executive Officer hired in February 2010, as well as an overall higher share price (relative to prior years) of our common stock.

Depreciation and Accretion Expense

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Depreciation expense	$ 37,403	$ 37,528	(0.3)%	$ 25,659	46.3%
Accretion expense	2,017	1,636	23.3%	1,122	45.8%
Depreciation and accretion expense	$ 39,420	$ 39,164	0.7%	$ 26,781	46.2%
Percentage of Revenues:					
Depreciation expense	7.6%	7.6%		6.8%	
Accretion expense	0.4%	0.3%		0.3%	
Total depreciation and accretion expense	8.0%	7.9%		7.1%	

Depreciation expense. The slight decrease in depreciation expense during 2009 when compared to 2008 was the effect of foreign currency exchange rate movements between periods. Excluding the impact of exchange rate movements, depreciation expense increased by $2.1 million (approximately 6%) due to the increase in the number of machines deployed under Company-owned arrangements in each of our operating segments during 2009.

The significant increase in depreciation expense for the year ended December 31, 2008 when compared to 2007 was primarily attributable to our United States operations, which recognized an additional $6.9 million of depreciation during 2008, $3.8 million of which related to the assets acquired in the 7-Eleven ATM Transaction which were included in our results for the full year of 2008 compared to only five and a half months in 2007. Included within the $3.8 million is the amortization of assets associated with the capital leases assumed in the acquisition.

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We are currently in the process of evaluating the estimated useful lives of our fixed assets, specifically related to the lives of our devices and the related deployment costs, as well as the assets related to our asset retirement obligations. Depending on the outcome of such analysis, depreciation expense may increase in 2010 and beyond, and could reduce the amount we record for losses on disposal of assets.

Accretion expense. We estimate the fair value of future retirement obligations associated with our ATMs, including the anticipated costs to deinstall, and in some cases refurbish, certain merchant locations, and record this amount as a liability on our balance sheet in the period in which it is incurred and we are able to reasonably estimate. Accretion expense represents the increase of this liability from the original discounted net present value to the amount we ultimately expect to incur. The increased accretion expense during 2009 was primarily attributable to the higher number of ATMs deployed under Company-owned arrangements in each of our operating segments during 2009. The increase in accretion expense in 2008 was primarily attributable to the 7-Eleven ATM Transaction as well as the increase in Company-owned ATMs during 2008.

Amortization Expense

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Amortization expense	$ 18,916	$ 18,549	2.0%	$ 18,870	(1.7)%
Percentage of revenues	3.8%	3.8%		5.0%	

Amortization expense is primarily comprised of the amortization of intangible merchant contracts and relationships associated with our past acquisitions. The increase in amortization expense during the year ended December 31, 2009 was primarily due to a $1.2 million impairment charge recorded by our United States reporting segment in 2009 related to the unamortized intangible asset associated with one of our merchant contracts. The impairment resulted from the higher-than-anticipated attrition of sites in this portfolio, stemming from the merchant s decision to divest of the majority of its domestic retail locations. Although this merchant announced its divestiture program in 2007, it was not until the fourth quarter of 2009 that the full impact of the sales and attrition was evident. As a result of the anticipated reduction in future cash flows from the portfolio, we concluded in the fourth quarter of 2009 that an impairment of the related contract intangible asset was warranted. It should be noted, however, that we received a one-time payment from this merchant in May 2009 totaling $0.8 million relating to termination fees as a result of certain divestitures made by the merchant in prior periods. At the time, we concluded that the future cash flows under the remaining portfolio of ATMs would be sufficient to recover the carrying value of the related tangible and intangible assets. Accordingly, such amount was recorded as other income in our Consolidated Statements of Operations. As such, the net amount impacting our consolidated results in 2009 totaled $0.4 million.

The decrease in amortization expense during the year ended December 31, 2008 was primarily the result of $5.7 million in impairment charges recorded by our United States reporting segment during 2007 to write-off the remaining unamortized intangible asset values associated with certain merchant contracts, the majority of which related to our merchant contract with Target that we acquired in 2004. We had been in discussions with Target regarding additional services that could be offered under the existing contract to increase the number of transactions conducted on, and cash flows generated by, the underlying ATMs. However, we were unable to make any meaningful progress in this regard during 2007, and, based on discussions that had been held with Target, concluded that the likelihood of being able to provide such additional services had decreased considerably. Accordingly, we concluded that an impairment charge was warranted during 2007 to write-off the remaining unamortized intangible asset associated with this merchant contract.

The above $5.7 million decline from 2007 to 2008 was partially offset by higher amortization recorded in 2008 associated with the intangible assets recorded in conjunction with the 7-Eleven ATM Transaction. Specifically, during 2008, we recognized amortization expense of $8.1 million related to these assets compared to $3.7 million of amortization in 2007, as the 7-Eleven ATM Transaction occurred on July 20, 2007 and, therefore, the 2007 amount included only a partial year s worth of amortization. Additionally, during 2008, our United States reporting segment recorded approximately $0.4 million in additional amortization expense of intangible assets related to previously-acquired merchant contracts/relationships that were anticipated to end prior to our original estimation dates. Finally, our United Kingdom operations recognized higher amortization expense during 2008 as a result of the early deinstallation of ATMs, for which we had to write-off the associated intangible assets.

Loss on Disposal of Assets

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Loss on disposal of assets	$ 6,016	$ 5,807	3.6%	$ 2,485	133.7%
Percentage of revenues	1.2%	1.2%		0.7%	

The increase in the loss on disposal of assets during 2009 when compared to 2008 was due to certain optimization efforts undertaken by us associated with our United Kingdom operations. These optimization efforts resulted in the identification and deinstallation of several hundred underperforming ATMs that we expect to redeploy under separate ATM operating agreements. As a result of the deinstallation of these machines, we wrote off the associated installation costs and any remaining asset retirement obligations related to the deinstalled machines. The increase in 2008 was also due to additional deinstallations of ATMs during the year, as well as a write-off of previously capitalized costs associated with our United Kingdom operations.

Goodwill Impairment

During the year ended December 31, 2008, we recorded a $50.0 million impairment charge to reduce the carrying value of the goodwill balance associated with our United Kingdom operations. This charge is reflected as a separate line item in our Consolidated Statements of Operations. The impairment was primarily driven by continued lower than expected results from that portion of our business, coupled with adverse market conditions. For additional information on this charge, including the steps of the analysis performed to arrive at the $50.0 million charge, see Part II, Item 8. Financial Statements and Supplementary Data, Note 1(j) to our 2009 Form 10-K.

Interest Expense, Net

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Interest expense, net	$ 30,133	$ 31,090	(3.1)%	$ 29,523	5.3%
Amortization of financing costs and bond discounts	2,395	2,107	13.7%	1,641	28.4%
Total interest expense, net	$ 32,528	$ 33,197	(2.0)%	$ 31,164	6.5%
Percentage of revenues	6.6%	6.7%		8.2%	

Interest expense, net. Although interest expense, net, for 2009 remained fairly constant when compared to 2008, it decreased by $0.8 million (2.7%) on a constant currency basis due to lower market interest rates and a reduction in amounts outstanding under our revolving credit facility.

During 2008, the increase in interest expense, net, was primarily due to our issuance of $100.0 million in senior subordinated notes Series B (the Series B Notes) in July 2007 to partially finance the 7-Eleven ATM Transaction. This issuance resulted in $5.2 million of additional interest expense during the 2008 compared to 2007, excluding the amortization of the related discount and deferred financing costs. Partially offsetting the incremental interest associated with our Series B Notes were the lower average outstanding balances under our revolving credit facility and the overall decrease in floating interest rates under our revolving credit facility during 2008 compared to 2007.

Amortization of financing costs and bond discounts. The increase in the amortization of deferred financing costs and bond discounts during 2009 was a result of the additional financing costs incurred in connection with the amendment of our revolving credit facility in February 2009. The amendment, among other things, (i) authorizes our repurchase of common stock up to an aggregate of $10.0 million; (ii) increases the amount of aggregate Investments (as such term is defined in our revolving credit facility) that we may make in non wholly-owned subsidiaries from $10.0 million to $20.0 million and correspondingly increases the aggregate amount of Investments that we may make in subsidiaries that are not Loan Parties (as such term is defined in our revolving credit facility) from $25.0 million to $35.0 million; (iii) increases the maximum amount of letters of credit that may be issued under our revolving credit facility from $10.0 million to $15.0 million; and (iv) modifies the amount of capital expenditures that may be incurred on a rolling 12-month basis, as measured on a quarterly basis. Also contributing to the increased expense amount were our senior subordinated notes, as the deferred financing costs and discounts associated with these notes are amortized over the contractual term of the underlying borrowings utilizing the effective interest method.

During 2008, the amortization of deferred financing costs and bond discounts increased as a result of the additional financing costs incurred in connection with the issuance of the Series B Notes in July 2007 and amendments made to our revolving credit facility in March 2008 and May 2007 to modify certain covenants as well as the interest rate spreads on outstanding borrowings and other pricing terms and in July 2007 as part of the 7-Eleven ATM Transaction.

Other Expense (Income)

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Other expense (income)	$ 456	$ 93	390.3%	$ (626)	(114.9)%
Percentage of revenues	0.1%			(0.2)%	

Other expense in 2009 primarily related to our interest rate hedging activities during the year. During 2009, we entered into a number of interest rate swaps to hedge our exposure to changes in market rates of interest on our vault cash rental expense in the United Kingdom. The swaps were based on 1-month LIBOR, which was the rate in place under our vault cash agreement in the United Kingdom at the time. However, during the fourth quarter of 2009, our vault cash provider exercised its rights under the contract to modify the pricing terms and changed the target vault cash rental rate within the agreement to 3-month LIBOR. As a result of this change, we were no longer able to apply hedge accounting treatment to the underlying 1-month LIBOR interest rate swap transactions, and were required to record a $1.4 million unrealized loss through our income statement during the fourth quarter of 2009. Such amount represented the change in the mark-to-market values of the 1-month LIBOR swaps subsequent to the date that we were no longer able to apply hedge accounting treatment to those swaps. In December 2009, we entered into a series of additional trades, the effects of which were to offset the existing 1-month LIBOR swaps and establish new 3-month LIBOR swaps to match our underlying vault cash rental rate. The $1.4 million unrealized loss amount has been presented in the other expense line item in our Consolidated Statements of Operations since the underlying swaps were not deemed to be effective hedges of our underlying vault cash rental costs.

