

CARDTRONICS INC
Form S-4/A
May 30, 2008

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As filed with the Securities and Exchange Commission on May 30, 2008

Registration No. 333-149236

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

**Amendment No. 1
to
Form S-4
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933**

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

Delaware
*(State or Other Jurisdiction of
Incorporation or Organization)*

7389
*(Primary Standard Industrial
Classification Code Number)*

76-0681190
*(I.R.S. Employer
Identification No.)*

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

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

Copies to:

**David P. Oelman, Esq.
Vinson & Elkins L.L.P.
2500 First City Tower
1001 Fannin Street
Houston, Texas 77002-6760**

713-758-2222
713-615-5861 (fax)

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

<i>Subsidiary Guarantors (Exact Name of Registrant As Specified In Its Charter)</i>	<i>State or Other Jurisdiction of Incorporation or Organization</i>	<i>I.R.S. Employer Identification Number</i>
Cardtronics GP, Inc.	Delaware	75-3003720
Cardtronics LP, Inc.	Delaware	51-0412519
Cardtronics, LP	Delaware	76-0419117
Cardtronics Holdings, LLC	Delaware	04-3848807
ATM National, LLC	Delaware	01-0851708
ATM Ventures, LLC	Oregon	93-1219295

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

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

SUBJECT TO COMPLETION, DATED MAY , 2008

PROSPECTUS

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

Terms of the Exchange Offer

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

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

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

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

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

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

Maturity

The new notes will mature on August 15, 2013.

Interest

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

Interest will accrue from February 15, 2008.

Redemption

We may redeem some or all of the notes at any time on or after August 15, 2009 at redemption prices listed in Description of the New Notes Optional Redemption, and we may redeem some or all of the notes before that

date by the payment of a make-whole premium. Subject to certain limitations, we may also redeem up to 35% of the new notes using the proceeds of certain equity offerings completed before August 15, 2008.

Ranking

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

Change of Control

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

Guarantees

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

Please read Risk Factors on page 9 for a discussion of factors you should consider before participating in the exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act of 1933, as amended. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. You may not participate in the exchange offer if you are a broker-dealer that acquired outstanding notes directly from us. Broker-dealers who acquired the old notes directly from us in the initial offering must, in the absence of an exemption, comply with the registration and prospectus delivery requirements of the Securities Act of 1933, as amended, in connection with secondary resales and cannot rely on the position of the

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staff of the Securities and Exchange Commission enunciated in Exxon Capital Holding Corp., SEC No-Action Letter (available May 13, 1988) or interpretive letters to similar effect. See Plan of Distribution.

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

The date of this prospectus is _____, 2008.

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

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

Cardtronics, Inc. is a Delaware corporation. Our principal executive offices are located at 3110 Hayes Road, Suite 300, Houston, Texas 77082 and our telephone number is (281) 596-9988. Our website address is

www.cardtronics.com. Information contained on our website is not part of this prospectus.

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WHERE YOU CAN FIND MORE INFORMATION

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

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

INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information and statistics regarding economic trends and conditions and other data pertaining to the ATM industry. We have obtained this data from our own research, surveys and studies conducted by third parties such as Dove Consulting Group, Inc., industry or other publications, such as *ATM&Debit News*, the *U.K. Payment Statistics* publication from APACS, and other publicly available sources. We believe that our sources of information and estimates are reliable and accurate, but we have not independently verified them. Our statements about the ATM industry in general, the number and type of ATMs in various markets, and the size and operations of our competitors in this prospectus are based on our management's belief, this statistical data, internal studies, and our knowledge of industry trends.

INTELLECTUAL PROPERTY

We own or have rights to various trademarks, copyrights and trade names used in our business, including the following: CARDTRONICS (registered with the U.S. Patent & Trademark Office registration no. 1.970.030); bankmachine (registered under the Trade Marks Act of 1994 of Great Britain and Northern Ireland trademark registration no. 2350262); ALLPOINT (registered with the U.S. Patent & Trademark Office registration no. 2.940.550); and VCOM (registered with the U.S. Patent & Trademark Office registration no. 2.598.789). In addition, this prospectus also includes trademarks, service marks, and trade names of other companies.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. We may, in some cases, use words such as project, believe, anticipate, plan, expect, estimate, intend, should, would, could, v words that convey uncertainty of future events or outcomes to identify these forward-looking statements.

Forward-looking statements in this prospectus may include statements about: our financial outlook and the financial outlook of the ATM industry; our ability to compete successfully with our competitors; our cash needs; implementation of our corporate strategy; our financial

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performance; our ability to expand our bank branding and surcharge-free service offerings; our ability to provide new ATM solutions to financial institutions; our ability to pursue and successfully integrate acquisitions; our ability to implement new services on our advanced-functionality VcomTM terminals; our ability to strengthen existing customer relationships and reach new customers; our ability to expand internationally; and our ability to meet the service levels required by our service level agreements with our customers.

There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. These important factors include those that we discuss in this prospectus under the caption "Risk Factors", which begin on page 9 of this prospectus. You should read these factors and the other cautionary statements made in this prospectus as being applicable to all related forward-looking statements wherever they appear in this prospectus. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, except as required by law, whether as a result of new information, future events or otherwise.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a result, this summary may not contain all the information that may be important to you. You should read this entire prospectus carefully before making an investment decision. You should carefully consider the information set forth under Risk Factors. In addition certain statements include forward-looking information which involves risks and uncertainties. See

Forward-looking Statements. Unless the context indicates otherwise, the terms we, us, our, the Company, and Cardtronics refer to Cardtronics, Inc. and its subsidiaries. We refer to automated teller machines as ATMs throughout this prospectus. Pro forma financial and non-financial information contained in this prospectus gives effect to our acquisition of the financial services business of 7-Eleven, Inc. (7-Eleven), which we refer to as the 7-Eleven ATM Transaction, including the related financing transactions, as if they had occurred prior to the period for which such information is given. Such pro forma information is presented for illustrative purposes only and is not necessarily indicative of what our actual results would have been nor is it necessarily indicative of what our results will be in future periods. All financial and non-financial information presented for periods subsequent to July 20, 2007, the effective date of the 7-Eleven ATM Transaction, includes the effects of such acquisition and the related financing transactions on an actual rather than a pro forma basis.

Company Overview

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

We believe our high-traffic retail locations and national footprint make us an attractive partner for regional and national financial institutions that are seeking to increase their market penetration. As of March 31, 2008, over 10,000 of our Company-owned ATMs (discussed below) were under contract with well-known banks to place their logos on those machines and to provide convenient surcharge-free access to their customers. We also operate the Allpoint network, which we believe is the largest surcharge-free ATM network within the United States based on the number of participating ATMs. Allpoint provides surcharge-free ATM access to customers of participating financial institutions that lack a significant ATM network.

We deploy and operate ATMs under two distinct arrangements with our merchant customers: Company-owned and merchant-owned. Under Company-owned arrangements, we provide the ATM and are typically responsible for all aspects of its operation, including transaction processing, procuring cash, supplies, and telecommunications as well as routine and technical maintenance. Under merchant-owned arrangements, the merchant owns the ATM and is usually responsible for providing cash and performing simple maintenance tasks, while we provide more complex maintenance services, transaction processing, and connection to electronic funds transfer (EFT) networks. As of March 31, 2008, approximately 66% of our ATMs were Company-owned and 34% were merchant-owned. While we may continue to add merchant-owned ATMs to our network as a result of acquisitions and internal sales efforts, our focus for internal growth remains on expanding the number of Company-owned ATMs in our network due to the higher margins typically earned and the additional revenue opportunities available to us under Company-owned arrangements.

As operator of the world's largest network of ATMs, we believe we are well-positioned to increase the size of our network through both internal growth and through acquisitions. On July 20, 2007, we purchased substantially all of

the assets of the financial services business of 7-Eleven (the 7-Eleven Financial Services Business), which included 5,500 ATMs located in 7-Eleven stores across the United States. Approximately 2,000 of the acquired ATMs are advanced-functionality financial services kiosks branded as Vcom terminals. We also entered into a placement agreement that gives us the exclusive right, subject to certain conditions, to operate all of the ATMs and Vcom terminals in existing and future 7-Eleven store locations in the United States for 10 years following the acquisition date. For additional information on this acquisition, see Recent Transactions below.

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Our revenue is recurring in nature and is primarily derived from ATM surcharge fees, which are paid by cardholders, and interchange fees, which are paid by the cardholder's financial institution for the use of the applicable EFT network that transmits data between the ATM and the cardholder's financial institution. We generate additional revenue by branding our ATMs with signage from banks and other financial institutions, resulting in surcharge-free access to our ATMs and added convenience for their customers, as well as increased usage of our ATMs. Our branding arrangements include relationships with leading national financial institutions, including Citibank, N.A., HSBC Bank USA, N.A., JPMorgan Chase Bank, N.A., Sovereign Bank, and Washington Mutual Bank. We also generate revenue by collecting fees from financial institutions that participate in our surcharge-free networks, the largest of which is the Allpoint Network.

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

For the three months ended March 31, 2008, we generated revenues of \$120.6 million. For the year ended December 31, 2007, we generated pro forma revenues of \$465.8 million, which included approximately \$4.2 million in revenues associated with past upfront payments received by 7-Eleven in connection with the development and provision of certain advanced-functionality services through the Vcom terminals. Such payments, which we refer to as placement fees, related to arrangements that ended prior to our acquisition of the 7-Eleven Financial Services Business, and thus will not continue in the future. While we believe we will continue to earn some placement fee revenues related to the acquired 7-Eleven Financial Services Business, we expect those amounts to be substantially less than those earned historically. Excluding these fees, our pro forma revenues for the year ended December 31, 2007 would have totaled \$461.6 million. Excluding the pro forma effects of the 7-Eleven ATM Transaction, we generated revenues of \$378.3 million for the year ended December 31, 2007.

Our transaction and revenue growth have primarily been driven by investments that we have made in certain strategic growth initiatives, and we expect these initiatives will continue to drive revenue growth and margin improvement. However, such investments negatively affected our operating profits and related margins. For example, we have significantly increased the number of Company-owned ATMs in our United Kingdom and Mexico operations during the past year and the first quarter of 2008. While such deployments have resulted in an increase in revenues, they have negatively impacted our operating margins, as transactions for many of those machines have yet to reach the higher consistent recurring transaction levels seen in our more mature ATMs. Additionally, we have recently increased our investment in sales and marketing personnel to take advantage of what we believe are opportunities to capture additional market share in our existing markets and to provide enhanced service offerings to financial institutions. We have also incurred additional costs to develop our in-house transaction processing capabilities to better serve our clients and maximize our revenue opportunities. Additional costs were also necessary to meet the triple data security encryption standard (Triple-DES) adopted by the EFT networks. Finally, we recorded \$5.7 million in impairment charges during the year ended December 31, 2007, \$5.1 million of which related to our merchant contract with Target that we acquired in 2004, as the anticipated future cash flows are not expected to be sufficient to cover the carrying value of the related intangible asset. We are currently working with this merchant to restructure the terms of the existing contract in an effort to improve the underlying cash flows associated with such contract and to offer the additional services, which we believe could significantly increase the future cash flows earned under this contract. For additional discussion of this impairment, see Management's Discussion and Analysis of Financial Condition and

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All these expenditures adversely impacted our income from operations, which totaled \$15.2 million on a pro forma basis for the year ended December 31, 2007 (excluding the upfront placement fees associated with the 7-Eleven Financial Services Business that are not expected to continue in the future). Excluding the pro forma effects of the 7-Eleven ATM Transaction, for the year ended December 31, 2007, our income from operations totaled \$9.9 million, and we generated a net loss of \$27.1 million.

