CARDTRONICS INC
Form 10-Q
May 06, 2009

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**Form 10-Q**

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2009**

**OR**

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**

**Commission File Number: 001-33864**

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

| **Delaware** | **76-0681190** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| **3250 Briarpark Drive, Suite 400** **Houston, TX** | **77042** |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant s telephone number, including area code: **(832) 308-4000**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Common Stock, par value: $0.0001 per share. Shares outstanding on May 1, 2009: 40,518,607

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Exhibit 31.1
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When we refer to us, we, our, ours or the Company, we are describing Cardtronics, Inc. and/or our subsidiaries.

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

### CARDTRONICS, INC.
### CONDENSED CONSOLIDATED BALANCE SHEETS
### (In thousands, excluding share and per share amounts)

| | March 31, 2009 *(Unaudited)* | December 31, 2008 *(Audited)* |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 9,451 | $ 3,424 |
| Accounts and notes receivable, net of allowance of $482 and $504 as of March 31, 2009 and December 31, 2008, respectively | 22,844 | 25,317 |
| Inventory | 3,050 | 3,011 |
| Restricted cash, short-term | 2,938 | 2,423 |
| Prepaid expenses, deferred costs, and other current assets | 12,750 | 17,273 |
| Total current assets | 51,033 | 51,448 |
| Property and equipment, net | 147,267 | 154,829 |
| Intangible assets, net | 103,582 | 108,327 |
| Goodwill | 163,518 | 163,784 |
| Prepaid expenses, deferred costs, and other assets | 3,512 | 3,839 |
| Total assets | $ 468,912 | $ 482,227 |
| **LIABILITIES AND STOCKHOLDERS DEFICIT** | | |
| Current liabilities: | | |
| Current portion of long-term debt and notes payable | $ 1,466 | $ 1,373 |
| Current portion of capital lease obligations | 697 | 757 |
| Current portion of other long-term liabilities | 21,525 | 24,302 |
| Accounts payable | 14,639 | 17,212 |
| Accrued liabilities | 46,125 | 55,174 |
| Total current liabilities | 84,452 | 98,818 |
| Long-term liabilities: | | |
| Long-term debt, net of related discounts | 349,372 | 344,816 |
| Capital lease obligations | 96 | 235 |
| Deferred tax liability, net | 12,619 | 11,673 |
| Asset retirement obligations | 21,461 | 21,069 |
| Other long-term liabilities | 23,571 | 23,967 |
| Total liabilities | 491,571 | 500,578 |
| Commitments and contingencies | | |
| Stockholders deficit: | | |

| | | | | |
|---|---|---|---|---|
| Common stock, $0.0001 par value; 125,000,000 shares authorized; 45,645,282 and 45,642,282 shares issued as of March 31, 2009 and December 31, 2008, respectively; 40,518,607 and 40,636,533 shares outstanding as of March 31, 2009 and December 31, 2008, respectively | | 4 | | 4 |
| Subscriptions receivable (at face value) | | | | (34) |
| Additional paid-in capital | | 195,159 | | 194,101 |
| Accumulated other comprehensive loss, net | | (64,608) | | (64,355) |
| Accumulated deficit | | (105,538) | | (100,470) |
| Treasury stock; 5,126,675 and 5,005,749 shares at cost as of March 31, 2009 and December 31, 2008, respectively | | (48,222) | | (48,221) |
| Total parent stockholders deficit | | (23,205) | | (18,975) |
| Noncontrolling interests | | 546 | | 624 |
| Total stockholders deficit | | (22,659) | | (18,351) |
| Total liabilities and stockholders deficit | $ | 468,912 | $ | 482,227 |

*See accompanying notes to consolidated financial statements.*

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**CARDTRONICS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, excluding share and per share amounts)**
**(Unaudited)**