Partially offsetting the $1.4 million unrealized loss was the $0.8 million of other income related to the termination penalties payment received from one of our merchants, as mentioned above.

Other income for the year ended December 31, 2007 was comprised of $0.6 million of gains on the sale of the equity securities awarded to us in 2006 pursuant to the bankruptcy plan of reorganization for Winn-Dixie Stores, Inc., one of our merchant customers.

Income Tax Expense

	For the Years Ended December 31,				
	2009	2008	% Change 2008 to 2009	2007	% Change 2007 to 2008
	(In thousands, excluding percentages)				
Income tax expense	$ 4,245	$ 989	329.2%	$ 4,477	(77.9)%
Effective tax rate	42.4%	(1.4)%		(19.1)%	

Our income tax expense increased during 2009 when compared to 2008, primarily as a result of certain deferred tax benefits recorded in 2008 related to our United Kingdom operations that were not recorded during 2009. Effective December 31, 2008, we determined that a valuation allowance should be established for the net deferred tax asset balance in our United Kingdom jurisdiction, consistent with the policies in place with respect to our United States and Mexico jurisdictions. Accordingly, we do not expect to record any income tax benefits in our financial statements for any of our operating segments until it is more likely than not that such benefits will be utilized. Furthermore, due to the exclusion of certain deferred tax liability amounts from our ongoing analysis of our domestic net deferred tax asset position, we will likely continue to record additional valuation allowances for our domestic operations in 2010.

During 2008, our income tax expense decreased by $3.5 million compared to 2007. The decrease was primarily driven by the recording of $12.4 million in valuation allowances within our domestic provision during 2007, the result of which was a positive domestic income tax provision totaling $4.9 million for 2007. During 2008, we recorded an additional $3.8 million in valuation allowances related to our domestic operation. However, such amount was partially offset by additional tax benefits recorded in connection with our United Kingdom operations. Such tax benefits reflected the net amount by which our deferred tax liabilities exceeded our deferred tax assets in that portion of our business, as all remaining future net deferred tax benefits were fully reserved for in 2008 through the creation of a separate $1.6 million valuation allowance. The recording of such valuation allowances resulted in the negative effective tax rates reflected in the table above. Additionally, we recorded a contingent tax liability totaling $1.5 million in 2008 related to our United Kingdom operations, further contributing to the overall negative effective tax rates reflected above. Finally, approximately $17.0 million in potential tax loss benefits associated with the $50.0 million goodwill impairment charge recorded during the fourth quarter of 2008 have not been recognized as such loss benefits are not likely to be realized in the foreseeable future.

Liquidity and Capital Resources

Overview

As of December 31, 2009, we had approximately $10.4 million in cash and cash equivalents on hand and approximately $307.3 million in outstanding long-term debt and capital lease obligations.

Prior to December 2007, we had historically funded our operations primarily through cash flows from operations, borrowings under our credit facilities, private placements of equity securities, and the sale of bonds. However, in December 2007, we completed the initial public offering of 12,000,000 shares of our common stock. We have historically used cash to invest in additional operating ATMs, either through the acquisition of ATM networks or through organically generated growth. We have also used cash to fund increases in working capital and to pay interest and principal amounts outstanding under our borrowings. Because we collect a sizable portion of our cash from sales on a daily basis but generally pay our vendors on 30-day terms and are not required to pay certain of our merchants until 20 days after the end of each calendar month, we are able to utilize the excess upfront cash flow to pay down borrowings made under our revolving credit facility and to fund our ongoing capital expenditure program. Accordingly, we will typically reflect a working capital deficit position.

We believe that our cash on hand and our current bank credit facilities will be sufficient to meet our working capital requirements and contractual commitments for the next 12 months. We expect to fund our working capital needs from revenues generated from our operations and borrowings under our revolving credit facility, to the extent needed. The positive operating cash flows that we generated in 2009 enabled us to repay all amounts that were previously outstanding under our revolving credit facility. As we expect to continue to generate positive operating cash flows in 2010 and beyond, we believe that our available cash on hand will continue increase, enabling us to fund our future cash needs through operations rather than financing activities. See additional discussion under Financing Facilities below.

Operating Activities

Net cash provided by operating activities was $74.9 million, $16.2 million, and $55.1 million for the years ended December 31, 2009, 2008, and 2007, respectively. The primary reason for the increase in 2009 when compared to 2008 was the generation of substantially higher operating profits in 2009 when compared to 2008, which contributed significantly to the increase in net cash provided by operating activities seen in 2009. Furthermore, the timing of changes in our working capital balances contributed to this increase, as we settled approximately $6.4 million less of payables and accrued liabilities than we did during 2008. The decrease in 2008 when compared to 2007 was also due to the timing of changes in our working capital balances, as we settled approximately $46.8 million more of payables and accrued liabilities than we did during 2007.

Investing Activities

Net cash used in investing activities totaled $26.0 million, $60.5 million, and $202.5 million for the years ended December 31, 2009, 2008, and 2007, respectively. The decrease from 2008 to 2009 was due to the reduced level of property and equipment purchases in 2009, resulting from our decision to reduce capital spending during the year. The decrease from 2007 to 2008 was due to our acquisition of the 7-Eleven Financial Services Business in July 2007 for $137.3 million, which was partially offset by the $4.0 million in proceeds from the sale of our Winn-Dixie equity securities in January 2007 and $0.9 million of proceeds out of an escrow account associated with a previous acquisition received during 2007. Finally, although not reflected in our 2009 and 2007 statement of cash flows, we received the benefit of the disbursement of approximately $2.5 million and $5.7 million, respectively, of funds under financing facilities entered into by our majority-owned Mexican subsidiary, Cardtronics Mexico, for the purchase of ATMs. Such funds are not reflected in our Consolidated Statements of Cash Flows as they were not remitted by Cardtronics Mexico but rather remitted by the finance company, on our behalf, directly to our vendors.

Total capital expenditures, including exclusive license payments and site acquisition costs and purchases of equipment to be leased but excluding acquisitions, were $26.0 million, $60.1 million, and $71.5 million for the years ended December 31, 2009, 2008, and 2007, respectively.

Anticipated Future Capital Expenditures. We currently anticipate that the majority of our capital expenditures for the foreseeable future will be driven by organic growth projects, including the purchasing of ATMs for existing as well as new ATM management agreements as opposed to acquisitions. We expect that our capital expenditures for 2010 will total approximately $45.0 million, net of noncontrolling interest, the majority of which will be utilized to purchase additional ATMs for our Company-owned accounts and to build out our second cash depot facility in the United Kingdom. We expect such expenditures to be funded with cash generated from our operations. However, we will continue to evaluate selected acquisition opportunities that complement our existing ATM network, some of which could be material, such as the 7-Eleven ATM Transaction completed in July 2007. We believe that significant expansion opportunities continue to exist in all of our current markets, as well as in other international markets, and we will continue to pursue those opportunities as they arise. Such acquisition opportunities, either individually or in the aggregate, could be material.

Financing Activities

Net cash (used in) provided by financing activities was $(42.2) million, $34.5 million, and $158.2 million for the years ended December 31, 2009, 2008, and 2007, respectively. In 2007 and 2008, we incurred incremental borrowings under our revolving credit facility to fund the higher level of capital expenditures during those periods, as discussed in Investing Activities section above. However, in 2009, we generated sufficient cash flows after capital expenditures that allowed us to repay all amounts previously outstanding under our revolving credit facility. The increased level in 2007 was primarily attributable to our issuance of $100.0 million in senior subordinated notes due in 2013 (the Series B Notes) and $42.7 million of additional borrowings under our revolving credit facility in July 2007 to finance the 7-Eleven ATM Transaction. Additionally, in December 2007, we completed our initial public offering of 12,000,000 shares of common stock, which generated net proceeds of approximately $110.1 million that were used to pay down debt previously outstanding under our revolving credit facility. Finally, although not reflected in our 2009 and 2007 statement of cash flows, we received the benefit of the disbursement of approximately $2.5 million and $5.7 million, respectively, of funds under financing facilities entered into by our majority-owned Mexican subsidiary, Cardtronics Mexico, for the purchase of ATMs. Such funds are not reflected in our consolidated statement of cash flows as they were not remitted to Cardtronics Mexico but rather remitted directly to our vendors by the finance company, on our behalf.

Financing Facilities

As of December 31, 2009, we had approximately $307.3 million in outstanding long-term debt and capital lease obligations, which was comprised of (i) approximately $297.2 million (net of discounts of $2.8 million) of our senior subordinated notes, (ii) approximately $9.8 million in notes payable outstanding under equipment financing lines of our Mexico subsidiary, and (iii) approximately $0.2 million in capital lease obligations.

Revolving Credit Facility. Borrowings under our revolving credit facility bear interest at a variable rate based upon LIBOR, or prime rate, at our option. Additionally, we pay a commitment fee of 0.25% per annum on the unused portion of the revolving credit facility. Substantially all of our assets, including the stock of our wholly-owned domestic subsidiaries and 66% of the stock of our foreign subsidiaries, are pledged to secure borrowings made under the revolving credit facility. Furthermore, each of our domestic subsidiaries has guaranteed our obligations under such facility. There are currently no restrictions on the ability of our wholly-owned subsidiaries to declare and pay dividends directly to us. The primary restrictive covenants within the facility include (i) limitations on the amount of senior debt that we can have outstanding at any given point in time, (ii) the maintenance of a set ratio of earnings to fixed charges, as computed on a rolling 12-month basis, (iii) limitations on the amounts of restricted payments that can be made in any given year, and (iv) limitations on the amount of capital expenditures that we can incur on a rolling 12-month basis. Additionally, we are currently prohibited from making any cash dividends pursuant to the terms of the facility.

As of December 31, 2009, no amounts were outstanding under the facility; however, we had posted $4.7 million in letters of credit under the facility. As of December 31, 2009, we were in compliance with all covenants contained within the facility and had the ability to borrow an additional $170.3 million under the facility based on such covenants.