Recent Transactions

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

Series B Redeemable Convertible Preferred Stock Conversion. Prior to our initial public offering, 929,789 shares of Series B Redeemable Convertible Preferred Stock were outstanding. In connection with our initial public offering, these preferred shares were converted into shares of our common stock. Based on the \$10.00 initial public offering price and the terms of our shareholders agreement, the 894,568 shares held by certain funds controlled by TA Associates, Inc. (the TA Funds) converted into 12,259,286 shares of common stock (on a split-adjusted basis). The remaining 35,221 shares of Series B Redeemable Convertible Preferred Stock not held by the TA Funds converted into 279,955 shares of our common stock (on a split-adjusted basis). As a result of this conversion, no shares of preferred stock were outstanding subsequent to the initial public offering, and we have no immediate plans to issue any preferred stock. For additional information on the conversion of the Series B shares controlled by the TA Funds, see Certain Relationships and Related Party Transactions Preferred Stock Private Placement with TA Associates.

7-Eleven ATM Transaction. On July 20, 2007, we purchased substantially all of the assets of the 7-Eleven Financial Services Business for approximately \$137.3 million in cash. That amount included a \$1.3 million payment for estimated acquired working capital and approximately \$1.0 million in other related closing costs. The 7-Eleven ATM Transaction included approximately 5,500 ATMs located in 7-Eleven stores throughout the United States, of which approximately 2,000 are advanced-functionality Vcom terminals. In connection with the 7-Eleven ATM Transaction, we entered into a placement agreement that will provide us, subject to certain conditions, a ten-year exclusive right to operate all ATMs and Vcom terminals in 7-Eleven locations throughout the United States, including any new stores opened or acquired by 7-Eleven. Because of the significance of this acquisition, our historical operating results are not expected to be indicative of our future operating results. See Unaudited Pro Forma Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus for additional information on this acquisition.

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

Revolving Credit Facility Modifications. On March 19, 2008, we amended our revolving credit agreement to increase the authorized capital expenditure level that the Company may incur on a rolling 12-month basis from \$75.0 million to \$90.0 million.

In July 2007, in conjunction with the 7-Eleven ATM Transaction, we amended our revolving credit facility to, among other things, (i) increase the maximum borrowing capacity under the revolver from \$125.0 million to \$175.0 million in order to partially finance the 7-Eleven ATM Transaction and to provide additional financial flexibility, (ii) increase the amount of indebtedness (as defined in the credit facility agreement) to allow for the new issuance of the Series B Notes, (iii) extend the term of the credit agreement

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from May 2010 to May 2012, (iv) increase the amount of capital expenditures we can incur on a rolling 12-month basis from \$60.0 million to a maximum of \$75.0 million, and (v) amend certain restrictive covenants contained within the facility. This amendment, which was contingent upon the closing of the 7-Eleven ATM Transaction, became effective on July 20, 2007.

In May 2007, we amended our revolving credit facility to modify, among other items, (i) the interest rate spreads on outstanding borrowings and other pricing terms, and (ii) certain restrictive covenants contained within the facility. Such modification will allow for reduced interest expense in future periods, assuming a constant level of borrowing.

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The Exchange Offer

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

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

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

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you without expense promptly following the expiration or termination of the exchange offer. We will deliver the new notes promptly after the expiration date and acceptance of the outstanding notes for exchange. For additional information, see Exchange Offer Terms of the Exchange Offer.

Fees and Expenses

We will bear all expenses related to the exchange offer. See Exchange Offer Fees and Expenses.

Use of Proceeds

The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement.

Consequences of Failure to Exchange
Outstanding Notes

If you do not exchange your outstanding notes in this exchange offer, you will no longer be able to require us to register the outstanding notes under the Securities Act except in the limited circumstances provided under our registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the outstanding notes unless we have registered the outstanding notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act.

U.S. Federal Income Tax Considerations

The exchange of new notes for outstanding notes in the exchange offer should not be a taxable event for U.S. federal income tax purposes. See Federal Income Tax Considerations.

Exchange Agent

We have appointed Wells Fargo, National Association as exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows: Wells Fargo Bank, National Association, Attention: Corporate Trust Operations, Sixth and Marquette Avenue, MAC N9303-121, Minneapolis, MN 55479. Eligible institutions may make requests by facsimile at (612) 667-6282.

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Terms of the New Notes

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

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

Issuer	Cardtronics, Inc.
Notes Offered	\$100.0 million aggregate principal amount of 9.25% Senior Subordinated Notes due 2013 Series B (the Notes).
Maturity	The Notes will mature on August 15, 2013.
Interest	Interest on the Notes will accrue at the rate of 9.25% per annum from February 15, 2008 and will be payable semi-annually, in cash, in arrears on February 15 and August 15 of each year, commencing on August 15, 2008.
Guarantees	All payments on the Notes, including principal and interest, will be jointly and severally guaranteed on a senior subordinated basis by all of our existing domestic subsidiaries and certain of our future subsidiaries. See Description of the New Notes Note Guarantees.
Ranking	<p>The Notes and the guarantees will be general unsecured obligations and will rank:</p> <ul style="list-style-type: none"> junior in right of payment to all of our existing and future senior indebtedness, including borrowings under our bank credit facility; <i>pari passu</i> in right of payment with all of our existing and any future senior subordinated debt, including the \$200.0 million aggregate principal amount of 9.25% senior subordinated notes due 2013 issued under the indenture dated as of August 12, 2005 (the Series A Notes); and senior in right of payment to any future subordinated debt. <p>As of March 31, 2008, we had outstanding indebtedness of approximately \$345.9 million, net of applicable discounts. Of this amount, approximately \$49.7 million would have ranked senior in right of payment to the new Notes and guarantees, which consisted of \$39.5 million outstanding under our revolving credit facility, \$8.5 million outstanding under certain borrowing arrangement in place with respect to our Mexico subsidiary, including guarantees of such amounts, and \$1.7 million of capital lease obligations.</p>

Optional Redemption

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

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In addition, we may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 109.25% using the proceeds of certain equity offerings completed on or before August 15, 2008. We may make this redemption only if, after the redemption, at least 65% of the aggregate principal amount of the Notes originally issued remains outstanding.

Change of Control

If we sell substantially all of our assets or experience specific kinds of changes of control, we must offer to repurchase the Notes at a price in cash equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

Certain Covenants

The indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of our subsidiaries to:

incur or guarantee additional indebtedness;

incur senior subordinated debt;

make certain restricted payments;

consolidate or merge with or into other companies;

conduct asset sales;

restrict dividends or other payments to us;

engage in transactions with affiliates or related persons;

create liens;

redeem or repurchase capital stock; and

issue and sell preferred stock in restricted subsidiaries.

These limitations will be subject to a number of important qualifications and exceptions. See *Description of the New Notes* *Certain Covenants*.

Absence of a Public Market

The new Notes generally will be freely transferable; however, there can be no assurance as to the development or liquidity of any market for the new Notes.

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

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RISK FACTORS

Before making an investment decision with respect to the exchange offer you should carefully consider the following risks, as well as the other information contained in this prospectus memorandum, including our consolidated financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations. We believe that the risks and uncertainties described below are the material risks and uncertainties facing us as well as risks related to the exchange offer. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially and adversely affected.

Risks Related to Our Business

We depend on ATM transaction fees for substantially all of our revenues, and our revenues would be reduced by a decline in the usage of our ATMs or a decline in the number of ATMs that we operate.

Transaction fees charged to cardholders and their financial institutions for transactions processed on our ATMs, including surcharge and interchange transaction fees, have historically accounted for most of our revenues. We expect that ATM transaction fees, including fees we receive through our bank branding and surcharge-free network offerings, will continue to account for a substantial majority of our revenues for the foreseeable future. Consequently, our future operating results will depend on (i) the continued market acceptance of our services in our target markets, (ii) maintaining the level of transaction fees we receive, (iii) our ability to install, acquire, operate, and retain more ATMs, (iv) continued usage of our ATMs by cardholders, and (v) our ability to continue to expand our surcharge-free offerings. Additionally, it is possible that alternative technologies to our ATM services will be developed and implemented. If such alternatives are successful, we will likely experience a decline in the usage of our ATMs. Moreover, surcharge fees are set by negotiation between us and our merchant partners and could change over time. Further, growth in surcharge-free ATM networks and widespread consumer bias toward such networks could adversely affect our revenues, even though we maintain our own surcharge-free offerings.

During 2007, we saw a decline in the average number of ATMs that we operate in the United States. Such decline, which totaled approximately 1.6% for our consolidated U.S. ATM portfolio, exclusive of ATMs acquired in the 7-Eleven ATM Transaction, is primarily due to customer losses experienced in our merchant-owned ATM business, offset somewhat by new Company-owned ATM locations that were deployed during the year. The decline in ATMs on the merchant-owned side of the business totaled approximately 6.2% during the year ended December 31, 2007, and was due primarily to (i) an internal initiative launched by us to identify and eliminate certain underperforming accounts, (ii) increased competition from local and regional independent ATM service organizations, and (iii) certain network security upgrade requirements.

Although we did not see as significant a decline in the average number of ATMs during the first quarter of 2008, we cannot assure you that our ATM transaction fees will not decline in the future. Accordingly, a decline in usage of our ATMs by ATM cardholders or in the levels of fees received by us in connection with such usage, or a decline in the number of ATMs that we operate, would have a negative impact on our revenues and would limit our future growth.

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

The U.S. has seen a shift in consumer payment trends since the late 1990 s, with more customers now opting for electronic forms of payment (e.g., credit cards and debit cards) for their in-store purchases over traditional paper-based forms of payment (e.g., cash and checks). Additionally, certain merchants are now offering free cash back at the point-of-sale for customers that utilize debit cards for their purchases, thus providing an additional incentive for consumers to use such cards. According to the *Study of Consumer Payment Preferences* for 2005/2006, as prepared by Dove Consulting and the American Bankers Association, paper-based forms of payment declined from approximately 57% of all in-store payments made in 1999 to

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44% in 2005. While most of the increase in electronic forms of payment during this period came at the expense of traditional checks, the use of cash to fund in-store payments declined from 39% in 1999 to 33% in 2001. Although the use of cash has been relatively stable since that date (remaining at roughly 33% of all in-store payments through 2005), continued growth in electronic payment methods (most notably debit cards and stored-value cards) could result in a reduced need for cash in the marketplace and a resulting decline in the usage of our ATMs.

We have incurred substantial losses in the past and may continue to incur losses in the future.

We have incurred net losses in three of the past five fiscal years and incurred a net loss of \$4.6 million for the three months ended March 31, 2008. As of March 31, 2008, we had an accumulated deficit of \$35.0 million. There can be no guarantee that we will achieve profitability in the future. If we achieve profitability, given the competitive and evolving nature of the industry in which we operate, we may not be able to sustain or increase such profitability on a quarterly or annual basis.

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

Interchange fees, which represented approximately 29.3% of our ATM operating revenues for the three months ended March 31, 2008 and 27.8% of our total pro forma ATM operating revenues for the year ended December 31, 2007, are set by the various EFT networks through which our ATM transactions are routed. Accordingly, if such networks decided to lower the interchange rates paid to us for ATM transactions routed through their networks, our future ATM transaction revenues would decline.

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

For the three months ended March 31, 2008, we derived 44.7% of our total revenues from ATMs placed at the locations of our five largest merchants. For the year ended December 31, 2007, we derived 45.4% of our total pro forma revenues from ATMs placed at the locations of our five largest merchants. For the three months ended March 31, 2008 and the year ended December 31, 2007, our top five merchants (based on our total revenues) were 7-Eleven, CVS, Walgreens, Target, and ExxonMobil. 7-Eleven, which represents the single largest merchant customer in our portfolio, comprised 30.9% of our total revenues for the three months ended March 31, 2008 and 33.0% of our total pro forma revenues for the year ended December 31, 2007. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven and these other four merchants.

The loss of any of our largest merchants, or a decision by any one of them to reduce the number of our ATMs placed in their locations, would decrease our revenues. These merchants may elect not to renew their contracts when they expire. The contracts we have with our top five merchants, as outlined above, have expiration dates of July 20, 2017; January 19, 2012; December 31, 2013; January 31, 2012; and December 31, 2013, respectively. Even if such contracts are renewed, the renewal terms may be less favorable to us than the current contracts. If any of our five largest merchants fails to renew its contract upon expiration, or if the renewal terms with any of them are less favorable to us than under our current contracts, it could result in a decline in our revenues and gross profits.