| | Three Months Ended March 31, 2009 | Three Months Ended March 31, 2008 |
|---|---|---|
| Revenues: | | |
| ATM operating revenues | $ 113,580 | $ 116,297 |
| ATM product sales and other revenues | 1,765 | 4,278 |
| Total revenues | 115,345 | 120,575 |
| Cost of revenues: | | |
| Cost of ATM operating revenues (excludes depreciation, accretion, and amortization shown separately below. See *Note 1*) | 82,229 | 89,101 |
| Cost of ATM product sales and other revenues | 1,814 | 4,164 |
| Total cost of revenues | 84,043 | 93,265 |
| Gross profit | 31,302 | 27,310 |
| Operating expenses: | | |
| Selling, general, and administrative expenses | 10,855 | 8,551 |
| Depreciation and accretion expense | 9,639 | 9,082 |
| Amortization expense | 4,527 | 4,503 |
| Loss on disposal of assets | 2,108 | 1,193 |
| Total operating expenses | 27,129 | 23,329 |
| Income from operations | 4,173 | 3,981 |
| Other expense (income): | | |
| Interest expense, net | 7,711 | 7,632 |
| Amortization of deferred financing costs and bond discounts | 568 | 508 |
| Other income | (86) | (132) |
| Total other expense | 8,193 | 8,008 |
| Loss before income taxes | (4,020) | (4,027) |
| Income tax expense | 1,017 | 565 |
| Net loss | (5,037) | (4,592) |
| Net income attributable to noncontrolling interests | 31 | |
| Net loss attributable to controlling interests and available to common stockholders | $ (5,068) | $ (4,592) |
| Net loss per common share basic and diluted | $ (0.13) | $ (0.12) |
| Weighted average shares outstanding basic and diluted | 38,960,083 | 38,589,878 |

*See accompanying notes to consolidated financial statements.*

**CARDTRONICS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(Unaudited)**

| | Three Months Ended March 31, 2009 | 2008 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net loss attributable to controlling interests | $ (5,068) | $ (4,592) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation, accretion, and amortization expense | 14,166 | 13,585 |
| Amortization of deferred financing costs and bond discounts | 568 | 508 |
| Stock-based compensation expense | 1,058 | 266 |
| Deferred income taxes | 946 | 430 |
| Noncontrolling interests | 31 | |
| Loss on disposal of assets | 2,225 | 1,150 |
| Other reserves and non-cash items | (573) | (1,975) |
| Changes in assets and liabilities, net of acquisitions: | | |
| Decrease (increase) in accounts and notes receivable, net | 2,240 | (2,964) |
| Decrease (increase) in prepaid, deferred costs, and other current assets | 4,631 | (2,595) |
| Increase in inventory | (724) | (932) |
| Decrease in other assets | 561 | 217 |
| Decrease in accounts payable and accrued liabilities | (12,384) | (12,006) |
| Decrease in other liabilities | (1,273) | (1,417) |
| Net cash provided by (used in) operating activities | 6,404 | (10,325) |
| **Cash flows from investing activities:** | | |
| Additions to property and equipment | (4,374) | (25,799) |
| Payments for exclusive license agreements and site acquisition costs | (59) | (298) |
| Principal payments received under direct financing leases | | 13 |
| Net cash used in investing activities | (4,433) | (26,084) |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of long-term debt | 23,500 | 49,836 |
| Repayments of long-term debt and capital leases | (18,936) | (14,995) |
| Repayments of borrowings under bank overdraft facility, net | (142) | (1,866) |
| Payments received on subscriptions receivable | 34 | 11 |
| Proceeds from exercises of stock options | | 123 |
| Equity offering costs | | (1,250) |
| Debt issuance and modification costs | (438) | (4) |
| Repurchase of capital stock | (1) | |
| Net cash provided by financing activities | 4,017 | 31,855 |

| | | | | |
|---|---|---|---|---|
| Effect of exchange rate changes on cash | | 39 | | 23 |
| Net increase (decrease) in cash and cash equivalents | | 6,027 | | (4,531) |
| Cash and cash equivalents as of beginning of period | | 3,424 | | 13,439 |
| Cash and cash equivalents as of end of period | $ | 9,451 | $ | 8,908 |
| **Supplemental disclosure of cash flow information:** | | | | |
| Cash paid for interest, including interest on capital leases | $ | 14,634 | $ | 15,116 |

*See accompanying notes to consolidated financial statements.*

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# CARDTRONICS, INC.
# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
# (UNAUDITED)

## (1) General and Basis of Presentation

***General***

Cardtronics, Inc., along with its wholly- and majority-owned subsidiaries (collectively, the Company ) owns and operates approximately 33,100 automated teller machines ( ATM ) located in all 50 states of the United States, 2,575 ATMs located throughout the United Kingdom, and 2,100 ATMs located throughout Mexico. The Company provides ATM management and equipment-related services (typically under multi-year contracts) to large, nationally-known retail merchants as well as smaller retailers and operators of facilities such as shopping malls and airports. Additionally, the Company operates the largest surcharge-free network of ATMs within the United States (based on the number of participating ATMs) and works with financial institutions to place their logos on the Company s ATM machines, thus providing convenient surcharge-free access to the financial institutions customers. Finally, the Company provides electronic funds transfer ( EFT ) transaction processing services to its network of ATMs as well as ATMs owned and operated by third parties.