In February 2009, we amended our revolving credit facility to (i) authorize our repurchase of common stock up to an aggregate of $10.0 million; (ii) increase the amount of aggregate Investments (as defined in the credit facility agreement) that we may make in non wholly-owned subsidiaries from $10.0 million to $20.0 million and correspondingly increase the aggregate amount of Investments that we may make in subsidiaries that are not Loan Parties (as defined in the credit facility agreement) from $25.0 million to $35.0 million; (iii) increase the maximum amount of letters of credit that may be issued under the facility from $10.0 million to $15.0 million; and (iv) modify the amount of capital expenditures that may be incurred on a rolling 12-month basis, as measured on a quarterly basis.

Senior Subordinated Notes. In August 2005, we issued $200.0 million of 9.25% senior subordinated notes (the Series A Notes). In July 2007, we issued $100.0 million of 9.25% senior subordinated notes Series B (the Series B Notes , or, collectively with the Series A Notes, the Notes). Both the Series A Notes and the Series B Notes were originally issued pursuant to Rule 144A of the Securities Act of 1933 but were subsequently registered with the SEC in October 2006 and July 2008, respectively. The Notes are subordinate to borrowings made under the revolving credit facility, mature in August 2013, and carry a 9.25% coupon. Interest is paid semiannually in arrears on February 15th and August 15th of each year. The Notes, which are guaranteed by our domestic subsidiaries, contain certain covenants that, among other things, limit our ability

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to incur additional indebtedness and make certain types of restricted payments, including dividends. Under the terms of the indenture, as of August 15, 2009, we are allowed to redeem all or a part of the Notes at the redemption prices set forth by the indenture plus any accrued and unpaid interest.

As of December 31, 2009, we were in compliance with all applicable covenants required under the Notes.

Other Borrowing Facilities

Bank Machine overdraft facility. In addition to Cardtronics, Inc. s $175.0 million revolving credit facility, Bank Machine has a £1.0 million overdraft facility. Such facility, which bears interest at 1.75% over the bank s base rate (0.5% as of December 31, 2009) and is secured by a letter of credit posted under the our revolving credit facility, is utilized for general corporate purposes for the Company s United Kingdom operations. As of December 31, 2009, there was no balance outstanding under this overdraft facility. The amount outstanding under the overdraft facility as of December 31, 2008 was approximately £99,000 ($145,000) and is reflected in accounts payable in our Consolidated Balance Sheets, as any borrowings are automatically repaid once cash deposits are made to the underlying bank accounts.

Cardtronics Mexico equipment financing agreements. Between 2006 and 2009, Cardtronics Mexico entered into nine separate five-year equipment financing agreements with a single lender. These agreements, which are denominated in pesos and bear interest at an average fixed rate of 10.57%, were utilized for the purchase of additional ATMs to support our Mexico operations. As of December 31, 2009, approximately $128.0 million pesos ($9.8 million U.S.) were outstanding under the agreements, with any future borrowings to be individually negotiated between the lender and Cardtronics Mexico. Pursuant to the terms of the equipment financing agreements, we have issued guarantees for 51.0% of the obligations under these agreements (consistent with our ownership percentage in Cardtronics Mexico). As of December 31, 2009, the total amount of the guarantees was $65.3 million pesos ($5.0 million U.S.).

Capital lease agreements. In connection with the 7-Eleven ATM Transaction, we assumed certain capital and operating lease obligations for approximately 2,000 ATMs. We currently have $0.4 million in letters of credit under our revolving credit facility in favor of the lessors under these assumed equipment leases. These letters of credit reduce the available borrowing capacity under our revolving credit facility. As of December 31, 2009, the principal balance of our capital lease obligations totaled $0.2 million.

Effects of Inflation

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

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Contractual Obligations

The following table and discussion reflect our significant contractual obligations and other commercial commitments as of December 31, 2009:

	Payments Due by Period						
	2010	2011	2012	2013	2014	Thereafter	Total
	(In thousands)						
Long-term financings:							
Principal(1)	$ 2,122	$ 2,860	$ 2,360	$ 301,326	$ 1,142	$	$ 309,810
Interest(2)	28,685	28,423	28,121	27,938	56		113,223
Operating leases	2,598	2,089	1,978	1,946	3,919	5,163	17,693
Merchant space leases	2,401	2,345	2,288	2,189	365	117	9,705
Capital leases(3)	240						240
Other(4)	1,100						1,100
Total contractual obligations	$ 37,146	$ 35,717	$ 34,747	$ 333,399	$ 5,482	$ 5,280	$ 451,771

(1) Represents the $300.0 million face value of our senior subordinated notes and $9.8 million outstanding under our Mexico equipment financing facilities.

(2) Represents the estimated interest payments associated with our long-term debt outstanding as of December 31, 2009.

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

(4) Represents commitment to purchase $1.1 million of ATM equipment from one of our primary ATM suppliers during 2010.

Critical Accounting Policies and Estimates

Our consolidated financial statements included in our 2009 Form 10-K have been prepared in accordance with accounting principles generally accepted in the United States (GAAP), which require that management make numerous estimates and assumptions. Actual results could differ from those estimates and assumptions, thus impacting our reported results of operations and financial position. The critical accounting policies and estimates described in this section are those that are most important to the depiction of our financial condition and results of operations and the application of which requires management s most subjective judgments in making estimates about the effect of matters that are inherently uncertain. We describe our significant accounting policies more fully in Part II, Item 8. Financial Statements and Supplementary Data, Note 1 to our 2009 Form 10-K.

Goodwill and Intangible Assets. We have accounted for our acquisitions of the 7-Eleven Financial Services Business, E*TRADE Access, Bank Machine, ATM National, LLC, and Deposit Solutions, Inc. as business combinations. Additionally, due to our purchase of a majority (51.0%) interest in CCS Mexico (i.e., Cardtronics Mexico), we have accounted for this acquisition as a business combination as well. Accordingly, the amounts paid for such acquisitions have been allocated to the assets acquired and liabilities assumed based on their respective fair values as of each acquisition date. Intangible assets that met the criteria established by U.S. GAAP for recognition apart from goodwill included the acquired ATM operating agreements and related customer relationships, a branding agreement acquired in the 7-Eleven ATM Transaction, the Bank Machine and Allpoint (via the ATM National, Inc. acquisition) trade names, and the non-compete agreements entered into in connection with the CCS Mexico and Deposit Solutions, Inc. acquisitions.

The excess of the cost of the above acquisitions over the net of the amounts assigned to the tangible and intangible assets acquired and liabilities assumed is reflected as goodwill in our consolidated financial statements. As of December 31, 2009, our goodwill balance totaled $165.2 million, $84.5 million of which related to our acquisition of E*TRADE Access, $62.2 million of which related to our acquisition of the 7-Eleven Financial Services Business, and $14.0 million of which related to our acquisition of Bank Machine.

The remaining balance was comprised of goodwill related to our acquisition of ATM National LLC and our purchase of a majority interest in Cardtronics Mexico. Other intangible assets, net, totaled $89.0 million as of December 31, 2009, and included the intangible assets described above, as well as deferred financing costs, exclusive license agreements, and upfront merchant site acquisition costs.

Goodwill and other intangible assets that have indefinite useful lives are not amortized, but instead tested at least annually for impairment, and intangible assets that have finite useful lives are amortized over their estimated useful lives. We follow the specific guidance provided in U.S. GAAP for testing goodwill and other non-amortized intangible assets for impairment. The guidance requires management to make certain estimates and assumptions in order to allocate goodwill to reporting units and to determine the fair value of a reporting unit s net assets and liabilities, including, among other things, an assessment of market condition, projected cash flows, interest rates, and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. Furthermore, this requirement exposes us to the possibility that changes in market conditions could result in potentially significant impairment charges in the future.

We evaluate the recoverability of our goodwill and non-amortized intangible assets by estimating the future discounted cash flows of the reporting units to which the goodwill and non-amortized intangible assets relate. We use discount rates corresponding to our cost of capital, risk-adjusted as appropriate, to determine the discounted cash flows, and consider current and anticipated business trends, prospects, and other market and economic conditions when performing our evaluations. These evaluations are performed on an annual basis at a minimum, or more frequently based on the occurrence of events that might indicate a potential impairment. Examples of events that might indicate impairment include, but are not limited to, the loss of a significant contract or a material change in the terms or conditions of a significant contract. During the year ended December 31, 2008, we recorded a goodwill impairment charge of approximately $50.0 million associated with our United Kingdom reporting unit. For additional information on this impairment charge, see Part II, Item 8. Financial Statements and Supplementary Data, Note 1(j) to our 2009 Form 10-K.

Valuation of Long-lived Assets. We place significant value on the installed ATMs that we own and manage in merchant locations and the related acquired merchant contracts/relationships. Long-lived assets, such as property and equipment and purchased contract intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We test our acquired merchant contract/relationship intangible assets for impairment quarterly, along with the related ATMs, on an individual contract/relationship basis for our significant acquired contracts/relationships, and on a pooled or portfolio basis (by acquisition) for all other acquired contracts/relationships.

In determining whether a particular merchant contract/relationship is significant enough to warrant a separate identifiable intangible asset, we analyze a number of relevant factors, including (i) estimates of the historical cash flows generated by such contract/relationship prior to its acquisition, (ii) estimates regarding our ability to increase the contract/relationship s cash flows subsequent to the acquisition through a combination of lower operating costs, the deployment of additional ATMs, and the generation of incremental revenues from increased surcharges and/or new bank branding arrangements, and (iii) estimates regarding our ability to renew such contract/relationship beyond its originally scheduled termination date. An individual contract/relationship, and the related ATMs, could be impaired if the contract/relationship is terminated sooner than originally anticipated, or if there is a decline in the number of transactions related to such contract/relationship without a corresponding increase in the amount of revenue collected per transaction. A portfolio of purchased contract intangibles, including the related ATMs, could be impaired if the contract attrition rate is materially more than the rate used to estimate the portfolio s initial value, or if there is a decline in the number of transactions associated with such portfolio without a corresponding increase in the revenue collected per transaction. Whenever events or changes in circumstances indicate that a merchant contract/relationship intangible asset may be impaired, we evaluate the recoverability of the intangible asset, and the related ATMs, by measuring the related carrying amounts against the estimated undiscounted future cash flows associated with the related contract or portfolio of contracts. Should the sum of the expected future net cash flows be less than the carrying values of the tangible and intangible assets being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying values of the ATMs

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and intangible assets exceeded the calculated fair value. During the years ended December 31, 2009, 2008, and 2007, we recorded approximately $1.2 million, $0.4 million, and $5.7 million, respectively, in additional amortization expense related to the impairments of certain previously-acquired merchant contract/relationship intangible assets associated with our United States reporting segment.