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

future financial results would be significantly impaired.

7-Eleven is the single largest merchant customer in our portfolio, representing 30.9% of our total revenues for the three months ended March 31, 2008 and 33.0% of our total pro forma revenues for the years

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ended December 31, 2007. Accordingly, a significant percentage of our future revenues and operating income will be dependent upon the successful continuation of our relationship with 7-Eleven. If 7-Eleven's financial condition were to deteriorate in the future and, as a result, it was required to close a significant number of its domestic store locations, our financial results would be significantly impacted. Additionally, while the underlying ATM placement agreement with 7-Eleven has an initial term of 10 years, we may not be successful in renewing such agreement with 7-Eleven upon the end of that initial term, or such renewal may occur with terms and conditions that are not as favorable to us as those contained in the current agreement. Furthermore, if we fail to satisfy the terms and conditions contained in our ATM placement agreement with 7-Eleven, 7-Eleven has the right to terminate the placement agreement or our exclusive right to provide certain services.

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

We rely on EFT network providers and have agreements with transaction processors, armored courier providers, and maintenance providers and have more than one such provider in each of these key areas. These providers enable us to provide card authorization, data capture, settlement, and ATM cash management and maintenance services to the merchants we serve. Typically, these agreements are for periods of up to two or three years each. If we improperly manage the renewal or replacement of any expiring vendor contract, or if our multiple providers in any one key area failed to provide the services for which we have contracted and disruption of service to our merchants occurs, our relationship with those merchants could suffer. For example, during the first quarter of 2008, our results of operations were negatively impacted by a higher percentage of downtime experienced by our ATMs in the United Kingdom as a result of certain third-party service-related issues and, while we expect such service-related issues to be resolved during 2008, it is likely that such issues will continue to negatively impact the operating results of our United Kingdom operations in the near-term. If such disruption of service is significant or continues longer than anticipated, our relationships with the affected merchants could be negatively impacted. Furthermore, any disruptions in service in any of our markets, whether caused by us or by third party providers, may result in a loss of revenues under certain of our contractual arrangements that contain minimum service-level requirements.

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

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

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

Our recent decision to create an in-house armored transport operation within the United Kingdom exposes us to significant risks, including the potential for cash-in-transit losses, as well as claims for personal injury, wrongful death, worker's compensation, punitive damages, and general liability. While we will seek to maintain appropriate

levels of insurance to adequately protect us from such risks, there can be no assurance that we will avoid significant future claims or adverse publicity related thereto. Furthermore, there can be no assurance that our insurance coverage will be adequate to cover potential liabilities or that such insurance coverage will

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remain available at costs that are acceptable to us. The availability of quality and reliable insurance coverage is an important factor in our ability to successfully operate this aspect of our operations. A successful claim brought against us for which coverage is denied or which is in excess of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

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

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

If not done properly, the transitioning of our ATMs from third-party processors to our own in-house EFT processing platform could lead to service interruptions and/or the inaccurate settlement of funds between the various parties to our ATM transactions, which would harm our business and our relationships with our merchants.

As of March 31, 2008, we had transitioned approximately 20,300 of our Company- and merchant-owned ATMs from third-party processors to our own in-house EFT processing platform, and we expect to have the remainder of the ATMs in our portfolio converted over by December 31, 2008. Historically, we had limited experience in ATM transaction processing and, therefore, hired additional personnel with experience in running an ATM transaction processing operation during 2006 and 2007, including personnel we hired in connection with the 7-Eleven ATM Transaction. Because EFT processing is a relatively new business for us, there is an increased risk that our processing conversion efforts will not be successful, thus resulting in service interruptions for our merchants. Furthermore, if not performed properly, the processing of transactions conducted on our ATMs could result in the inaccurate settlement of funds between the various parties to those transactions and expose us to increased liability.

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

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

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

Computer viruses could infiltrate our systems, thus disrupting our delivery of services and making our applications unavailable. Although we utilize several preventative and detective security controls in our

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network, any inability to prevent computer viruses could damage our relationships with our merchant customers and cause us to be in non-compliance with applicable network rules and regulations.

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

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

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

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

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

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

Under our vault cash agreements, we pay a vault cash rental fee based on the total amount of vault cash that we are using at any given time. At all times during this process, legal and equitable title to the cash is held by the cash providers, and we have no access or right to the cash. Each provider has the right to demand the return of all or any portion of its cash at any time upon the occurrence of certain events beyond our control, including certain bankruptcy events of us or our subsidiaries, or a breach of the terms of our cash provider agreements. Our current agreements with Bank of America and Wells Fargo expire in October 2009 and July 2009, respectively. However, Bank of America can terminate its agreement with us upon 360 days prior written notice, and Wells Fargo can terminate its agreement with us upon 180 days prior written notice. Additionally, while our current agreement with ALCB does not expire until January 2009, it contains certain provisions, which, if triggered, may allow ALCB to terminate its agreement

with us and demand the return of its cash upon 180 days prior written notice. We recently renewed our agreement with Bansi, which now expires in March 2009.

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If our cash providers were to demand return of their cash or terminate their arrangements with us and remove their cash from our ATMs, or if they were to fail to provide us with cash as and when we need it for our ATM operations, our ability to operate these ATMs would be jeopardized, and we would need to locate alternative sources of cash in order to operate these ATMs.

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

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

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

Interest on our outstanding indebtedness under our revolving and swing line credit facilities is based on floating interest rates, and our vault cash rental expense is based on market interest rates. As a result, our interest expense and cash management costs are sensitive to changes in interest rates. Vault cash is the cash we use in our machines in cases where cash is not provided by the merchant. We pay rental fees on the average amount of vault cash outstanding in our ATMs under floating rate formulas based on the London Interbank Offered Rate (LIBOR) to Bank of America and PDNB in the U.S. and ALCB in the U.K., and based on the federal funds effective rate to Wells Fargo in the U.S. Additionally, in Mexico, we pay a monthly rental fee to our vault cash provider under a formula based on the Mexican Interbank Rate. Although we currently hedge a significant portion of our vault cash interest rate risk related to our domestic operations through December 31, 2012, we may not be able to enter into similar arrangements for similar amounts in the future. Furthermore, we have not currently entered into any derivative financial instruments to hedge our variable interest rate exposure in the U.K. or Mexico. Any significant future increases in interest rates could have a negative impact on our earnings and cash flow by increasing our operating costs and expenses. See

Management's Discussion and Analysis of Financial Condition and Results of Operations Disclosure about Market Risk; Interest Rate Risk included elsewhere in this prospectus.

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

As of March 31, 2008, there was approximately \$926.1 million in vault cash held in our domestic and international ATMs. Although legal and equitable title to such cash is held by the cash providers, any loss of such cash from our

ATMs through theft or other means is typically our responsibility. While we maintain insurance to cover a significant portion of any losses that may be sustained by us as a result of such events, we are still required to fund a portion of such losses through the payment of the related deductible amounts

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under our insurance policies. Furthermore, increases in the frequency and/or amounts of such thefts and losses could negatively impact our operating results as a result of higher deductible payments and increased insurance premiums. Additionally, damages sustained to our merchant customers' store locations in connection with any ATM-related thefts, if extensive and frequent enough in nature, could negatively impact our relationships with such merchants and impair our ability to deploy additional ATMs in those locations (or new locations) with those merchants in the future. Finally, affected merchants may request that we permanently remove ATMs from store locations that have suffered damage as a result of any ATM-related thefts, thus negatively impacting our financial results.

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

The ATM business is and can be expected to remain highly competitive. While our principal competition comes from national and regional financial institutions, we also compete with other independent ATM companies in the United States and the United Kingdom. Several of our competitors, namely national financial institutions, are larger, more established, and have greater financial and other resources than we do. Our competitors could prevent us from obtaining or maintaining desirable locations for our ATMs, cause us to reduce the surcharge revenue generated by transactions at our ATMs, or cause us to pay higher merchant fees, thereby reducing our profits. In addition to our current competitors, additional competitors may enter the market. We can offer no assurance that we will be able to compete effectively against these current and future competitors. Increased competition could result in transaction fee reductions, reduced gross margins and loss of market share.

In the United Kingdom, we face competition from several companies with operations larger than our own. Many of these competitors have financial and other resources substantially greater than our U.K. subsidiary.

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

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

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

Our acquisitions involve certain inherent risks to our business, including the following:

the operations, technology, and personnel of any acquired companies may be difficult to integrate;

the allocation of management resources to consummate these transactions may disrupt our day-to-day business; and

acquired networks may not achieve anticipated revenues, earnings or cash flow.

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

intangible asset value associated with our merchant contract with Target, which we acquired in 2004.

Since April 2001, we have acquired 14 ATM networks and one surcharge-free ATM network. Prior to our E*TRADE Access acquisition in June 2004, we had acquired only the assets of deployed ATM networks, rather than businesses and their related infrastructure. We currently anticipate that our future acquisitions will

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likely reflect a mix of asset acquisitions and acquisitions of businesses, with each acquisition having its own set of unique characteristics. To the extent that we elect to acquire an existing company or the operations, technology, and personnel of another ATM provider, we may assume some or all of the liabilities associated with the acquired company and face new and added challenges integrating such acquisition into our operations.

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

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

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

22.7% of our gross profits exclusive of depreciation, accretion, and amortization;

18.5% of our pro forma gross profits exclusive of depreciation, accretion, and amortization;

23.4% of our gross profits inclusive of depreciation, accretion, and amortization; and

18.2% of our pro forma gross profits inclusive of depreciation, accretion, and amortization.

We expect to continue to expand in the United Kingdom and Mexico and potentially into other countries as opportunities arise.

Our international operations are subject to certain inherent risks, including:

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

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

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

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

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

Any of these factors could reduce the profitability and revenues derived from our international operations and international expansion.

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

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

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markets are evolving and unpredictable, thus increasing the risk that a particular deployment model chosen at inception may not be economically viable in the future.

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

With its initial roots in the banking industry, the U.S. ATM industry has always been regulated, if not by individual states, then by the rules and regulations of the federal Electronic Funds Transfer Act, which establishes the rights, liabilities, and responsibilities of participants in EFT systems. The vast majority of states have few, if any, licensing requirements. However, legislation related to the U.S. ATM industry is periodically proposed at the state and local level. To date, no such legislation has been enacted that materially adversely affects our business. In the United Kingdom, the ATM industry is largely self-regulating. Most ATMs are part of the LINK network and must operate under the network rules set forth by LINK, including complying with rules regarding required signage and screen messages. Additionally, legislation is proposed from time-to-time at the national level, though nothing to date has been enacted that materially affects our business.

Finally, the ATM industry in Mexico has been historically operated by financial institutions. Banco de Mexico supervises and regulates ATM operations of both financial institutions and non-bank ATM deployers. Although, Banco de Mexico's regulations permit surcharge fees to be charged in ATM transactions, it has not issued specific regulations for the provision of ATM services. In addition, in order for a non-bank ATM deployer to provide ATM services in Mexico, the deployer must be affiliated with Promocion y Operacion S.A. de C.V. (PROSA-RED) or E-Global, which are credit card and debit card proprietary networks that transmit information and settle ATM transactions between its participants. As only financial institutions are allowed to be participants of PROSA-RED or E-Global, Cardtronics Mexico entered into a joint venture with Bansi, who is a member of PROSA-RED. As a financial institution, Bansi and all entities in which it participates, including Cardtronics Mexico, are regulated by the Ministry of Finance and Public Credit (Secretaria de Hacienda y Crédito Público) and supervised by the Banking and Securities Commission (Comisión Nacional Bancaria y de Valores). Additionally, Cardtronics Mexico is subject to the provisions of the Ley del Banco de Mexico (Law of Banco de Mexico), the Ley de Instituciones de Crédito (Mexican Banking Law), and the Ley para la Transparencia y Ordenamiento de los Servicios Financieros (Law for the Transparency and Organization of Financial Services).