***Basis of Presentation***

This Quarterly Report on Form 10-Q (this Form 10-Q ) has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) applicable to interim financial information. Because this is an interim period filing presented using a condensed format, it does not include all of the disclosures required by accounting principles generally accepted in the United States ( U.S. GAAP ), although the Company believes that the disclosures are adequate to make the information not misleading. You should read this Form 10-Q along with the Company s Annual Report on Form 10-K for the year ended December 31, 2008 ( 2008 Form 10-K ), which includes a summary of the Company s significant accounting policies and other disclosures.

The financial statements as of March 31, 2009 and for the three month periods ended March 31, 2009 and 2008 are unaudited. The Condensed Consolidated Balance Sheet as of December 31, 2008 was derived from the audited balance sheet filed in the Company s 2008 Form 10-K. In management s opinion, all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the Company s interim period results have been made. The results of operations for the three month periods ended March 31, 2009 and 2008 are not necessarily indicative of results that may be expected for any other interim period or for the full fiscal year. Additionally, the financial statements for prior periods include reclassifications that were made to conform to the current period presentation. Those reclassifications did not impact the Company s total reported net loss or stockholders deficit.

The unaudited interim condensed consolidated financial statements include the accounts of Cardtronics, Inc. and its wholly- and majority-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. Because the Company owns a majority (51.0%) interest in and realizes a majority of the earnings and/or losses of Cardtronics Mexico, S.A. de C.V. ( Cardtronics Mexico ), this entity is reflected as a consolidated subsidiary in the accompanying condensed consolidated financial statements, with the remaining ownership interest not held by the Company being reflected as a noncontrolling interest. See *Note 15* for additional information on the presentation of noncontrolling interests in the Company s financial statements and the Company s adoption of Statement of Financial Accounting Standards ( SFAS ) No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 5*, which the Company adopted effective January 1, 2009.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and these differences could be material to the financial statements.

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***Cost of ATM Operating Revenues and Gross Profit Presentation***

The Company presents Cost of ATM operating revenues and Gross profit within its Condensed Consolidated Statements of Operations exclusive of depreciation, accretion, and amortization expense related to ATMs and ATM-related assets. The following table sets forth the amounts excluded from Cost of ATM operating revenues and Gross profit for the three month periods ended March 31:

| | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |
| Depreciation and accretion expense related to ATMs and ATM-related assets | $ 8,037 | $ 7,962 |
| Amortization expense | 4,527 | 4,503 |
| Total depreciation, accretion, and amortization expense excluded from Cost of ATM operating revenues and Gross profit | $ 12,564 | $ 12,465 |

**(2) Stock-Based Compensation**

The Company accounts for stock-based compensation arrangements under SFAS No. 123 (revised 2004), *Share-Based Payment,* which requires a company to calculate the fair value of stock-based instruments awarded to employees on the date of grant and recognize the calculated fair value, net of estimated forfeitures, as compensation expense over the requisite service periods of the related awards. The following table reflects the total stock-based compensation expense amounts included in the Condensed Consolidated Statements of Operations for the three month periods ended March 31:

| | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |
| Cost of ATM operating revenues | $ 191 | $ 65 |
| Selling, general, and administrative expenses | 867 | 201 |
| Total stock-based compensation expense | $ 1,058 | $ 266 |

The increase in stock-based compensation expense during the three months ended March 31, 2009 was due to the Company s issuance of 1,682,750 shares of restricted stock and 273,000 stock options to certain of its employees during 2008 and 2009. Both the restricted shares and the stock options were granted under the Company s 2007 Stock Incentive Plan.

*Options.* A summary of the Company s outstanding stock options as of March 31, 2009 and changes during the three months ended March 31, 2009 are presented below:

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Options outstanding as of January 1, 2009 | 4,288,942 | $ 7.96 |
| Granted | 20,000 | $ 1.16 |
| Exercised | (3,000) | $ 0.03 |
| Options outstanding as of March 31, 2009 | 4,305,942 | $ 7.94 |
| Options vested and exercisable as of March 31, 2009 | 3,276,054 | $ 7.04 |

The options granted in 2009 had a total grant-date fair value of approximately $9,700, or $0.49 per share.