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

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible. We consider the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In the event we do not believe we will be able to utilize the related tax benefits associated with deferred tax assets, we record valuation allowances to reserve for the assets. During the year ended December 31, 2009, we released approximately $1.9 million in valuation allowances associated with our United States and Mexico operations to offset current taxable income amounts in those jurisdictions. In the United Kingdom, we established an additional $0.9 million in valuation allowances in 2009 to reserve for various deferred tax assets associated with that operation. During the year ended December 31, 2008, we recorded $3.8 million in valuation allowances to reserve for various deferred tax assets associated with our domestic operation, and did not recognize approximately $1.7 million in income tax benefits related to our United Kingdom and Mexico operations as a result of their uncertain future utilization. Furthermore, approximately $17.0 million in potential tax loss benefits associated with the $50.0 million goodwill impairment charge recorded during the fourth quarter of 2008 have not been recognized as such loss benefits are not likely to be realized in the foreseeable future.

Asset Retirement Obligations. We estimate the fair value of future retirement obligations associated with our ATMs, including costs associated with deinstalling the ATMs and, in some cases, refurbishing the related merchant locations. Such estimates are based on a number of assumptions, including (i) the types of ATMs that are installed, (ii) the relative mix where those ATMs are installed (i.e., whether such ATMs are located in single-merchant locations or in locations associated with large, geographically-dispersed retail chains), and (iii) whether we will ultimately be required to refurbish the merchant store locations upon the removal of the related ATMs. Additionally, we are required to make estimates regarding the timing of when such retirement obligations will be incurred.

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

Share-Based Compensation. We calculate the fair value of stock-based instruments awarded to employees and directors on the date of grant and recognize the calculated fair value, net of estimated forfeitures, as compensation expense over the requisite service periods of the related awards. In determining the fair value of our share-based awards, we are required to make certain assumptions and estimates, including (i) the number of awards that may ultimately be forfeited by the recipients, (ii) the expected term of the underlying awards, and (iii) the future volatility associated with the price of our common stock. Such estimates, and the basis for our conclusions regarding such estimates for the year ended December 31, 2009, are outlined in detail in Part II, Item 8. Financial Statements and Supplementary Data, Note 4 to our 2009 Form 10-K.

Derivative Financial Instruments. We recognize all of our derivative instruments as either assets or liabilities in our Consolidated Balance Sheets at fair value. The accounting for changes in the fair value (e.g., gains or losses) of those derivative instruments depends on (i) whether such instruments have been designated (and qualify) as part of a hedging relationship and (ii) on the type of hedging relationship actually designated. For derivative instruments that are designated and qualify as hedging instruments, the Company designates the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation. These instruments are valued using pricing models based on significant other observable inputs (Level 2 inputs under the fair value hierarchy established by U.S. GAAP), while taking into account the nonperformance risk of the party that is in the liability position with respect to each trade. As of December 31, 2009, the majority of our derivatives were designated as cash flow hedges, and, accordingly, changes in the fair values of such derivatives have been reflected in the accumulated other comprehensive loss line in the accompanying Consolidated Balance Sheet. Additionally, as of December 31, 2009, we had derivatives that were designated as economic hedges, for which the gain or loss was recognized in the Consolidated Statements of Operations during the year ended December 31, 2009. See Part II, Item 8. Financial Statements and Supplementary Data, Note 17 to our 2009 Form 10-K for more details on our derivative financial instrument transactions.

New Accounting Pronouncements Issued but Not Yet Adopted

For information on new accounting pronouncements that had been issued as of December 31, 2009 but not yet adopted by us, see Part II, Item 8. Financial Statements and Supplementary Data, Note 1(v) to our 2009 Form 10-K.

Commitments and Contingencies

We are subject to various legal proceedings and claims arising in the ordinary course of business. We do not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on our financial condition, results of operations or cash flows. See Part II, Item 8. Financial Statements and Supplementary Data, Note 16 to our 2009 Form 10-K for additional details regarding our commitments and contingencies.

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BUSINESS

Company Overview

We provide convenient automated consumer financial services through our network of automated teller machines (ATMs) and multi-function financial services kiosks. As of December 31, 2009, we operated over 33,400 ATMs throughout the United States (including Puerto Rico), the United Kingdom, and Mexico, of which 68% were owned by us, making us the world s largest non-bank owner of ATMs. Included within this number are approximately 2,200 multi-function financial services kiosks that, in addition to traditional ATM functions such as cash dispensing and bank account balance inquiries, perform other consumer financial services, including bill payments, check cashing, remote deposit capture (which represents deposits taken using electronic imaging at ATMs not physically located at a bank), and money transfers.

We often partner with large, nationally-known retail merchants under multi-year agreements to place our ATMs and kiosks within their store locations. In doing so, we provide our retail partners with an automated financial services solution that we believe helps attract and retain customers, and in turn, increases the likelihood that our devices will be utilized. Finally, we own and operate an electronic funds transfer (EFT) transaction processing platform that provides transaction processing services to our network of ATMs and financial services kiosks as well as ATMs owned and operated by third parties.

Historically, we have deployed and operated our devices under two distinct arrangements with our retail partners: Company-owned and merchant-owned arrangements. Under Company-owned arrangements, we provide the device and are typically responsible for all aspects of its operation, including transaction processing, procuring cash, supplies, and telecommunications as well as routine and technical maintenance. Under our merchant-owned arrangements, the retail merchant or the distributor owns the device and is usually responsible for providing cash and performing simple maintenance tasks, while we provide more complex maintenance services, transaction processing, and connection to the EFT networks. As of December 31, 2009, approximately 68% of our devices were Company-owned and 32% were merchant-owned. While we may continue to add merchant-owned devices to our network as a result of acquisitions and internal sales efforts, our focus for internal growth remains on expanding the number of Company-owned devices in our network due to the higher margins typically earned and the additional revenue opportunities available to us under Company-owned arrangements.

We partner with leading national financial institutions to brand selected ATMs and financial services kiosks within our network, including Citibank, N.A., HSBC Bank USA, N.A., JPMorgan Chase Bank, N.A., SunTrust Banks, Inc. and Sovereign Bank. As of December 31, 2009, approximately 11,100 of our Company-owned devices were under contract with financial institutions to place their logos on those machines, thus providing convenient surcharge-free access for their banking customers. We also own and operate the Allpoint network, which we believe is the largest surcharge-free ATM network within the United States (based on the number of participating ATMs). The Allpoint network, which has approximately 1,200 card issuer participants and more than 37,000 participating ATMs, including a majority of our ATMs in the United States and all of our ATMs in the United Kingdom, provides surcharge-free ATM access to customers of participating financial institutions that lack a significant ATM network. Allpoint also works with financial institutions that manage prepaid debit card programs on behalf of corporate entities and governmental agencies, including general purpose, payroll, and electronic benefits transfer cards. Under these programs, the issuing financial institutions pay Allpoint a fee per card or per transaction in return for allowing the users of those cards surcharge-free access to Allpoint s participating ATM network.

More recently, we have started offering a managed services solution to retailers and financial institutions that may prefer to maintain ownership of their ATM fleets, but are looking for us to handle some or all of the operational aspects associated with operating and maintaining those fleets. Under these types of arrangements, we will typically receive a fixed monthly management fee in return for providing certain services, including monitoring, maintenance, customer service, and cash management. Additionally, we will typically charge a per-transaction fee for any transaction processing services we provide under these arrangements.

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Our revenues are recurring in nature and historically have been derived primarily from transaction fees, which are paid by cardholders, and interchange fees, which are paid by the cardholder s financial institution for the use of the devices serving customers and the applicable EFT network that transmits data between the device and the cardholder s financial institution. We generate additional revenues by branding our devices with the logos of leading national banks and other financial institutions, and by collecting fees from financial institutions that participate in Allpoint surcharge-free ATM network.

The following table sets forth our leading position among ATM owners in the United States:

Rank	Top U.S. ATM Owners	Number of ATMs[1]
1	Bank of America	18,262
2	Cardtronics	18,111
3	JPMorgan Chase	15,406
4	Wells Fargo	12,363
5	PNC Financial Services Group	6,473

(1) Source: Compiled by the Company from publicly available information, as of December 31, 2009.

Organizational and Operational History

We began operating in the ATM business in the early 1990s under the name Cardpro, Inc. In June 2001, Cardpro, Inc. was converted from a Delaware corporation into a Delaware limited partnership and renamed Cardtronics, LP. In addition, in June 2001, Cardtronics Group, Inc. was incorporated under the laws of the state of Delaware to act as a holding company for Cardtronics, LP, with Cardtronics Group, Inc. indirectly owning 100% of the equity of Cardtronics, LP. In January 2004, Cardtronics Group, Inc. changed its name to Cardtronics, Inc. In December 2007, we completed the initial public offering of 12,000,000 shares of our common stock. In December 2008, Cardtronics, LP was converted to a corporation under the laws of Delaware and changed its name to Cardtronics USA, Inc. Cardtronics USA, Inc. is the primary domestic operating subsidiary of Cardtronics, Inc.