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

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

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

In the United Kingdom, the Treasury Select Committee of the House of Commons published a report regarding surcharges in the ATM industry in March 2005. This committee was formed to investigate public concerns regarding

the ATM industry, including (1) adequacy of disclosure to ATM customers regarding surcharges, (2) whether ATM providers should be required to provide free services in low-income areas and (3) whether to limit the level of surcharges. While the committee made numerous recommendations to Parliament regarding the ATM industry, including that ATMs should be subject to the Banking Code (a

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voluntary code of practice adopted by all financial institutions in the U.K.), the U.K. government did not accept the committee's recommendations. Despite the rejection of the committee's recommendations, the U.K. government did sponsor an ATM task force to look at social exclusion in relation to ATM services. As a result of the task force's findings, approximately 600 additional free-to-use ATMs (to be provided by multiple ATM providers) were required to be installed in low income areas throughout the U.K. While this is less than a 2% increase in free-to-use ATMs through the U.K., there is no certainty that other similar proposals will not be made and accepted in the future. If the legislature or another body with regulatory authority in the U.K. were to impose limits on the level of surcharges for ATM transactions, our revenue from operations in the U.K. would be negatively impacted.

In Mexico, surcharging for off-premise ATMs was legalized in late 2003, but was not formally implemented until July 2005. As such, the charging of fees to consumers to utilize off-premise ATMs is a relatively new experience in Mexico. Accordingly, it is too soon to predict whether public concerns over surcharging will surface in Mexico. However, if such concerns were to be raised, and if the applicable legislative or regulatory bodies in Mexico decided to impose limits on the level of surcharges for ATM transactions, our revenue from operations in Mexico would be negatively impacted.

The passing of legislation requiring modifications to be made to ATMs could severely impact our cash flows.

In November 2006, a U.S. District Court Judge ruled that the United States' currencies (as currently designed) violate the Rehabilitation Act, a law that prohibits discrimination in government programs on the basis of disability, as the paper currencies issued by the U.S. are identical in size and color, regardless of denomination. Under the ruling, the U.S. Treasury Department has been ordered to develop ways in which to differentiate paper currencies such that an individual who is visually-impaired would be able to distinguish between the different denominations. In response to the November 2006 ruling, the Justice Department filed an appeal with the U.S. Court of Appeals for the District of Columbia Circuit, requesting that the decision be overturned on the grounds that varying the size of denominations could cause significant burdens on the vending machine industry and cost the Bureau of Engraving and Printing an initial investment of \$178.0 million and up to \$50.0 million in new printing plates. In May 2008, the U.S. Court of Appeals for the District of Columbia Circuit upheld the November 2006 ruling. While it is still uncertain at this time whether this decision will be appealed to the U.S. Supreme Court and what the outcome of that appeals process would be, depending on the specific remediation efforts agreed to, participants in the ATM industry (including us) could be forced to incur significant costs to upgrade current ATM hardware and software components. If required, such capital expenditures could limit our free cash such that we do not have enough cash available for the execution of our growth strategy, research and development costs, or other purposes.

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

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

In connection with the 7-Eleven ATM Transaction, we acquired advanced-functionality Vcom machines with significant potential for providing new services. Failure to achieve market acceptance among users could lead to continued losses from the Vcom Services, which could adversely affect our operating results.

In the 7-Eleven ATM Transaction, we acquired approximately 5,500 ATM machines, including 2,000 advanced-functionality Vcom machines. The advanced functionalities provided by the Vcom machines include check cashing, money transfer, remote deposit capture, and bill payment services (collectively, the Vcom

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

The Vcom Services generated an operating loss of \$1.3 million during the three months ended March 31, 2008 and we have estimated that the Vcom Services generated an operating loss of \$6.4 million for the year ended December 31, 2007. However, excluding upfront placement fees, which may not continue in the future, the Vcom Services generated an operating loss of \$10.6 million for the year ended December 31, 2007. For the period from our acquisition (July 20, 2007) through December 31, 2007, the Vcom Services generated an operating loss of \$5.0 million. By continuing to provide the Vcom Services, we currently expect that we may incur up to \$10.0 million in operating losses associated with such services for the first 12-18 months subsequent to the 7-Eleven ATM Transaction. We plan to continue to operate the Vcom terminals and restructure the Vcom operations to improve the financial results of such operations; however, we may be unsuccessful in those efforts, and the future losses associated with the acquired Vcom operations could be significantly higher than those currently estimated, which would negatively impact our future operating results and financial condition. In addition, in the event we decide to terminate the Vcom Services, we may be required to pay up to \$1.0 million of contract termination payments, and may incur additional costs and expenses, which could negatively impact our future operating results and financial condition. Finally, to the extent we pursue future advanced-functionality services independent of our Vcom efforts, we can provide no assurance that such efforts will be profitable.

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

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

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

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

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

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

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

If our goodwill or other intangible assets become impaired, we may be required to record a significant charge to earnings.

We have a large amount of goodwill and other intangible assets and are required to perform periodic assessments for any possible impairment for accounting purposes. As of March 31, 2008, we had goodwill and other intangible assets of \$360.6 million, or 59.9% of our total assets. We periodically evaluate the recoverability and the amortization period of our intangible assets under accounting principles generally accepted in the United States (GAAP). Some of the factors that we consider to be important in assessing whether or not impairment exists include the performance of the related assets relative to the expected historical or projected future operating results, significant changes in the manner of our use of the assets or the strategy for our overall business, and significant negative industry or economic trends. These factors, assumptions, and any changes in them could result in an impairment of our goodwill and other intangible assets. In the event that we determine our goodwill or amortizable intangible assets are impaired, we may be required to record a significant charge to earnings in our financial statements, which would negatively impact our results of operations and that impact could be material. For example, during the year ended December 31, 2007, we

recorded approximately \$5.7 million of impairment charges related to certain previously-acquired merchant contracts, including \$5.1 million associated with our previously acquired merchant contract with Target. Other impairment charges in the future may also adversely affect our results of operations.

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

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

We will only issue new Notes in exchange for outstanding notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the outstanding notes and you should

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carefully follow the instructions on how to tender your outstanding notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of outstanding notes.

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

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

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

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

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

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

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

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

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

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

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

We are a holding company with no material assets other than the equity interests of our subsidiaries. Our subsidiaries conduct substantially all of our operations and own substantially all of our assets. Therefore, repayment of our indebtedness, including the Notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Notes.

Each of our subsidiaries is a distinct legal entity, and under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture governing the Notes limits the ability of our restricted subsidiaries to incur consensual restrictions on their ability to pay dividends or make other inter-company payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Notes.

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

The Notes and the guarantees will rank behind all of our and the guarantors existing and future senior indebtedness. As of March 31, 2008, the Notes and the guarantees would have been subordinated to \$49.7 million of senior indebtedness, which consisted of \$39.5 million outstanding under our revolving credit facility, \$8.5 million outstanding under certain borrowing arrangement in place with respect to our foreign subsidiaries, including guarantees of such amounts, and \$1.7 million of capital lease obligations. As of March 31, 2008, our available borrowing capacity under the credit facility totaled approximately \$128.3 million. We are permitted to incur substantial other indebtedness, including senior debt, in the future.

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

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

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

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

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

If we do not generate sufficient cash flow from operations to satisfy our debt service obligations, including payments on the Notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Our ability to restructure or refinance our debt will depend on the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt instruments,

including our credit agreement and the indenture governing the notes may restrict us from adopting some of these alternatives. Furthermore, neither affiliates of CapStreet II, L.P. and CapStreet Parallel II, L.P. (together with the CapStreet Group, LLC, CapStreet) nor affiliates of TA Associates, Inc. (our two largest outside investors) have any obligation to provide us with debt or equity financing in the future. Our inability to generate sufficient cash flow to satisfy our debt service obligations, or

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to refinance our obligations on commercially reasonable terms, would have an adverse effect, which could be material, on our business, financial position, results of operations and cash flows, as well as on our ability to satisfy our obligations in respect of the Notes.

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

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

- sell or transfer property or assets;
- pay dividends on or redeem or repurchase stock;
- merge into or consolidate with any third party;
- create, incur, assume or guarantee additional indebtedness;
- create certain liens;
- make investments;
- engage in transactions with affiliates;
- issue or sell preferred stock of restricted subsidiaries; and
- enter into sale and leaseback transactions.

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

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

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

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

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

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

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

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

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

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

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

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

were insolvent or rendered insolvent by reason of such incurrence;

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

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

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

A court would likely find that we, or a guarantor, did not receive reasonably equivalent value or fair consideration for the Notes or such guarantee if we, or such guarantor, did not substantially benefit directly or indirectly from the issuance of the Notes. If a court were to void the Notes or a guarantee, you would no longer have a claim against us or the applicable guarantor, as the case may be.

Sufficient funds to repay the Notes may not be available from other sources, including the remaining guarantors, if any. In addition, the court might direct you to repay any amounts that you already received from us or any guarantor, as the case may be.

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

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

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

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

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

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

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EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Resale of New Notes

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

you are not our affiliate within the meaning of Rule 405 under the Securities Act;

such new Notes are acquired in the ordinary course of your business; and

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

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

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

cannot rely on such interpretations by the SEC staff; and

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must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

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

Terms of the Exchange Offer

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

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

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

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

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

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

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

Expiration Date

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

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Extensions, Delays in Acceptance, Termination or Amendment

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

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

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

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

Conditions to the Exchange Offer

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

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

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

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

In addition, we will not accept for exchange any outstanding notes tendered, and will not issue new Notes in exchange for any such outstanding notes, if at such time any stop order has been threatened or is in effect

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with respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture relating to the notes under the Trust Indenture Act of 1939.

Procedures for Tendering

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

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

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

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

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

Determinations under the Exchange Offer

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

When We Will Issue New Notes

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

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

a properly transmitted agent's message.

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Return of Outstanding Notes Not Accepted or Exchanged

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

Your Representations to Us

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

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

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

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

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

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

Withdrawal of Tenders

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

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

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

Fees and Expenses

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

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

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

SEC registration fees;

fees and expenses of the exchange agent and trustee;

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accounting and legal fees and printing costs; and

related fees and expenses.

Transfer Taxes

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

Consequences of Failure to Exchange

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

Accounting Treatment

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

Other

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

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

Table of Contents**SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA**

The following selected historical consolidated financial and operating data should be read together with Unaudited Pro Forma Condensed Consolidated Financial Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations, and the consolidated financial statements and related notes included elsewhere in this prospectus. The selected consolidated balance sheet data as of December 31, 2006 and 2007 and the selected consolidated statements of operations data for the years ended December 31, 2005, 2006 and 2007 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The balance sheet data as of December 31, 2003, 2004 and 2005, and the statements of operations data for the years ended December 31, 2003 and 2004 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The selected consolidated balance sheet data as of March 31, 2008, and the selected consolidated statements of operations data for the three months ended March 31, 2008 and 2007 have been derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited balance sheet data as of March 31, 2007 has been derived from our unaudited interim condensed consolidated financial statements for such period, which are not included in this prospectus. The unaudited interim period financial information, in the opinion of management, includes all adjustments, which are normal and recurring in nature, necessary for a fair presentation for the periods shown. Results for the three months ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year. Historical results are not necessarily indicative of the results to be expected in the future.

	Years Ended December 31,					Three Months Ended	
	2003	2004	2005	2006	2007	2007	2008
							(unaudited)
	(in thousands, except share and per share amounts, ratios, and number of ATMs)						
Consolidated Statements of Operations Data:							
Revenues:							
ATM operating revenues	\$ 101,950	\$ 182,711	\$ 258,979	\$ 280,985	\$ 364,071	\$ 71,656	\$ 115,062
Vcom operating revenues					1,251		1,235
ATM product sales and other revenues	8,493	10,204	9,986	12,620	12,976	2,862	4,278
Total revenues	110,443	192,915	268,965	293,605	378,298	74,518	120,575
Cost of revenues:							
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)(1)	80,286	143,504	199,767	209,850	275,286	54,736	86,832
Cost of Vcom operating revenues					6,065		2,269
Cost of ATM product sales and other revenues	7,903	8,703	9,681	11,443	11,942	2,797	4,164

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

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	Years Ended December 31,					Three Months Ended March 31,	
	2003	2004	2005	2006	2007	2007	2008
	(in thousands, except share and per share amounts, ratios, and number of ATMs)						
Income (loss) available to common shareholders	\$ 1,110	\$ 3,493	\$ (3,813)	\$ (796)	\$ (63,362)	\$ (3,454)	\$ (4,550)
Income (loss) per common share: Basic	\$ 0.07	\$ 0.20	\$ (0.27)	\$ (0.06)	\$ (4.11)	\$ (0.25)	\$ (0.15)
Diluted	\$ 0.06	\$ 0.19	\$ (0.27)	\$ (0.06)	\$ (4.11)	\$ (0.25)	\$ (0.15)
Weighted average shares outstanding: Basic	16,521,361	17,795,073	14,040,353	13,904,505	15,423,744	13,965,875	38,589,875
Diluted	17,262,708	18,855,425	14,040,353	13,904,505	15,423,744	13,965,875	38,589,875
Other Financial Data (unaudited):							
Ratio of earnings to fixed charges(9)	1.3x	1.5x					
Net cash flows from operating activities	\$ 21,629	\$ 20,466	\$ 33,227	\$ 25,446	\$ 55,462	\$ 2,642	\$ (10,320)
Net cash flows from investing activities	(29,663)	(118,926)	(139,960)	(35,973)	(202,883)	(9,269)	(26,080)
Net cash flows from financing activities	10,404	94,318	107,214	11,192	158,155	5,704	31,850
Operating Data (unaudited):							
Total number of ATMs (at period end)	12,021	24,581	26,208	25,259	32,319	25,438	32,570
Total transactions	64,605	111,577	158,851	172,808	246,595	44,449	83,030
Total cash withdrawal transactions	49,859	86,821	118,960	125,078	166,248	31,180	53,850
Consolidated Balance Sheet Data:							
	\$ 5,554	\$ 1,412	\$ 1,699	\$ 2,718	\$ 13,439	\$ 1,782	\$ 8,900

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

- (1) Excludes depreciation, accretion, and amortization expense of \$6.8 million, \$11.4 million, \$20.6 million, \$29.2 million, and \$43.1 million for the years ended December 31, 2003, 2004, 2005, 2006 and 2007, respectively, and \$8.5 million and \$12.5 million for the three months periods ended March 31, 2007 and 2008, respectively.
- (2) Includes non-cash stock-based compensation totaling \$1.6 million, \$1.0 million, \$2.2 million, \$0.8 million, and \$1.0 million in 2003, 2004, 2005, 2006, and 2007, respectively, and \$0.2 million in each of the three months periods ended March 31, 2007 and 2008, related to options granted to certain employees and a restricted stock grant made to our Chief Executive Officer in 2003. Additionally, the 2004 results include a bonus of \$1.8 million paid to our Chief Executive Officer related to the tax liability associated with such grant. See Note 3 to our consolidated financial statements.
- (3) Includes the write-off in 2004 of approximately \$1.8 million in costs associated with our decision to not pursue a financing transaction to completion.
- (4) Includes pre-tax impairment charges of \$1.2 million, \$2.8 million, and \$5.7 million in 2005, 2006 and 2007, respectively, and \$0.1 million during the three months ended March 31, 2007.
- (5) Includes the write-off of \$5.0 million and \$0.5 million of deferred financing costs in 2005 and 2006, respectively, as a result of (i) amendments to our existing credit facility and the repayment of our existing term loans in August 2005, and (ii) certain modifications made to our revolving credit facility in February 2006.
- (6) The Other line item for the years ended December 31, 2003, 2004, and 2005 and the three months ended March 31, 2008 primarily consists of losses on the disposal of fixed assets that were incurred in conjunction with the deinstallation of ATMs during the period. Other in 2006 reflects the recognition of approximately \$4.8 million in other income primarily related to settlement proceeds received from Winn-Dixie Stores, Inc. (Winn-Dixie), one of our merchant customers, as part of its emergence from bankruptcy, a \$1.1 million contract termination payment received from one of our customers, and a \$0.5 million payment received from one of our customers related to the sale of a number of its stores to another party, which were partially offset by \$1.6 million of losses on the sale or disposal of fixed assets. Other in 2007 includes \$2.2 million of losses on the disposal of fixed assets during the period, which were partially offset by \$0.6 million of gains related to the sale of the Winn-Dixie equity securities, which we received from Winn-Dixie in 2006 as a part of its bankruptcy settlement. Other income for the three months ended March 31, 2007 included \$0.6 million in gains on the sale of equity securities awarded to Cardtronics pursuant to the bankruptcy plan of reorganization of Winn-Dixie Stores, Inc., one of the Company's merchant customers. This amount was partially offset by \$0.5 million in losses on the disposal of fixed assets that were incurred in conjunction with the deinstallation of ATMs during the period.
- (7) Reflects the effect of our adoption of Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations*. See Note 1(m) to our consolidated financial statements included

elsewhere within this prospectus.

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

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- (9) For purposes of determining the ratio of earnings to fixed charges, earnings are defined as our income from operations before income taxes, plus fixed charges. Fixed charges consist of interest expense on all indebtedness, amortization of debt issuance costs and the interest portion of lease payments. Earnings were insufficient to cover fixed charges by approximately \$5.4 million, \$0.2 million, and \$22.8 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$4.5 million and \$4.0 million for the three months periods ended March 31, 2007 and 2008, respectively.
- (10) The amount reflected on our balance sheet is shown net of issuance costs of \$1.4 million as of December 31, 2006. During December 2007, the Company's Series B Redeemable Convertible Preferred Stock were converted into shares of the Company's common stock in conjunction with the Company's initial public offering.

Table of Contents**Supplemental Selected Quarterly Financial Information (Unaudited)**

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

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

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

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

2007, respectively.

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

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- (4) Excludes \$8.9 million, \$6.6 million, \$7.1 million, and \$6.6 million of depreciation, accretion, and amortization for the quarters ended March 31, 2006, June 30, 2006, September 30, 2006, and December 31, 2006, respectively.
- (5) Includes pre-tax impairment charge of \$2.8 million for the quarter ended March 31, 2006 related to certain contract-based intangible assets. Also includes \$4.8 million in other income for the quarter ended December 31, 2006 primarily related to settlement proceeds received from Winn-Dixie, one of our merchant customers, as part of its emergence from bankruptcy.

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

On July 20, 2007, we purchased substantially all of the assets of the 7-Eleven Financial Services Business for approximately \$137.3 million in cash. That amount included a \$1.3 million payment for estimated acquired working capital and approximately \$1.0 million in other related closing costs. The acquisition was funded by the sale of \$100.0 million 9.25% senior subordinated notes due 2013 Series B and borrowings under our revolving credit facility. The unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2007 gives effect to the 7-Eleven ATM Transaction and the related financing transactions as if they occurred on January 1, 2007. No unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2008 has been presented as the effects of the above transactions have been fully reflected in our consolidated statement of operations for such period included elsewhere in this prospectus. Additionally, no unaudited pro forma condensed consolidated balance sheet has been presented as the effects of the above transactions have been fully reflected in our March 31, 2008 and December 31, 2007 consolidated balance sheets included elsewhere in this prospectus. The 7-Eleven ATM Transaction has been accounted for using the purchase method of accounting and, accordingly, the tangible and intangible assets acquired and liabilities assumed in such transaction were recorded at their estimated fair values as of the related acquisition date.

We acquired substantially all of the assets of the 7-Eleven Financial Services Business, which, at the time of our acquisition, operated approximately 3,500 ATMs that allow customers to carry out traditional ATM services and approximately 2,000 Vcom advanced-functionality machines that, in addition to traditional ATM services, provide Vcom Services.

Historically, 7-Eleven has received upfront placement fees from third-party service providers to help fund the development and implementation efforts surrounding the Vcom Services, which have been recognized as revenues in the accompanying historical financial statements of the 7-Eleven Financial Services Business. Although we may attempt to execute similar payment arrangements with the same (or new) service providers in the future, there is no guarantee that we will be successful in doing so. Accordingly, such upfront placement fees may not occur in the future, or may occur at lower levels than those realized historically. Reference is made to Note 1 in the notes to the unaudited pro forma condensed consolidated financial statements for additional information regarding the amount of upfront placement fees that have been recognized in the historical financial statements of the 7-Eleven Financial Services Business.

We currently expect to incur operating losses associated with the Vcom Services portion of the acquired 7-Eleven ATM portfolio within the first 12-18 months subsequent to the acquisition date. By continuing to provide the Vcom Services, we currently expect that we may incur up to \$10.0 million in operating losses associated with such services for the first 12-18 months subsequent to the 7-Eleven ATM Transaction. We plan to continue to operate the Vcom terminals and restructure the Vcom operations to improve the financial results of such operations. To that end, we have made significant progress in our restructuring efforts through March 31, 2008, including the relocation and concentration of many of the Vcom units into selected markets and the achievement of significant cost reductions associated with the maintenance and operation of such units. However, if we are ultimately unsuccessful in our restructuring efforts, future losses associated with the acquired Vcom operations could be significantly higher than those currently estimated, which would negatively impact our future operating results and financial condition. In addition, in the event we decide to terminate the Vcom Services, we may be required to pay up to \$1.0 million of

contract termination payments, and may incur additional costs and expenses, which could negatively impact our future operating results and financial condition.

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

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

Table of Contents**CARDTRONICS, INC.**

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

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

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

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

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CARDTRONICS, INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

As discussed elsewhere in this prospectus, on July 20, 2007, we acquired substantially all of the assets associated with the 7-Eleven Financial Services Business, including approximately 3,500 ATMs that allow customers to carry out traditional ATM services and approximately 2,000 advanced-functionality Vcom machines that offer traditional ATM services, as well as some or all of the Vcom Services.

Historically, 7-Eleven has received upfront placement fees from third-party service providers to help fund the development and implementation efforts surrounding the Vcom Services, which have been recognized as revenues in the accompanying historical financial statements of the 7-Eleven Financial Services Business. However, it is uncertain as to whether such payments will occur in the future, or, if they do, whether such payments will occur at levels consistent with those seen in the past. During the year ended December 31, 2007, the 7-Eleven Financial Services Business recognized approximately \$4.8 million in revenues associated with such upfront placement fees, approximately \$4.2 million of which related to arrangements that ended prior to our acquisition of the 7-Eleven Financial Services Business, and thus will not continue in the future. While we believe we will continue to earn some placement fee revenues related to the acquired 7-Eleven Financial Services Business, we expect those amounts to be substantially less than those earned historically. The exclusion of such fees (which were directly attributable to providing the Vcom Services) would have resulted in lower operating results for the 7-Eleven Financial Services Business.

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

Table of Contents**CARDTRONICS, INC.****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(2) The reported amounts reflect the financing of and the preliminary allocation of the purchase price for the 7-Eleven ATM Transaction. Such acquisition was financed primarily through the issuance and sale of \$100.0 million 9.25% senior subordinated notes due 2013 Series B (the Series B Notes), and additional borrowings under our amended revolving credit facility. Our estimate of the total purchase price is summarized as follows (in thousands):

Total cash consideration	\$ 135,000
Working capital adjustment and other related closing costs	2,312
Total estimated purchase price of acquisition	\$ 137,312
The total purchase price has been allocated on a preliminary basis as follows (in thousands):	
Current assets	\$ 13,260
Property and equipment	22,588
Intangible assets:	
Customer contracts and relationships	78,000
Goodwill	62,191
Current liabilities	(19,540)
Other non-current liabilities	(19,187)
Total purchase price of acquisition	\$ 137,312

The purchase price allocation reflected above includes \$7.8 million and \$11.7 million of additional other current liabilities and other long-term liabilities, respectively, related to certain unfavorable equipment leases and an operating contract assumed as part of the 7-Eleven ATM Transaction. The pro forma statement of operations includes expense reductions of \$6.0 million for the pro forma year ended December 31, 2007, associated with the amortization of these liabilities to reduce the corresponding ATM operating expense amounts to fair value. Although these adjustments will serve to reduce the Company's future expenses recorded for the cost of ATM operating revenues, the Company will still be required to pay the higher rates stipulated in the assumed leases and contract for the remaining terms of such agreements, the substantial majority of which expire in 2009. Such adjustments are considered to be preliminary and thus, may change materially once the valuation of the acquired assets and assumed liabilities is finalized, and the final purchase price allocation is completed.