Since May 2001, we have acquired 14 ATM networks and one operator of a surcharge-free ATM network, increasing the number of devices we operate from approximately 4,100 as of May 2001 to approximately 33,400 as of December 31, 2009. Two of these acquisitions enabled us to enter international markets. Specifically, our acquisitions of Bank Machine (Acquisitions) Limited (Bank Machine) in May 2005 and a majority ownership interest in CCS Mexico (which was subsequently renamed Cardtronics Mexico, S.A. de C.V. (Cardtronics Mexico) in February 2006 expanded our operations into the United Kingdom and Mexico, respectively. Additionally, we acquired the nationwide surcharge free network, Allpoint, through our acquisition of ATM National, Inc. in December 2005, providing us with a platform to further pursue and develop surcharge-free offerings. In July 2007, we acquired the financial services business of 7-Eleven, Inc. (the 7-Eleven Financial Services Business), which included 3,500 traditional ATMs and approximately 2,000 multi-function financial services kiosks, which allowed us to offer additional automated financial services above and beyond those typically offered by traditional ATMs. While we have not completed any significant acquisitions since our July 2007 acquisition of the 7-Eleven Financial Services Business, we expect to continue to evaluate selected acquisition opportunities that complement our existing network, some of which could be material.

From 2001 to 2009, the total number of annual transactions processed within our network increased from approximately 19.9 million to approximately 383.3 million.

Our Competitive Strengths

Leading Market Position. We are the world s largest non-bank owner of ATMs. As of December 31, 2009, we operated over 33,400 ATMs, including approximately 2,200 multi-function financial services kiosks, located throughout the United States (including Puerto Rico), the United Kingdom, and Mexico, of which 68% were owned by us. We estimate that approximately 90% of the United States population lives within five miles of one of the devices operated by us. We believe the breadth of our global footprint would be difficult to replicate and represents a significant competitive advantage, as well as a barrier to entry for potential competitors.

Leading ATM Debit Network. We have one of the largest ATM debit networks in the United States. Our network leverages our customer relationships with well-known retailers and issuers of debit and prepaid debit cards, including leading national financial institutions and prepaid debit card companies. We operate the Allpoint network, which we believe is the largest surcharge-free network of ATMs in the United States based on the number of participating ATMs. Our network has enabled us to create new revenue streams, including bank branding and surcharge-free network revenues. As a result of the scale and reach of our network, we believe we benefit from significant network effects as evidenced by our growth in transactions per device. For the three years ended December 31, 2009, our worldwide monthly transactions per device grew from 729 to 966, representing a compounded annual growth rate of approximately 15%.

Multi-Year Contracts with Leading Retail Merchants. We have developed significant relationships with leading national and regional retail merchants within the United States (including Puerto Rico), the United Kingdom, and Mexico. These merchants typically operate high-traffic locations, which we have found to result in increased transaction activity and profitability. Our long-term retail merchant relationships can provide opportunities for us to deploy devices in additional locations of those retailers that do not currently have an ATM, and new locations opened by those retailers in the future. Our contracts with our retail merchant customers are typically multi-year arrangements with an initial targeted term of seven years. As of December 31, 2009, our contracts with our top ten retail merchant customers (based on 2009 revenues) had a weighted average remaining life of 5.7 years. In addition, our top ten retail merchant customers have worked with us, including the businesses we have acquired, for an average of over nine years and eight of these contracts have been renewed or extended since they were originally acquired. We believe our retail merchant customers value our high level of service, our 24-hour per day monitoring and accessibility, and that our devices in the United States are on-line and able to serve customers an average of 99.1% of the time.

Proprietary Transaction Processing Platform. We believe that our proprietary EFT transaction processing platform sets us apart from our competitors. Our platform manages the transaction processing services to our network of devices as well as ATMs owned and operated by third parties, substantially reducing the incremental cost to process a transaction. Our transaction processing platform also gives us the ability to control the content of the information appearing on the screens of our devices as well as those devices that we process on behalf of financial institutions and retailers.

Recurring and Stable Revenues and Operating Cash Flows. The long-term contracts that we enter into with our retail merchant partners provide us with relatively stable, recurring revenue streams. Additionally, our branding arrangements and surcharge-free network contracts provide us with additional revenues under long-term contracts that are generally not based on the number of transactions per device. For the year ended December 31, 2009, we derived approximately 98% of our total revenues from recurring transaction, branding, and surcharge-free fees, as well as other access fees generated through the provision of additional automated consumer financial services. Our recurring and stable revenue base, relatively low and predictable maintenance capital expenditure requirements, and minimal working capital requirements, allow us to generate operating cash flows to service our indebtedness and invest in future growth initiatives.

Efficient, Scalable Infrastructure and Operations. We believe the size of our ATM network combined with our operating infrastructure allows us to drive substantial economies of scale. Our infrastructure allows us to expand our operations without proportionally increasing our fixed and semi-fixed costs. The scale of our operations provides us with a competitive advantage in operating our own fleet, negotiating with third-party service providers, acquiring new ATM portfolios, and providing cost effective managed services solutions to financial institutions and large retailers. We believe that the operating efficiencies that result from our scale provide us with a significant cost advantage over our competitors. Our ATM operating gross profit margin (exclusive of depreciation, accretion and amortization) has increased from 22.9% in 2007 to 30.9% in 2009.

Experienced Management Team. Our management team has significant financial services, network, and payment processing-related experience. Our team is led by Steven Rathgaber, our recently hired Chief Executive Officer, who has over 32 years of broad payment product and network experience. Our management team has augmented the organic growth of our business by successfully identifying and integrating a number of acquired businesses, both in the United States and internationally, that have expanded our network and the products and services we offer. We believe the strength and expertise of our management team helps us attract new retail merchant customers and provides us with increased acquisition, bank branding, and managed services opportunities, thereby contributing significantly to our growth.

Our Growth Strategy

Our growth strategy is to expand and enhance our position as a leading provider of automated consumer financial services in the United States, the United Kingdom and Mexico; to leverage our existing ATM network with products and services that increase our revenues per ATM; to become a significant provider of managed services to financial institutions and retailers with significant ATM and financial services kiosk networks; and to further expand our network and service offerings into select international markets. In order to execute this strategy, we will endeavor to:

Expand our Network of Devices with Leading Merchants. We believe that we have opportunities to further expand the number of ATMs and financial services kiosks that we own and/or operate with leading merchants. With respect to our existing merchants, we have two principal opportunities to increase the number of deployed devices: first, by deploying devices in existing merchant locations that currently do not have a device, but where consumer traffic volumes and anticipated returns justify installing a device; and second, as our merchants open new locations, by installing devices in those locations. With respect to new merchant customers, we believe our expertise, national footprint, strong record of customer service, and significant scale position us to successfully market to, and enter into long-term contracts with, additional leading national and regional merchants.

Expand our Relationships with Leading Financial Institutions. We believe we are well-positioned to work with financial institutions to fulfill many of their ATM and automated consumer financial services requirements. Our services currently offered to financial institutions include branding our ATMs with their logos and providing surcharge-free access to their customers, as well as managing their off-premise ATMs (i.e., ATMs not located in a bank branch). In addition, our EFT transaction processing capabilities provide us with the ability to provide customized control over the content of the information appearing on the screens of our ATMs and ATMs we process for financial institutions, which we believe increases the types of products and services that we are able to offer to financial institutions. In the United Kingdom, our armored courier operation, coupled with our existing in-house engineering and EFT transaction processing capabilities, provides us with a full suite of services that we can offer to financial institutions in that market.

Continue to Capitalize on Surcharge-Free Network and Prepaid Debit Card Opportunities. We plan to continue pursuing opportunities with respect to our surcharge-free network offerings, where financial institutions pay us to allow their customers surcharge-free access to our ATM network on a non-exclusive basis. We believe surcharge-free arrangements will enable us to increase transaction counts and profitability on our existing machines. We also plan to pursue additional opportunities to work with financial institutions that issue and sponsor prepaid debit card programs. We believe that these programs represent significant transaction growth opportunities for us, as many users of prepaid debit cards do not have bank accounts, and consequently, have historically not been able to utilize our existing ATMs and financial services kiosks.

Pursue International Growth Opportunities. We have invested significant amounts of capital in the infrastructure of our United Kingdom and Mexico operations, and we plan to continue to selectively increase the number of our ATMs in these markets by increasing the number of machines deployed with our existing customer base, as well as adding new merchant customers. Additionally, we plan to expand our operations into selected international markets where we believe we can leverage our operational expertise, EFT transaction processing platform, and scale advantages. In particular, we expect to target high growth, emerging markets where cash is the predominant form of payment, where off-premise ATM penetration is relatively low, and where we believe significant financial institution and/or retail managed services opportunities exist. We believe Central and Eastern Europe, Central and South America, and the Asia-Pacific regions are examples of international markets that meet these criteria.

Develop and Provide Additional Automated Consumer Financial Services. Service offerings by ATMs have continued to evolve over time. Certain ATM models are now capable of providing numerous automated consumer financial services, including bill payments, check cashing, remote deposit capture, and money transfers. Certain of our devices are capable of, and currently provide, these types of services. We believe these non-traditional consumer financial services offered by our devices, and other machines that we or others may develop, provide us with additional growth opportunities as retailers and financial institutions seek to provide additional convenient automated financial services to their customers.

Our Products and Services

We typically provide our leading merchant customers with all of the services required to operate ATMs and financial services kiosks, which include transaction processing, cash management, maintenance, and monitoring. We believe our merchant customers value our high level of service, our 24-hour per day monitoring and accessibility, and that our domestic devices are on-line and able to serve customers an average of over 99.1% of the time. In connection with the operation of our devices and our customers devices, we generate revenue on a per-transaction basis from the surcharge fees charged to cardholders for the convenience of using our devices and from interchange fees charged to such cardholders financial institutions for processing the related transactions conducted on those devices. The following table provides detail relating to the number of devices we owned and operated under our various arrangements as of December 31, 2009:

	Company-Owned	Merchant-Owned	Total
Number of devices at period end	22,871	10,537	33,408
Percent of total	68.5%	31.5%	100.0%
Average monthly withdrawal transactions per average transacting device	776	277	616

We generally operate our ATMs and kiosks under multi-year contracts that provide a recurring and stable source of transaction-based revenue and typically have an initial targeted term of seven years. As of December 31, 2009, our contracts with our top ten merchant customers (based on 2009 revenues) had a weighted average remaining life of over 5.7 years.