(3) The reported amounts reflect the issuance and sale of the Series B Notes and additional borrowings under our amended credit facility, which were utilized to fund the 7-Eleven ATM Transaction. The unaudited pro forma condensed consolidated statement of operations assumes such debt was issued or borrowed on January 1, 2007.

Table of Contents**CARDTRONICS, INC.****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

\$200.0 million 9.25% senior subordinated notes due 2013 issued in August 2005, net of the related discount	\$ 198,851
\$100.0 million 9.25% senior subordinated notes due 2013 Series B issued in July 2007, net of the related discount	97,000
Revolving credit facility (including additional borrowings to fund the 7-Eleven ATM Transaction)	102,954
Other long-term and current debt obligations, including capital lease obligations	6,881
Total pro forma debt	\$ 405,686

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

For purposes of computing the interest expense amounts associated with the above debt structure, a weighted-average rate of 9.03% has been utilized. Assuming an increase of 25 basis points in the floating borrowing rate under our revolving credit facility, pro forma interest expense would have increased by \$257,000 for the years ended December 31, 2007 and 2006.

Table of Contents**CARDTRONICS, INC.****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Interest expense associated with the senior subordinated notes issued in August 2005 (\$198.9 million at an effective interest rate of 9.4%)	\$ 18,620
Interest expense associated with the Series B Notes issued in July 2007 (\$97.0 million at an effective interest rate of 9.5%)	9,250
Interest expense associated with the pro forma revolving credit facility balance (\$103.0 million at an effective interest rate of 7.8%)	8,030
Interest expense associated with other indebtedness, including acquired capital lease obligations	721
Amortization of deferred financing costs associated with the Series B Notes issued in July 2007 and amended revolving credit facility (\$1.7 million and \$0.4 million amortized on a straight-line basis over 6 years and 5 years, respectively)	353
Amortization of discount associated with the Series B Notes issued in July 2007	500
Amortization of deferred financing costs associated with the senior subordinated notes issued in August 2005 and revolving credit facility	1,270
Pro forma interest expense	38,744
Elimination of the historical interest expense of Cardtronics, Inc. and the 7-Eleven Financial Services Business	(31,264)
Pro forma interest expense adjustment	\$ 7,480

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

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

(4) The reported amounts reflect the adjustments to the historical depreciation and amortization expense resulting from the effects of the purchase price allocations associated with the 7-Eleven ATM Transaction. The acquired tangible assets were assumed to have a weighted-average remaining useful life of approximately 5.0 years and are being depreciated on a straight-line basis over such period of time. The acquired intangible customer contract/relationships are estimated to have a ten year life and are being amortized over such period on a straight-line basis, consistent with our past practice. The reported amounts also reflect the depreciation and accretion amounts related to our estimated asset retirement obligations associated with the acquired ATMs and Vcom terminals.

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

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CARDTRONICS, INC.

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

benefits accruing to such operations have been fully reserved for due to the uncertain future utilization of such benefits.

(6) The share and per share information gives effect to the 7.9485 to 1 stock split that occurred in conjunction with our initial public offering in December 2007.

(7) The Company presents Cost of ATM operating revenues and Gross profit within its consolidated financial statements exclusive of depreciation, accretion and amortization. For the pro forma year ended December 31, 2007, the total depreciation, accretion, and amortization excluded from cost of ATM operating revenues and gross profit is \$50.8 million. This amount includes the depreciation and accretion related to assets under capital leases.

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

In connection with the above assumed conversion, the total amount of our outstanding common stock and Series B Redeemable Convertible Preferred Stock prior to the initial public offering (on both a converted and split-adjusted basis) remained the same. Accordingly, the incremental shares received by TA Associates in connection with the above assumed beneficial conversion totaled approximately \$36.0 million in value based on the \$10.00 initial public offering price per share. Such amount was reflected as a reduction of our net income (or an increase in our net loss) available to common shareholders immediately upon the conversion of TA Associates Series B Redeemable Convertible Preferred Stock and the completion of our initial public offering in the fourth quarter of 2007.

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

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

Our discussion and analysis includes the following:

Overview of Business

Recent Events

Results of Operations

Liquidity and Capital Resources

Critical Accounting Policies and Estimates

New Accounting Pronouncements

Commitments and Contingencies

Disclosure about Market Risk

We have also included a discussion of the 7-Eleven ATM Transaction and the related financing transactions that occurred in 2007 in certain portions of the following sections in order to provide some detail on the impact such transactions are expected to have on our results of operations and liquidity and capital resource requirements. In some cases, certain unaudited pro forma financial and operational information has been presented herein as if the 7-Eleven ATM Transaction occurred on January 1, 2006. Such unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of what our actual financial or operational results would have been had the 7-Eleven ATM Transaction been consummated on such date. Such unaudited pro forma information should be read in conjunction with our historical audited financial statements, and accompanying notes thereto, as well as our unaudited pro forma financial statements, each of which are included elsewhere within this prospectus.

Overview of Business

As of March 31, 2008, we operated a network of approximately 32,600 ATMs throughout the United States, the United Kingdom, and Mexico. Our extensive ATM network is strengthened by multi-year contractual relationships with a wide variety of nationally and internationally-known merchants pursuant to which we operate ATMs in their locations. We deploy ATMs under two distinct arrangements with our merchant partners: Company-owned and merchant-owned.

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

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Typically, we deploy ATMs under Company-owned arrangements for our national and regional merchant customers. Such customers include 7-Eleven, Chevron, Costco, CVS/Pharmacy, Duane Reade, ExxonMobil, Hess Corporation, Rite Aid, Safeway, Sunoco, Target, and Walgreens in the United States; Alfred Jones, Martin McColl, McDonalds, The Noble Organisation, Odeon Cinemas, Punch Taverns, Spar, Tates, and Vue Cinemas in the United Kingdom; and OXXO in Mexico. Because Company-owned locations are controlled by us (i.e., we control the uptime of the machines), are usually located in major national chains, and are thus more likely candidates for additional sources of revenue such as bank branding, they generally offer higher transaction volumes and greater profitability, which we consider necessary to justify the upfront capital cost of installing such machines. As of March 31, 2008, we operated over 21,500 ATMs under Company-owned arrangements.

Merchant-owned Arrangements. Under a merchant-owned arrangement, the merchant owns the ATM and is responsible for its first-line maintenance and the majority of the operating costs; however, we generally continue to provide all transaction processing services, second-line maintenance, 24-hour per day monitoring and customer service, and, in some cases, retain responsibility for providing and loading cash. We typically enter into merchant-owned arrangements with our smaller, independent merchant customers. In situations where a merchant purchases an ATM from us, the merchant normally retains responsibility for providing cash for the ATM. Because the merchant bears more of the costs associated with operating ATMs under this arrangement, the merchant typically receives a higher fee on a per-transaction basis than is the case under a Company-owned arrangement. In merchant-owned arrangements under which we have assumed responsibility for providing and loading cash and/or second line maintenance, the merchant receives a smaller fee on a per-transaction basis than in the typical merchant-owned arrangement. As of March 31, 2008, we operated approximately 11,100 ATMs under merchant-owned arrangements.

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

In-house Electronic Funds Transfer (EFT) Processing Operations. In the fourth quarter of 2006, we began developing our own in-house EFT processing platform that provides us with the ability to control the processing of transactions conducted on our network of ATMs. Our in-house EFT processing operations provide us with the ability to control the content of the information appearing on the screens of our ATMs, which should in turn serve to increase the types of products and services that we will be able to offer to financial institutions. For example, with the ability to control screen flow, we expect to be able to offer customized branding solutions to financial institutions, including one-to-one marketing and advertising services at the point of transaction. While our in-house EFT processing operations are focused on controlling the flow and content of information on the ATM screen, we will continue to rely on third party service providers to handle the generic back-end connections to the EFT networks and various fund settlement and reconciliation processes for our Company-owned accounts. However, we expect that this move will provide us with future operational cost savings in terms of lower overall processing costs once our conversion efforts are completed.

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

first quarter of 2008. We currently expect to spend an additional \$0.8 million this year to complete this conversion.

Table of Contents***Components of Revenues, Cost of Revenues, and Expenses******Revenues***

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

ATM Operating Revenues. We present revenues from ATM services, branding arrangements, and surcharge-free network offerings as ATM operating revenues in our consolidated statements of operations. These revenues include the fees we earn per transaction on our network, fees we generate from bank branding arrangements and our surcharge-free networks, and fees earned from providing certain maintenance services. Our revenues from ATM services have increased rapidly in recent years due to the acquisitions we completed since 2001, as well as through internal expansion of our existing and acquired ATM networks. We expect that our ATM operating revenues will significantly increase in 2008 as a result of the 7-Eleven ATM Transaction and the deployment of additional Company-owned ATMs in the U.K. and Mexico.

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

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

Interchange revenue. An interchange fee is a fee paid by the cardholder's financial institution for the use of an ATM owned by another operator and the applicable EFT network that transmits data between the ATM and the cardholder's financial institution. We typically receive a majority of the interchange fee paid by the cardholder's financial institution, with the remaining portion being retained by the EFT network. In the United States and Mexico, interchange fees are earned not only on cash withdrawal transactions but on any ATM transaction, including balance inquiries, transfers, and surcharge-free transactions. In the United Kingdom, interchange fees are earned on all ATM transactions other than surcharge-bearing cash withdrawals. Interchange fees are set by the EFT networks and vary according to EFT network arrangements with financial institutions, as well as the type of transaction. Such fees are typically lower for balance inquiries and fund transfers and higher for cash withdrawal transactions.

Branding and surcharge-free network revenue. Under a bank branding agreement, ATMs that are owned and operated by us are branded with the logo of and operated as if they were owned by the branding financial

institution. Customers of the branding institution can use those machines without paying a surcharge, and, in exchange, the financial institution pays us a monthly per-machine fee for such branding. Historically, this type of branding arrangement has resulted in an increase in transaction levels at the branded ATMs, as existing customers continue to use the ATMs and new customers of the branding financial institution are attracted by the surcharge-free service. Additionally, although we forego the surcharge fee on ATM transactions by the branding institution's customers, we continue to

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

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

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

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

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

Total ATM operating revenues	\$ 2.18	\$ 2.25	\$ 2.19	\$ 2.14	\$ 2.14
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- (1) Amounts are calculated based on total cash withdrawal transactions, including surcharge cash withdrawal transactions and surcharge-free cash withdrawal transactions.
- (2) Excluding surcharge-free cash withdrawal transactions, per transaction amounts would have been \$1.70, \$1.80, and \$1.88 for the years ended December 31, 2005, 2006, and 2007, respectively, \$1.86 for the pro forma year ended December 31, 2007, and \$1.88 for the three months ended March 31, 2008.
- (3) Amounts calculated based on total interchange revenues earned on all ATM transaction types, including withdrawals, balance inquiries, transfers, and surcharge-free transactions.

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

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

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

Vcom Operating Revenues. The 7-Eleven ATM Transaction initially provided us with approximately 2,000 advanced-functionality financial self-service kiosks referred to as Vcom terminals that, in addition to standard ATM services, offer more sophisticated financial services, including check cashing, money transfer, remote deposit capture, and bill payment services. The substantial majority of the historical revenues from the Vcom Services consisted of upfront placement fees, which represented upfront payments from third-party service providers associated with providing certain of the advanced-functionality services. Most of these fees were payments received by 7-Eleven from a telecommunications provider. Such fees were amortized to revenues over the underlying contractual period, and there are no more significant payments due to us under these contracts. Therefore, in order for such placement fees to be received in the future, new contracts must be negotiated, but such negotiation is not assured. Accordingly, the percentage of Vcom operating revenues related to placement fees are expected to be considerably lower in the future.

ATM Product Sales and Other Revenues. We present revenues from the sale of ATMs and other non-transaction based revenues as ATM product sales and other revenues in our consolidated statements of operations. These revenues consist primarily of sales of ATMs and related equipment to merchants operating under merchant-owned arrangements, as well as sales under our value-added reseller (VAR) program with NCR. While we expect to continue to derive a portion of our revenues from direct sales of ATMs in the future, we expect that this source of revenue will not comprise a substantial portion of our total revenues in future periods.