Additionally, we enter into arrangements with financial institutions to brand certain of our Company-owned ATMs with their logos. These bank branding arrangements allow a financial institution to expand its geographic presence for a fraction of the cost of building a branch location and typically for less than the cost of placing one of its own ATMs at that location. These arrangements allow a financial institution to rapidly increase its number of branded ATM sites and improve its competitive position. Under these arrangements, the branding institution s customers are allowed to use the branded ATMs without paying a surcharge fee to us. In return, we receive monthly fees on a per-ATM basis from the branding institution, while retaining our standard fee schedule for other cardholders using the branded ATMs. In addition, our branded machines typically generate higher interchange revenue as a result of the increased usage of our ATMs by the branding institution s customers and others who prefer to use a bank-branded ATM. We intend to continue to pursue additional bank branding arrangements as part of our growth strategy. Prior to 2006, we had bank branding arrangements in place on less than 1,000 of our Company-owned ATMs. As of December 31, 2009, we had bank branding arrangements in place with 34 domestic financial institutions, involving approximately 11,100 Company-owned ATMs. This growth was the result of our increased sales efforts, our acquisition of the 7-Eleven Financial Services Business in July 2007 (the 7-Eleven ATM Transaction), and what we believe was the realization by financial institutions of the significant benefits and opportunities afforded to them through bank branding programs.

In addition to our bank branding arrangements, we offer financial institutions another type of surcharge-free program through our Allpoint nationwide surcharge-free ATM network. Under the Allpoint network, financial institutions who are members of the network pay us either a fixed monthly fee per cardholder or a set fee per transaction in exchange for us providing their cardholders with surcharge-free access to most of our domestic owned and/or operated ATMs and our ATMs in the United Kingdom. We believe Allpoint offers an attractive alternative to financial institutions that lack their own distributed ATM network. Finally, our Company-owned ATMs deployed under our placement agreement with 7-Eleven, Inc. (7-Eleven) participate in CO-OP®, the nation s largest surcharge-free network for credit unions, and are included in our arrangement with Financial Services Center Cooperatives, Inc. (FSCC), a cooperative service organization providing shared branching services for credit unions.

As we have found that the primary factor affecting transaction volumes at a given ATM or financial services kiosk is its location, our strategy in deploying our devices, particularly those placed under Company-owned arrangements, is to identify and deploy them at locations that provide high visibility and high transaction volume. Our experience has demonstrated that the following locations often meet these criteria: convenience stores and combination convenience stores and gas stations, grocery stores, airports, and major regional and national retail outlets. The 5,500 locations that we added to our portfolio as a result of the 7-Eleven ATM Transaction are prime examples of the types of locations that we seek when deploying our ATMs and financial services kiosks. In addition to our arrangement with 7-Eleven, we have also entered into multi-year agreements with a number of other merchants, including Chevron Corporation (Chevron), Costco Wholesale Corporation (Costco), CVS, Exxon Mobil Corporation (ExxonMobil), Hess, Rite Aid Corporation (Rite Aid), Safeway, Inc. (Safeway), Target, Walgreens, and Winn-Dixie Stores, Inc. (Winn-Dixie) in the United States; ASDA Group Ltd. (a subsidiary of Wal-Mart Stores, Inc.) (Asda), Euro Garages Ltd., Stuart Harvey Insurance Brokers Ltd. (known under their trading name of Forces Financial) (Forces Financial), Inter IKEA Systems B.V. (IKEA), Martin McColl Ltd., Murco Petroleum Ltd., The Noble Organisation Ltd., Tates Ltd., and Welcome Break Holdings Ltd. (Welcome Break) in the United Kingdom; and Cadena Comercial OXXO S.A. de C.V. (OXXO) in Mexico. We believe that once consumers establish a pattern of using a particular device, they will generally continue to use that device.

Merchant Customers

In each of our markets, we typically deploy our Company-owned devices under long-term contracts with major national and regional merchants, including convenience stores, supermarkets, drug stores, and other high-traffic locations. Our merchant-owned ATMs are typically deployed under arrangements with smaller independent merchants.

The terms of our merchant contracts vary as a result of negotiations at the time of execution. In the case of Company-owned devices, the contract terms vary, but typically include the following:

- a targeted term of seven years;
- exclusive deployment of devices at locations where we install a device;
- the right to increase surcharge fees, subject to merchant approval;
- our right to remove devices at underperforming locations without having to pay a termination fee;
- in the United States, our right to terminate or remove devices or renegotiate the fees payable to the merchant if surcharge fees are generally reduced or eliminated by law; and
- provisions that make the merchant s fee dependent on the number of device transactions.

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

- in the United States, provisions prohibiting in-store check cashing by the merchant and, in the United States and United Kingdom, the operation of any other cash-back devices;

provisions imposing an obligation on the merchant to operate the ATMs at any time its stores are open for business; and

provisions, when possible, that require the assumption of our contract in the event a merchant sells its stores.

7-Eleven is the largest merchant customer in our portfolio, representing approximately 31% of our total revenues for the year ended December 31, 2009. The underlying merchant agreement with 7-Eleven, which had an initial term of ten years from the effective date of the acquisition, expires in July 2017. In addition to

7-Eleven, our next four largest merchant customers (based on revenues) during 2009 were CVS, Walgreens, Target, and Hess, which collectively generated 18.0% of our total revenues for the year.

Sales and Marketing

Our sales and marketing team focuses principally on developing new relationships with national and regional merchants as well as building and maintaining relationships with our existing merchants. The team is currently organized into groups that specialize in marketing to specific merchant industry segments, which allows us to tailor our offering to the specific requirements of each merchant customer. In addition to the merchant-focused sales and marketing group, we have a sales and marketing group that is focused on developing and managing our relationships with financial institutions, as we look to expand the types of services that we offer to such institutions. Finally, we recently hired additional sales and marketing representatives that will focus exclusively on identifying potential managed services opportunities with financial institutions and retailers alike.

In addition to targeting new business opportunities, our sales and marketing team supports our acquisition initiatives by building and maintaining relationships with newly-acquired merchants. We seek to identify growth opportunities within each merchant account by analyzing the merchant s sales at each of its locations, foot traffic, and various demographic data to determine the best opportunities for new ATM and financial services kiosk placements. As of December 31, 2009, our sales and marketing team was comprised of approximately 40 employees, of which those who are exclusively focused on sales typically receive a combination of incentive-based compensation and a base salary.

Technology

Our technology and operations platform consists of ATMs and financial services kiosks, network infrastructure components (including hardware and software used to provide real-time device monitoring and transaction processing services), cash management and forecasting software tools, and a full-service customer service organization. This platform is designed to provide our customers with what we believe is a high-quality suite of services.

Equipment. In the United States and Mexico, we purchase our ATMs from global manufacturers, including NCR Corporation (NCR), Diebold, Incorporated (Diebold), Triton Systems of Delaware, Inc. (Triton), Wincor Nixdorf AG (Wincor Nixdorf), and Nautilus Hyosung, Inc. (Hyosung) and place them in our customers locations. The wide range of advanced technology available from these ATM manufacturers provides our customers with advanced features and reliability through sophisticated diagnostics and self-testing routines. The different machine types can all perform basic functions, such as dispensing cash and displaying account information. However, some of our ATMs are modular and upgradeable so they can be adapted to provide additional services in response to changing technology and consumer demand. For example, a portion of our ATMs can be upgraded to accept deposits through the installation of additional hardware and software components. Additionally, 2,200 of our devices, which are manufactured by NCR and located in selected 7-Eleven store locations, provide enhanced financial services transactions, including bill payments, check cashing, remote deposit capture, and money transfers.

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

Transaction Processing. We place significant emphasis on providing quality service with a high level of security and minimal interruption. We have carefully selected support vendors to optimize the performance of our network. In 2006, we implemented our own EFT transaction processing operation, which is based in Frisco, Texas. This operation enables us to process and monitor transactions on our devices and to control the flow and content of information appearing on the screens of such devices. As of December 31, 2009, we had converted substantially all of our devices over to our processing platform with the exception of approximately 3,600 ATMs in 7-Eleven stores, though we currently expect these ATMs to be transitioned to our platform by the second quarter of 2010. Prior to 2010, these ATMs were unable to be converted to our processing platform as they were subject to a master management services agreement with a third party, under which that party provided a number of ATM-related services, including transaction processing, network hosting, network sponsorship, maintenance, cash management, and cash replenishment. This agreement, which was assumed in conjunction with the 7-Eleven ATM Transaction, expired at the end of 2009. With the expiration of this agreement, the 3,600 ATMs are now managed by us and serviced by the third parties that provide services to the remaining devices within our domestic portfolio. As with our existing network operation, we have carefully selected support vendors to help provide sophisticated security analysis and monitoring 24 hours a day to ensure the continued performance of our EFT transaction processing operation.

Internal Systems. Our internal systems, including our EFT transaction processing operation, include multiple layers of security to help protect the systems from unauthorized access. Protection from external sources is provided by the use of hardware and software-based security features that prevent and report unauthorized access attempts. Additionally, we utilize isolation techniques in order to separate our sensitive systems from the other systems in our internal network. We also use commercially-available encryption technology to protect information that is stored within our systems, as well as information that is being transmitted. On our internal network, we employ user authentication and antivirus tools at multiple levels. These systems are protected by detailed security rules to only allow appropriate access to information based on the employee s job responsibilities. All changes to the systems are controlled by policies and procedures, with automatic prevention and reporting controls that are placed within our processes. Our gateway connections to our EFT network service providers provide us with real-time access to the various financial institutions authorization systems that allow withdrawals, balance inquiries, transfers, and advanced functionality transactions. We have installed these communications circuits with backup connectivity to help protect us from telecommunications problems in any particular circuit. We use commercially-available and custom software that continuously monitors the performance of the devices in our network, including details of transactions at each device and expenses relating to those devices, further allowing us to monitor our on-line availability and financial profitability at each location. We analyze transaction volume and profitability data to determine whether to continue operating at a given site, to determine how to price various operating arrangements with merchants and branding partners, and to create a profile of successful locations to assist us in deciding the best locations for additional deployments.

Cash Management. Our cash management department uses commercially-available software and proprietary analytical models to determine the necessary fill frequency and cash load amount for each device. We project cash requirements for each device on a daily basis, taking into consideration its location, the day of the week, the timing of holidays and events, and other factors. After receiving a cash order from us, the cash provider forwards the request to its vault location nearest to the applicable device. Personnel at the vault location then arrange for the requested amount of cash to be set aside and made available for the designated armored courier to access and subsequently transport to the device. Our cash management department utilizes data generated by the cash providers, internally-generated data, and a proprietary methodology to confirm daily orders, audit delivery of cash to armored couriers and devices, monitor cash balances for cash shortages, coordinate and manage emergency cash orders, and audit costs from both armored couriers and cash providers.

In addition, during the fourth quarter of 2008, we implemented our own armored courier operation in the United Kingdom, Green Team Services Limited (Green Team). This operation consists of approximately 30 full-time employees, six armored vehicles, and a secure cash depot facility located outside of London, England. As of December 31, 2009, we were servicing roughly 780 of our ATMs in that market. We believe this operation allows us to provide higher-quality and more cost-effective cash-handling services in the United Kingdom market and has proven to be an efficient alternative to third-party armored providers. As a result, we plan to expand these operations to service another 800 of our ATMs in the United Kingdom. We expect that the new facility, which will be located in or around Manchester, will become operational in the second or third quarter of 2010.

Customer Service. We believe one of the factors that differentiates us from our competitors is our customer service responsiveness and proactive approach to managing any downtime experienced by our devices. We use an advanced software package that monitors the performance of our Company-owned devices

24 hours a day for service interruptions and notifies our maintenance vendors for prompt dispatch of necessary service calls.

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

Primary Vendor Relationships

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

Transaction Processing. Although we have our own EFT transaction processing platform, our processing efforts are primarily focused on controlling the flow and content of information on the device screen. As such, we rely on third-party service providers to handle our connections to the EFT networks and to perform certain funds settlement and reconciliation procedures on our behalf. These third-party transaction processors communicate with the cardholder s financial institution through various EFT networks to obtain transaction authorizations and to provide us with the information we need to ensure that the related funds are properly settled. These transaction processors include Elan Financial Services and Fidelity Information Services in the United States, LINK in the United Kingdom, and Promoción y Operación S.A. de C.V. (PROSA-RED) in Mexico.

EFT Network Services. Our transactions are routed over various EFT networks to obtain authorization for cash disbursements and to provide account balances. These networks include Star, Pulse, NYCE, Cirrus, and Plus in the United States; LINK in the United Kingdom; and PROSA-RED in Mexico. EFT networks set the interchange fees that they charge to the financial institutions, as well as the amount paid to us. We attempt to maximize the utility of our devices to cardholders by participating in as many EFT networks as practical. Additionally, we own the Allpoint network, which we believe is the largest surcharge free network in the United States (based on the number of participating ATMs). Owning our own network further maximizes ATM utility by giving cardholders a surcharge-free option at our ATMs, as well as allowing us to receive network-related economic benefits such as receiving switch revenue and setting surcharge-free interchange rates on our own devices as well as other participating ATMs.

Equipment. As previously noted, we purchase substantially all of our devices from global manufacturers, including NCR, Diebold, Triton, and Wincor Nixdorf. The large quantity of machines that we purchase from these manufacturers enables us to receive favorable pricing and payment terms. In addition, we maintain close working relationships with these manufacturers in the course of our business, allowing us to stay informed regarding product updates and to receive prompt attention for any technical problems with purchased equipment.

Although we currently purchase a majority of our devices from NCR, we believe our relationships with our other suppliers are good and that we would be able to purchase the machines we require for our Company-owned operations from other manufacturers if we were no longer able to purchase them from NCR.

Maintenance. In the United States, we typically contract with third-party service providers for on-site maintenance services. We have multi-year maintenance agreements with NCR and Pendum in the United States. In the United Kingdom, maintenance services are provided by our in-house technicians. In Mexico, Diebold and Soluciones, Sistemas y Servicios para ATM, S.A. de C.V. (INCAA) provide the majority of maintenance services for our ATMs.

Cash Management. We obtain cash to fill our Company-owned, and, in some cases, merchant-owned, ATMs under arrangements with our cash providers, which are Bank of America, US Bank, and Wells Fargo in the United States; Alliance & Leicester Commercial Bank (ALCB) in the United Kingdom; and Bansi, S.A. Institución de Banca Multiple (Bansi), a regional bank in Mexico and a minority interest owner in Cardtronics Mexico, in Mexico. We pay a monthly fee on the average amount outstanding to our primary vault cash providers under a formula based on the London Interbank Offered Rate (LIBOR) in the United States and in the United Kingdom, and the Mexican Interbank Rate in Mexico. At all times, beneficial ownership of the cash is retained by the cash providers, and we have no access or right to the cash except for those ATMs that are serviced by our wholly-owned armored courier operation in the United Kingdom. While our armored courier operation has physical access to the cash loaded in those machines, beneficial ownership of that cash remains with the cash provider at all times. We also contract with third parties to provide us with cash management services, which include reporting, armored courier coordination, cash ordering, cash insurance, reconciliation of device cash balances, and claims processing with armored couriers, financial institutions, and processors.

As of December 31, 2009, we had $895.4 million in cash in our domestic machines under these arrangements, of which 49.7% was provided by Bank of America under a vault cash agreement that expires in October 2011 and 49.2% was provided by Wells Fargo under a vault cash agreement that expires in July 2011. In the United Kingdom, the balance of cash held in our ATMs was $194.9 million, and in Mexico, our balance totaled $41.3 million as of year-end.

Cash Replenishment. We contract with armored courier services to transport and transfer most of the cash to our ATMs and financial services kiosks. We use leading armored couriers such as Brink s Incorporated and Pendum in the United States and Group 4 Securicor, Sunwin, and our own armored carrier operation in the United Kingdom. Under these arrangements, the armored couriers pick up the cash in bulk and, using instructions received from our cash providers, prepare the cash for delivery to each device on the designated fill day. Following a predetermined schedule, the armored couriers visit each location on the designated fill day, load cash into each device by either adding additional cash into a cassette or by swapping out the remaining cash for a new fully loaded cassette, and then balance each machine and provide cash reporting to the applicable cash provider.

In part because of service issues experienced during 2007 and 2008 related to one of our third-party armored cash providers in the United Kingdom, we implemented our own armored courier operation in that market during the fourth quarter of 2008. This operation, which is currently servicing approximately 780 of our ATMs in the United Kingdom, reduces our reliance on third parties and allows us greater flexibility in terms of servicing our ATMs. Additionally, as noted above, this operation allows us to provide higher-quality and more cost-effective cash-handling services in that market and has proven to be an efficient alternative to third-party armored providers. As a result, we plan to expand these operations to service another 800 of our ATMs in the United Kingdom. We expect that the new facility, which will be located in or around Manchester, will become operational in the second or third quarter of 2010. Our armored courier operation currently consists of approximately 30 full-time employees, six armored vehicles, and a secure cash depot facility located outside of London, England.

In Mexico, we utilize a flexible replenishment schedule, which enables us to minimize our cash inventory by allowing the ATM to be replenished on an as needed basis and not on a fixed recurring schedule. Cash needs are forecasted in advance and the ATMs are closely monitored on a daily basis. Once a terminal is projected to need cash within a specified number of days, the cash is procured and the armored vendor is scheduled so that the terminal is loaded approximately one day prior to the day that it is expected to run out of cash. Our primary armored courier service providers in Mexico are Compañía Mexicana de Servicio de Traslado de Valores (Cometra) and Panamericano.

Seasonality

In the United States and Mexico, our overall business is somewhat seasonal in nature with generally fewer transactions occurring in the first quarter of the fiscal year. We typically experience increased transaction levels during the fourth quarter at our devices located in shopping malls and lower volumes in the months following the holiday season. Similarly, we have seen increases in transaction volumes during the second

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quarter at our devices located near popular spring break destinations. Conversely, transaction volumes at our devices located in regions affected by strong winter weather patterns typically experience declines in volume during the first and fourth quarters as a result of decreases in the amount of consumer traffic through such locations. These declines, however, have been offset somewhat by increases in the number of our devices located in shopping malls and other retail locations that benefit from increased consumer traffic during the holiday buying season. We expect these location-specific and regional fluctuations in transaction volumes to continue in the future.

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

Competition

Historically, we have competed with financial institutions and other independent ATM companies for additional device placements, new merchant accounts, and acquisitions. However, over the past several years, we have established relationships with leading national and regional financial institutions in the United States through our bank branding program. Additionally, through Allpoint, we have significantly expanded our relationships with local and regional financial institutions as well as large issuers of prepaid debit card programs. Furthermore, as previously noted, we currently plan on increasing the types of services we provide to financial institutions in the future, including managing their off-premise ATM networks. Accordingly, while our devices continue to compete with the devices owned and operated by financial institutions for underlying consumer transactions, we no longer consider many of those financial institutions, especially in the United States, to be competitors. However, we do continue to encounter competition from financial institutions that are not customers of ours to place ATMs and financial services kiosks in selected retail locations.

With respect to independent operators of merchant-owned ATMs, our major domestic competitors include Payment Alliance International (PAI) and Access to Money. In the United Kingdom, we compete with several large non-bank ATM operators, including Cashzone (formerly Cardpoint, a wholly-owned subsidiary of Payzone), Notemachine, and Paypoint, as well as banks such as the Royal Bank of Scotland, Barclays, and Lloyds, among others. In Mexico, we compete primarily with national and regional financial institutions, including Banamex, Bancomer, and HSBC. Although the independent ATM market is still relatively undeveloped in Mexico, we have recently seen a number of small ATM operators initiate operations. These small ATM operators, which are typically known by the names of their sponsoring banks, include Banco Inbursa, Afirme, Bajio, Banco Interacciones, and Scotia Bank.

Despite the level of competition we face, many of our competitors have not historically had a singular focus on ATM device management, or have targeted the merchant-owned portion of the market as opposed to the larger, nationally-known retail establishments that we have targeted. As a result, we believe our primary focus on Company-owned device management and related services, including providing bank branding and surcharge-free ATM access to financial institutions, gives us a significant competitive advantage. In addition, we believe the scale of our extensive network, our EFT transaction processing services and our focus on customer service provide us with significant competitive advantages.