Cost of Revenues

Our cost of revenues primarily consists of those costs directly associated with transactions completed on our ATM network. These costs, which are incurred to handle transactions completed on both our ATM and Vcom terminals, include merchant fees, processing fees, cost of cash, communications expense, repairs and maintenance expense, and direct operations expense. To a lesser extent, cost of revenues also includes those costs associated with the sales of

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

Merchant Fees. We pay our merchants a fee that depends on a variety of factors, including the type of arrangement under which the ATM is placed and the number of transactions at that ATM. For the three months ended March 31, 2008 and the year ended December 31, 2007, merchant fees represented 34.7% and 36.5%, respectively, of our ATM operating revenues.

Processing Fees. Although we are in the process of transitioning our Company-owned and merchant-owned ATMs onto our in-house EFT processing platform, we continue to pay fees to third-party vendors for processing transactions originated at ATMs in our network that have not been transitioned to our platform. These vendors, which include Star Systems, Fiserv, Lynk, and Elan Financial Services in the United States, LINK and Euronet in the United Kingdom, and PROSA-RED in Mexico, communicate with the cardholder s

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financial institution through EFT networks to gain transaction authorization and to settle transactions. As we have converted most of our domestic Company-owned ATMs over to our own in-house EFT processing platform, all of our Vcom terminals, and all of our U.K. ATMs, we expect to see a slight reduction in our overall processing costs on a go-forward basis. However, the ATMs acquired in the 7-Eleven Transaction will not be converted over to our in-house processing platform until 2010, as we have a contract with a third party to provide the transaction processing services for these machines through December 2009. For the three months ended March 31, 2008 and the year ended December 31, 2007, processing fees represented 2.5% and 2.9%, respectively, of our ATM operating revenues.

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

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

Repairs and Maintenance. Depending on the type of arrangement with the merchant, we may be responsible for first and/or second line maintenance for the ATM. We typically use third parties with national operations to provide these services. Our primary maintenance vendors are Diebold, NCR, and Pendum. For the three months ended March 31, 2008 and the year ended December 31, 2007, repairs and maintenance expense represented 7.7% and 7.0%, respectively, of our ATM operating revenues.

Direct Operations. These expenses consist of costs associated with managing our ATM network, including expenses for monitoring the ATMs, program managers, technicians, and customer service representatives.

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

We define variable costs as those incurred on a per transaction basis. Processing fees and the majority of merchant fees fall under this category. Processing fees and merchant fees accounted for 49.3% and 52.2% of our cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization related to ATMs and ATM-related assets) for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and 52.9% for the year ended December 31, 2007 on a pro forma basis for the 7-Eleven ATM Transaction. Therefore, we estimate that 50.7% and 47.8% of our cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization related to ATMs and ATM-related assets) for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and 47.1% for the year ended December 31, 2007 on a pro forma basis is generally fixed in nature, meaning that any significant decrease in transaction volumes would lead to a decrease in the profitability of our ATM service operations, unless there were an offsetting increase in per-transaction revenues or decrease in our fixed costs. We currently exclude depreciation, accretion, and amortization from ATMs and ATM-related assets from our cost of ATM revenues. However, the inclusion of such costs would have increased the percentage of our cost of ATM operating revenues that we consider fixed in nature by approximately 6.2% for the three months ended March 31, 2008, 7.1% for the year ended December 31, 2007, and 7.0% for the year ended December 31, 2007 on a pro forma basis.

The profitability of any particular ATM location, and of our entire ATM services operation, is driven by a combination of surcharge, interchange, and branding and surcharge-free network revenues, as well as the level

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of our related costs. Accordingly, material changes in our average surcharge fee or average interchange fee may be offset by branding revenues, surcharge-free network fees, or other ancillary revenues, or by changes in our cost structure. Because a variance in our average surcharge fee or our average interchange fee is not necessarily indicative of a commensurate change in our profitability, you should consider these measures only in the context of our overall financial results.

Indirect Operating Expenses

Our indirect operating expenses include general and administrative expenses related to administration, salaries, benefits, advertising and marketing, depreciation and accretion of the ATMs, ATM-related assets, and other assets that we own, amortization of our acquired merchant contracts and other amortizable intangible assets, and interest expense related to borrowings under our revolving credit facility and our \$300.0 million in senior subordinated notes. We depreciate our capital equipment on a straight-line basis over the estimated life of such equipment and amortize the value of acquired intangible assets over the estimated lives of such assets.

Recent Events

7-Eleven ATM Transaction. In July 2007, the Company acquired the 7-Eleven Financial Services Business for approximately \$137.3 million in cash. The acquisition included approximately 5,500 ATMs located in 7-Eleven stores throughout the United States, of which approximately 2,000 are Vcom machines that are capable of providing more sophisticated financial services, such as check cashing, money transfer, remote deposit capture, and bill payment services (collectively, the Vcom Services). Additionally, in connection with the 7-Eleven ATM Transaction, we entered into a placement agreement that provides us with, subject to certain conditions, a 10-year exclusive right to operate all ATMs and Vcom terminals in 7-Eleven locations throughout the United States, including any new stores opened or acquired by 7-Eleven.

The operating results of our United States segment now include the results of the traditional ATM operations of the 7-Eleven Financial Services Business, including the traditional ATM activities conducted on the Vcom terminals. Additionally, as a result of the different functionality provided by the Vcom terminals, and the expected continued near-term operating losses associated with providing the Vcom Services, such operations have been identified as a separate reporting segment. Because of the significance of this acquisition, our operating results for the three months ended March 31, 2008 will not be comparable to our historical results for the three months ended March 31, 2007. In particular, our revenues and gross profits will be substantially higher, but these increased revenue and gross profit amounts will initially be substantially offset by higher operating expense amounts, including higher selling, general, and administrative expenses associated with running the combined operations. In addition, depreciation, accretion, and amortization expense amounts are significantly higher as a result of the tangible and intangible assets recorded as part of the acquisition.

Merchant-owned Account Attrition. In 2006 and 2007, we experienced significant attrition rates among our smaller merchant-owned customers in the United States. While part of the attrition was due to our initiative to identify and either restructure or eliminate certain underperforming merchant-owned accounts, an additional driver of this attrition was local and regional independent ATM service organizations that were targeting our smaller merchant-owned accounts upon the termination of the merchant's contracts with us, or upon a change in the merchant's ownership, which can be a common occurrence. Accordingly, we launched a second initiative to identify and retain those merchant-owned accounts where we believed it made economic sense to do so. Our retention efforts have been successful, as evident in the fact that the attrition of approximately 750 ATMs in 2007 was significantly lower than the attrition of over 1,900 experienced in 2006.

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

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

Results of Operations

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

	Years Ended December 31,			Three Months Ended March 31,	
	2005	2006	2007	2007	2008
Revenues:					
ATM operating revenues	96.3%	95.7%	96.2%	96.2%	95.4%
Vcom operating revenues			0.3		1.0
ATM product sales and other revenues	3.7	4.3	3.4	3.8	3.5
Total revenues	100.0	100.0	100.0	100.0	100.0
Cost of revenues:					
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization, shown separately below)(1)	74.3	71.5	72.8	73.5	72.0
Cost of Vcom operating revenues			1.6		1.9
Cost of ATM product sales and other revenues	3.6	3.9	3.2	3.8	3.5
Total cost of revenues	77.9	75.4	77.5	77.2	77.4
Gross profit	22.1	24.6	22.5	22.8	22.6
Operating expenses:					
Selling, general, and administrative expenses	6.6	7.4	7.8	8.6	7.1
Depreciation and accretion expense	4.8	6.3	7.1	8.6	7.5
Amortization expense(2)	3.3	4.1	5.0	3.3	3.7
Total operating expenses	14.8	17.8	19.8	20.6	18.4
Income from operations	7.3	6.8	2.6	2.2	4.3
Other (income) expense:					
Interest expense, net	8.3	8.5	8.2	8.4	6.8
Minority interest in subsidiary		(0.1)	(0.1)	(0.2)	
Other	0.4	(1.6)	0.4	(0.2)	0.9
Total other expense	8.7	6.8	8.6	8.1	7.6
Loss before income taxes	(1.4)		(5.9)	(5.9)	(3.3)

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

(1) Excludes effects of depreciation, accretion, and amortization expense of \$20.6 million, \$29.2 million, and \$43.1 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$8.5 million and \$12.5 million for the three months periods ended March 31, 2007 and 2008, respectively. The inclusion of this depreciation, accretion, and amortization expense in Cost of ATM operating revenues would

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have increased our Cost of ATM operating revenues as a percentage of total revenues by 7.7%, 9.9%, and 11.4% for the years ended December 31, 2005, 2006, and 2007, respectively, and 10.3% and 11.4% for the three months ended March 31, 2008 and 2007, respectively.

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

Key Operating Metrics

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

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

and amortization)(5)

- (1) The 2007 year-to-date average for the 7-Eleven Financial Services Business represents the 12-month average of ATMs and Vcom terminals under Cardtronics' ownership. The low figure is due to the fact that Cardtronics did not acquire the portfolio until July 20, 2007. The actual average number of transacting ATMs from the acquisition date to December 31, 2007 was 5,602.
- (2) Excludes effects of depreciation, accretion, and amortization expense of \$20.6 million, \$29.2 million, and \$43.1 million for the years ended December 31, 2005, 2006, and 2007, respectively, and \$8.5 million and \$12.5 million for the three months ended March 31, 2007 and 2008, respectively. The inclusion of this depreciation, accretion, and amortization expense in Cost of ATM operating revenues would have increased our cost of ATM operating revenues per ATM per month and decreased our ATM operating gross profit per ATM per month by \$66, \$94, and \$127 for the years ended December 31, 2005, 2006, and 2007, respectively, and \$112 and \$128 for the three months ended March 31, 2007 and 2008, respectively.
- (3) ATM operating gross profit is a measure of profitability that uses only the revenue and expenses that related to operating the ATMs. The revenue and expenses from ATM equipment sales, Vcom Services, and other ATM-related services are not included.
- (4) The increase in ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) in 2006 when compared to 2005 is due to the increases in revenues associated with the Company's bank and network branding initiatives, increased surcharge rates in selected merchant retail locations, and higher gross profit margins associated with our United Kingdom portfolio of ATMs (which was acquired in May 2005). The decrease in ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) in 2007 when compared to 2006 is primarily the result of higher vault cash costs and costs incurred in connection with

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

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

Three Months Ended March 31, 2007 and 2008*Revenues*

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

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

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

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

The overall increase in ATM operating revenues from the acquired 7-Eleven Financial Services Business and our pre-existing domestic branding and surcharge-free network operations were partially offset by lower surcharge and interchange revenues associated with our pre-existing domestic operations. During the first quarter of 2008, our merchant-owned base experienced a \$2.8 million decline in surcharge revenues and a \$0.6 million decline in interchange revenue when compared to the same period in 2007. These declines were

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primarily a result of the decline in the average number of transacting merchant-owned ATMs in the United States, as discussed in *Recent Events Merchant-owned Account Attrition* above. Additionally, surcharge revenues from our Company-owned base declined by \$0.6 million during 2007, primarily as a result of a shift in revenues from surcharge-based fees to surcharge-free branding and network fees due to the additional branding and surcharge-free network arrangements entered into with financial institutions during 2007.

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

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

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

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

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

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

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

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

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

7-Eleven ATM Transaction. For additional details related to these liabilities, see *Note 2* to our consolidated financial statements included elsewhere in this .

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

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

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

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

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

Gross Profit Margin

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

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

downtime experienced by our ATMs in the United Kingdom as a result of the previously discussed third-party armored cash service-related issues. While we expect such service-related issues to be resolved during the latter half of 2008, it is likely that such issues will continue to negatively impact the operating results of our United Kingdom operations in the near-term.

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

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

Selling, General, and Administrative Expenses

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

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

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

Depreciation and Accretion Expense

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

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

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

Accretion expense. We account for our asset retirement obligations in accordance with Statement of Financial Accounting Standard (SFAS) No. 143, *Accounting for Asset Retirement Obligations*, which requires that we estimate the fair value of future retirement obligations associated with our ATMs, including the anticipated costs to deinstall, and in some cases refurbish, certain merchant locations. Accretion expense represents the increase of this liability from the original discounted net present value to the amount we ultimately expect to incur. Accretion expense for the three months ended March 31, 2008 increased over the same period in 2007 due to the increase in the number of machines deployed under Company-owned arrangements.

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

Amortization Expense

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

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

Interest Expense, Net

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

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Total interest expense, net	\$ 6,248	\$ 8,140	30.3%
Percentage of revenues	8.4%	6.8%	

Interest expense, net. Interest expense, excluding the amortization of deferred financing costs and bond discounts, increased by \$1.7 million during the three months ended March 31, 2008 when compared to the same period in 2007. The majority of the increase was due to our issuance of \$100.0 million in Series B Notes

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in July 2007 to partially finance the 7-Eleven ATM Transaction. This issuance resulted in \$2.3 million of additional interest expense during the first quarter of 2008, excluding the amortization of the related discount and deferred financing costs. Partially offsetting the incremental interest associated with our Series B Notes were lower average outstanding balances under our revolving credit facility for the first quarter of 2008 compared to the first quarter of 2007. Also contributing to the year-over-year decrease in interest expense was the overall decrease in the level of floating interest rates under our revolving credit facility.

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

Other Expense (Income)

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

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

Income Tax Expense (Benefit)

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

Our income tax expense increased by \$1.5 million during the three months ended March 31, 2008 when compared to the same period in 2007. The increase was primarily driven by the establishment of valuation allowances of \$1.2 million, net of amounts provided for current year benefits, associated with various domestic deferred tax assets due to uncertainties surrounding our ability to utilize the related tax benefits in future periods. Additionally, we do not expect to record any additional domestic federal or state income tax benefits in our financial statements until it is more likely than not that such benefits will be utilized. Finally, due to the exclusion of certain deferred tax liability amounts from our ongoing analysis of our domestic net deferred tax asset position, we will likely continue to record additional valuation allowances for our domestic operations throughout the remainder of the year. Accordingly, our overall effective tax rate will continue to be negative until we begin to report positive pre-tax book income on a consolidated basis.

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

Years Ended December 31, 2005, 2006, and 2007*Revenues*

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

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

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

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

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

The overall increase in ATM operating revenues from the acquired 7-Eleven Financial Services Business and our pre-existing domestic branding and surcharge-free network operations were partially offset by lower surcharge and interchange revenues associated with our pre-existing domestic operations. During 2007, surcharge and interchange revenues from our merchant-owned base declined \$11.6 million and \$2.5 million,

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respectively, compared to 2006, primarily as a result of the decline in the average number of transacting merchant-owned ATMs in the United States, as discussed in *Recent Events Merchant-owned Account Attrition* above. Additionally, surcharge revenues from our Company-owned base declined by \$4.1 million during 2007, primarily as a result of a shift in revenues from surcharge-based fees to surcharge-free branding and network fees due to the additional branding and surcharge-free network arrangements entered into with financial institutions during 2006 and 2007.

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

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

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

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

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

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

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

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

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

Cost of Revenues

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

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

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

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

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

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

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

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

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

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

with the increase in surcharge revenues.

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

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

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

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

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

Gross Profit Margin

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

ATM operating gross profit margin

ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization). For the year ended December 31, 2007, ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) decreased 0.9% when compared to 2006. Such decline was primarily due to the \$2.4 million in additional costs incurred in 2007 associated with our efforts to transition our domestic ATMs onto our in-house transaction processing

platform. While these costs are not expected to continue subsequent to the completion of our conversion efforts, we anticipate that our gross margin (exclusive of depreciation, accretion, and amortization) will continue to be negatively impacted by these costs during 2008 as we convert the remainder of our Company-owned and merchant-owned ATMs to our processing platform. Our ATM operating gross profit margins (exclusive of depreciation, accretion, and amortization) were further impacted by

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

During 2006, ATM operating gross profit margin (exclusive of depreciation, accretion, and amortization) increased 2.4% compared to the gross margin earned in 2005. Such increase was primarily due to a greater percentage of our gross profit being generated by our United Kingdom operations, which typically earn higher overall ATM operating margins than our United States ATM operations. Additionally, our 2006 results reflect a full year's worth of operating results from our United Kingdom operations compared to only eight months of operating results reflected in 2005. Furthermore, the year-over-year increase in branding and surcharge-free network revenues in the United States also contributed to the higher gross margin figure in 2006.

ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization). During 2007, ATM operating gross profit margin (inclusive of depreciation, accretion, and amortization) decreased 2.4% compared to 2006. Such decline was the result of transition costs associated with our in-house processing operations, inventory reserves related to our Triple-DES upgrade efforts, and the temporary decline in margins associated with our United Kingdom operations, each of which are discussed in further detail above. Also contributing to the declines in gross margins (inclusive of depreciation, accretion, and amortization) were (i) the higher depreciation and accretion expense associated with recent ATM deployments, primarily in the United Kingdom and Mexico, which have yet to achieve the higher consistent recurring transaction levels seen in our more mature ATMs, (ii) the incremental depreciation, accretion, and amortization expense recorded as a result of our July 2007 acquisition of the 7-Eleven Financial Services Business, and (iii) the incremental amortization expense related to certain intangible asset impairments recorded in 2007. See *Depreciation and Accretion Expense* and *Amortization Expense* below for additional discussions of the increases in depreciation and accretion expense and amortization expense, respectively.

ATM product sales and other revenues gross profit margin. For the year ended December 31, 2007, our ATM product sales and other revenues gross profit margin decreased 1.3%, primarily as a result of our Triple-DES upgrade efforts. Because all ATMs operating on the EFT networks were required to be Triple-DES compliant by the end of 2007, we have seen an increase in the number of ATM sales associated with the Triple-DES upgrade process. However, in certain circumstances, we have sold the machines at little or, in some cases, negative margins in exchange for renewals of the underlying ATM operating agreements. As a result, gross margins associated with our ATM product sales and other activities were negatively impacted during 2007. However, we anticipate that such margins will improve in 2008 now that the Triple-DES compliance upgrade process is substantially completed.

For the year ended December 31, 2006, our ATM product sales and other gross margins were higher than for the year ended December 31, 2005 due to certain non-transaction based services that are now being provided as part of our network branding operations as well as higher equipment and VAR program sales.

Table of Contents*Selling, General, and Administrative Expenses*

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

Selling, general, and administrative expenses (SG&A expenses), excluding stock-based compensation. For the year ended December 31, 2007, SG&A expenses, excluding stock-based compensation, increased \$7.6 million over 2006. This increase was primarily attributable to our United States operations, which experienced an increase of \$5.6 million, or 33.0%, in 2007 when compared to the same period in 2006, primarily as a result of (i) a \$3.0 million increase in employee-related costs, primarily on the sales and marketing side of our business and the employees assumed in connection with the 7-Eleven ATM Transaction, (ii) a \$1.4 million increase in professional fees associated with our Sarbanes-Oxley compliance efforts, and (iii) \$0.7 million in increased legal costs associated with our National Federation of the Blind and CGI, Inc. litigation settlements. Additionally, our United Kingdom and Mexico operations had higher SG&A expenses during 2007, primarily due to additional employee-related costs to support growth of these segments' operations and, in the case of our United Kingdom operations, changes in foreign currency exchange rates, which contributed approximately \$0.4 million of this segment's total \$1.3 million increase in SG&A expense, excluding stock-based compensation, over 2006.

During 2006, our SG&A expenses, excluding stock-based compensation, increased by 33.0% when compared to 2005. Such increase was attributable to higher costs associated with our United States operations, which increased \$3.7 million, or 27.6%, primarily due to higher employee-related costs as well as higher accounting, legal, and professional fees resulting from our past growth. In the United Kingdom, our SG&A expenses increased \$0.9 million when compared to the prior year due to the fact that the 2005 results included only eight months of operating results from Bank Machine. However, such increases were somewhat offset by certain cost savings measures that were implemented subsequent to the May 2005 acquisition date. Finally, our Mexico operations, which were acquired in February 2006, contributed approximately \$0.6 million to the year-over-year variance.

While our SG&A expenses are expected to continue to increase on an absolute basis as a result of our future growth initiatives and our acquisition of the 7-Eleven Financial Services Business, we expect that such costs will begin to

decrease as a percentage of our total revenues.

Stock-based compensation. Stock-based compensation expense for the year ended December 31, 2007 was slightly higher than for the year ended December 31, 2006 as a result of the additional option awards that were granted during 2007. Stock-based compensation for 2006 decreased by 62.4% when compared to 2005, primarily due to an additional \$1.7 million in stock-based compensation recognized during 2005 related to the

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repurchase of shares underlying certain employee stock options in connection with our Series B redeemable convertible preferred stock financing transaction. Additionally, during the year ended December 31, 2006, we adopted SFAS No. 123R, which requires us to record the grant date fair value of stock-based compensation arrangements as compensation expense on a straight-line basis over the underlying service period of the related award.

Depreciation and Accretion Expense

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

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

The 53.3% increase in depreciation in 2006 was primarily comprised of \$4.1 million of incremental depreciation related to our United States operations and \$2.3 million of incremental depreciation related to our United Kingdom operations. The increase in the United States was primarily due to the deployment of additional ATMs under Company-owned arrangements during the latter part of 2005 and throughout 2006, the majority of which were associated with our bank branding efforts. Additionally, the results for our U.S. operations reflected the acceleration of depreciation for certain ATMs that were deinstalled early as a result of contract terminations and certain ATMs that were expected to be replaced sooner than originally anticipated as part of our Triple-DES security upgrade process. The year-over-year increase in the United Kingdom was driven by the 300 additional ATM deployments and the fact that the 2005 results only reflect eight months worth of results from the acquired Bank Machine operations.

Accretion expense. We account for our asset retirement obligations in accordance with SFAS No. 143, *Accounting for Asset Retirement Obligations*, which requires that we estimate the fair value of future retirement obligations associated with our ATMs, including the anticipated costs to deinstall, and in some cases refurbish, certain merchant locations. Accretion expense represents the increase of this liability from the original discounted net present value to the amount we ultimately expect to incur.

The \$0.9 million increase in accretion expense in 2007 when compared to 2006 and the \$0.7 million decrease in accretion expense in 2006 when compared to 2005 was primarily the result of \$0.5 million of excess accretion expense that was erroneously recorded in 2005. This amount was subsequently reversed in 2006, at which time we determined that the impact of recording the \$0.5 million out-of-period adjustment in 2006 (as opposed to reducing the reported 2005 accretion expense amount) was immaterial to both reporting periods pursuant to the provisions contained in SEC Staff Accounting Bulletin (SAB) No. 99, *Materiality*, and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in*

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Current Year Financial Statements. In forming this opinion, we considered the nature of the adjustment (non-cash versus cash) and the relative size of the adjustment to certain financial statement line items, including revenues, gross profits, and pre-tax income (or loss) amounts for each period, including the interim periods contained within both years. Furthermore, we considered the impact of recording this adjustment in 2006 on our previously reported earnings and losses for such periods and concluded that such adjustment did not impact the trend of our previously reported earnings and losses.

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

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

Amortization Expense

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

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

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

ATM Transaction, amortization expense for year ended December 31, 2007 was relatively consistent with the amount recorded in 2006.

For the year ended December 31, 2006, amortization expense increased by 33.4% when compared to 2005. Such increase was primarily driven by a \$2.8 million impairment charge recorded during the first quarter of 2006 related to the BAS Communications, Inc. (BASC) ATM portfolio, which resulted from a

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

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write-off taken in 2006, the amortization of financing costs and bond discounts during 2007 increased slightly as a result of the additional financing costs incurred in connection with the Series B Notes and amendments made to our revolving credit facility in July 2007 as part of the 7-Eleven ATM Transaction.

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

Other (Income) Expense

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