Government and Industry Regulation

United States

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

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Americans with Disabilities Act (ADA). The ADA requires that ATMs be accessible to and independently usable by individuals who are visually-impaired. Additionally, the Department of Justice may adopt new accessibility guidelines under the ADA that could include provisions addressing ATMs and how to make them more accessible to the disabled. Under the proposed guidelines that have been published for comment but not yet adopted, ATM height and reach requirements would be shortened, keypads would be required to be laid out in the manner of telephone keypads, and ATMs would be required to possess speech capabilities, among other modifications. If adopted, these new guidelines would apply to new purchases of ATM equipment and could require us to retrofit existing ATMs in our network if those ATMs are refurbished or updated for other purposes. Additionally, proposed Accessibility Guidelines under the ADA would require voice-enabling technology for newly-installed ATMs and for ATMs that are otherwise retrofitted or substantially modified. We are committed to ensuring that all of our ATMs comply with all applicable ADA regulations, and, although these new rules have not yet been adopted by the Department of Justice, we made substantially all of our Company-owned ATMs voice-enabled in conjunction with our Triple Data Encryption Standard (Triple-DES) security upgrade efforts in 2007. We are currently in our final stages of making all of our ATMs voice-enabled, by either replacing or upgrading approximately 3,600 traditional ATMs placed in 7-Eleven stores.

Rehabilitation Act. On November 26, 2006, a U.S. District Court judge ruled that the United States currencies (as currently designed) violate the Rehabilitation Act, a law that prohibits discrimination in government programs on the basis of disability, as the paper currencies issued by the United States are identical in size and color, regardless of denomination. As a consequence of this ruling, the United States Treasury conducted a study to determine the options to make United States paper currency accessible to the blind or visually impaired. It is our understanding that the Bureau of Engraving and Printing (BEP) received that study on or about July 28, 2009, and together with the United States Treasury and the Federal Reserve, are reviewing the study. Upon the completion of that review, these institutions will publish their recommendations and thereafter seek public comments (in writing and at public forums) on those recommendations. Following the public comment period, a final recommendation will be made to the Secretary of the Treasury, who has authority to change the design and features of the currency notes utilized in the United States. Additional details regarding the above process are available on the United States Bureau of Engraving and Printing website at *http://www.moneyfactory.gov/uscurrency/meaningfulaccess.html*. While it is still uncertain at this time what impact, if any, this process will have on the ATM industry (including us), it is possible that any changes made to the design of the paper currency notes utilized in the United States could require us to incur additional costs, which could be substantial, to modify our ATMs in order to store and dispense such notes.

Credit Card Accountability, Responsibility and Disclosure Act of 2009. In response to the recent proliferation in the issuance and acceptance of prepaid debit cards, as well as perceived abuses within the credit and debit card industries in general, the United States Congress recently passed the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (the Credit Card Act). With respect to prepaid debit cards (in particular, gift certificates, store gift cards and general-use prepaid cards), The Credit Card Act imposes certain restrictions on card expiration dates and fees that can be charged to users of those cards. Additionally, the Credit Card Act mandates certain additional consumer disclosure requirements by issuers of these types of prepaid debit cards. The Credit Card Act does not apply to other types of prepaid debit cards, including reloadable prepaid cards that are not marketed or labeled as a gift card or gift certificate.

As a result of these new requirements, the Federal Reserve Board recently issued amendments to Regulation E, which are expected to become effective beginning in August 2010. Moreover, some state attorneys general have indicated a desire to implement specific state-by-state regulations on the emerging prepaid debit card industry. At this point, it is unclear whether the increase in the use of prepaid debit cards on our network will be negatively impacted by these recent regulatory actions and trends.

Encrypting PIN Pad and Triple-Data Encryption Standards. Data encryption makes ATMs more tamper-resistant. Two of the more advanced data encryption methods are commonly referred to as Encrypting PIN Pad (EPP) and Triple-DES. In 2005, we adopted a policy that any new ATMs we acquire from a manufacturer must be both EPP and Triple-DES compliant. As of December 31, 2009, all of our Company-owned and merchant-owned machines were Triple-DES and EPP compliant.

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Surcharge Regulation. Although there has been recent criticism by certain members of the United States Congress of the increase in surcharge fees by several financial institutions that were recipients of federal funding under the Troubled Asset Relief Program (TARP), the amount of surcharge an ATM operator may charge a consumer is not currently subject to federal regulation. However, there have been, and continue to be, various state and local efforts to ban or limit surcharge fees, generally resulting from pressure created by consumer advocacy groups that believe that surcharge fees are unfair to cardholders. Generally, United States federal courts have ruled against these efforts. We are currently not aware of any existing bans on surcharge fees and only a small number of states currently impose a limit as to how much a consumer may be charged. Regardless, there can be no assurance that surcharge fees will not be banned or limited in the future by federal or local governments in the jurisdictions in which we operate. Any such bans or limits could have a material adverse effect on us and other independent ATM operators.

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

United Kingdom

In the United Kingdom, MasterCard International requires compliance with an encryption standard called EMV Specification (EMV). The EMV standard provides for the security and processing of information contained on microchips imbedded in certain debit and credit cards, known as smart cards. We completed our remaining compliance efforts in 2008 and as of December 31, 2009, all of our ATMs in the United Kingdom were EMV compliant.

Additionally, the Treasury Select Committee of the House of Commons heard evidence in 2005 from interested parties with respect to surcharges in the ATM industry. This committee was formed to investigate public concerns regarding the ATM industry, including (1) adequacy of disclosure to ATM customers regarding surcharges, (2) whether ATM providers should be required to provide free services in low-income areas, and (3) whether to limit the level of surcharges. While the committee made numerous recommendations to Parliament regarding the ATM industry, including the recommendation that ATMs should be subject to the Banking Code (a voluntary code of practice adopted by all financial institutions in the United Kingdom), the United Kingdom government did not accept the committee s recommendations. Despite its rejection of the committee s recommendations, the United Kingdom government sponsored an ATM task force to look at social exclusion in relation to ATM services. As a result of the task force s findings, approximately 600 additional free-to-use ATMs, which are ATMs that do not charge a surcharge to the cardholder, (to be provided by multiple ATM deployers) were required to be installed in low income areas throughout the United Kingdom. While this is less than a 2% increase in free-to-use ATMs through the United Kingdom, there is no certainty that other similar proposals will not be made and accepted in the future.

Mexico

The ATM industry in Mexico has been historically operated by financial institutions. The Central Bank of Mexico (Banco de Mexico) supervises and regulates ATM operations of both financial institutions and non-bank ATM deployers. Although Banco de Mexico s regulations permit surcharge fees to be charged in ATM transactions, it has not issued specific regulations for the provision of ATM services. In addition, in order for a non-bank ATM deployer to provide ATM services in Mexico, the deployer must be affiliated with PROSA-RED or E-Global, which are credit card and debit card proprietary networks that transmit information and settle ATM transactions between their participants. As only financial institutions are allowed to be participants

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of PROSA-RED or E-Global, Cardtronics Mexico entered into a joint venture with Bansi, who is a member of PROSA-RED. As a financial institution, Bansi and all entities with which it participates, including Cardtronics Mexico, are regulated by the Ministry of Finance and Public Credit (Secretaria de Hacienda y Crédito Público) and supervised by the Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). Additionally, Cardtronics Mexico is subject to the provisions of the Ley del Banco de Mexico (Law of Banco de Mexico), the Ley de Instituciones de Crédito (Mexican Banking Law), and the Ley para la Transparencia y Ordenamiento de los Servicios Financieros (Law for the Transparency and Organization of Financial Services).

In early October 2009, the Central Bank of Mexico adopted new rules regarding how ATM operators disclose fees to consumers. The objective of these rules is to provide more transparency to the consumer regarding the cost of a specific ATM transaction, rather than to limit the amount of fees charged to the consumer. These rules, which go into effect on April 30, 2010, will require ATM operators to elect between receiving interchange fees from card issuers or surcharge fees from consumers. At this time, we expect that Cardtronics Mexico will elect to assess a surcharge fee on the consumer rather than elect to receive an interchange fee from the consumer s financial institution. Additionally, we anticipate that Cardtronics Mexico will increase the amount of the surcharge fee charged to the consumer to offset the loss of interchange fees that we receive for transactions conducted on our ATMs in that market. As these new rules only require an ATM operator to disclose the total fees to be charged to a consumer, rather than limit the amount of fees that can be charged to a consumer, we do not anticipate that these new rules will have a material impact on Cardtronics Mexico s operations. However, it is possible that the level of transactions currently being conducted on our ATMs in that market may be negatively impacted by the anticipated increase in the surcharge fees we charge consumers, and there can be no assurances that the increased surcharge fees will be sufficient to offset any such transaction declines, if they were to occur. Additionally, we cannot be assured that additional rulings that limit (i) the amount of fees that can be charged to consumers or (ii) the amount that may be earned on an individual ATM transaction will not be adopted in the future.

Legal Proceedings

In June 2004, we acquired from E*Trade Access, Inc. (E*Trade) a portfolio of several thousand ATMs. In connection with that acquisition, we assumed E*Trade s position in a lawsuit in the U.S. District Court for the District of Massachusetts (the Court) wherein the Commonwealth of Massachusetts (the Commonwealth) and the National Federation of the Blind (the NFB) had sued E*Trade alleging that E*Trade had the obligation to make its ATMs accessible to blind patrons via voice guidance. In June 2007, we, the Commonwealth, and the NFB entered into a class action settlement agreement (the Settlement Agreement) regarding this matter. The Court approved the Settlement Agreement in December 2007. In 2009, we requested a modification to the Settlement Agreement in order to permit us to extend the deadline by which all of our owned ATMs had to be voice-guided. The parties are continuing their efforts to amicably resolve all outstanding issues within the framework of the Settlement Agreement. If we fail to reach agreement with the Commonwealth and the NFB regarding a mutually satisfactory modification of the Settlement Agreement addressing all of the above issues, the Commonwealth and the NFB have indicated that they will seek relief from the Court. If this matter is submitted to the Court, we may be required to expend additional time and resources on this matter in 2010, but would not expect such matter to have a material impact on our financial results.