*Restricted Stock.* A summary of the Company s outstanding restricted shares as of March 31, 2009 and changes during the three months ended March 31, 2009 are presented below:

| | **Number of Shares** |
|---|---|
| Restricted shares outstanding as of January 1, 2009 | 1,679,250 |
| Forfeited | (120,000) |
| Vested | (20,000) |
| Restricted shares outstanding as of March 31, 2009 | 1,539,250 |

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**(3) Earnings per Share**

The Company reports its earnings per share in accordance with SFAS No. 128, *Earnings per Share*. Potentially dilutive securities are excluded from the calculation of diluted earnings per share (as well as their related income statement impacts) when their impact on net income (loss) available to common stockholders is anti-dilutive. For the three month periods ended March 31, 2009 and 2008, the Company incurred net losses and, accordingly, excluded all potentially dilutive securities from the calculation of diluted earnings per share as their impact on the net loss available to common stockholders was anti-dilutive. The anti-dilutive securities included all outstanding stock options and all shares of restricted stock. Additionally, the shares of restricted stock issued by the Company have a non-forfeitable right to cash dividends, if and when declared by the Company. Accordingly, such restricted shares are considered to be participating securities pursuant to Financial Accounting Standards Board ( FASB ) Staff Position ( FSP ) Emerging Issues Task Force ( EITF ) 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities*. As a result, in the event the Company reports positive net income, it will be required to present its earnings per share calculation under the two-class method of presentation, whereby the distributed and undistributed earnings of the Company are allocated among the Company s outstanding common shares and issued but unvested restricted shares.

**(4) Comprehensive Income (Loss)**

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for reporting comprehensive income (loss) and its components in the financial statements. Total comprehensive loss consisted of the following for the three month periods ended March 31:

| | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |
| Net loss | $ (5,037) | $ (4,592) |
| Unrealized gains (losses) on interest rate hedges | 1,193 | (13,465) |
| Foreign currency translation adjustments | (1,446) | (1,408) |
| Total comprehensive loss | (5,290) | (19,465) |
| Less: comprehensive income (loss) attributable to noncontrolling interests | 10 | (4) |
| Comprehensive loss attributable to controlling interests | $ (5,300) | $ (19,461) |

The higher total comprehensive loss figure for the three month period ended March 31, 2008 was due to the precipitous drop in interest rates that occurred during the period, which resulted in a corresponding decline in the value of the Company s interest rate hedges.

Accumulated other comprehensive loss is displayed as a separate component of stockholders deficit in the Condensed Consolidated Balance Sheets and consisted of the following:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | *(In thousands)* | |
| Unrealized losses on interest rate hedges | $ (30,959) | $ (32,152) |
| Foreign currency translation adjustments | (33,649) | (32,203) |
| Total accumulated other comprehensive loss | $ (64,608) | $ (64,355) |

The Company currently believes that the unremitted earnings of its foreign subsidiaries will be reinvested in the foreign countries in which those subsidiaries operate for an indefinite period of time. Accordingly, no deferred taxes have been provided for the differences between the Company s book basis and underlying tax basis in those subsidiaries or the foreign currency translation adjustment amounts reflected in the tables above. Additionally, as a

result of the Company s overall net loss position for tax purposes, the Company has not recorded deferred tax benefits on the loss amounts related to its interest rate swaps, as management does not currently believe the Company will be able to realize the benefits associated with its net deferred tax asset positions.

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## (5) Intangible Assets

***Intangible Assets with Indefinite Lives***

The following table presents the net carrying amount of the Company s intangible assets with indefinite lives as of March 31, 2009, as well as the changes in the net carrying amounts for the three months ended March 31, 2009, by segment:

| | Goodwill | | | Trade Name | | |
|---|---|---|---|---|---|---|
| | U.S. | U.K. | Mexico | U.S. | U.K. | Total |
| | | | (In thousands) | | | |
| Balance as of January 1, 2009 | $ 150,461 | $ 12,603 | $ 720 | $ 200 | $ 2,922 | $ 166,906 |
| Foreign currency translation adjustments | | (271) | 5 | | (63) | (329) |
| Balance as of March 31, 2009 | $ 150,461 | $ 12,332 | $ 725 | $ 200 | $ 2,859 | $ 166,577 |

***Intangible Assets with Definite Lives***

The following is a summary of the Company s intangible assets that are subject to amortization as of March 31, 2009:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| | | (In thousands) | |
| Customer and branding contracts/relationships | $ 159,168 | $ (70,007) | $ 89,161 |
| Deferred financing costs | 14,499 | (6,240) | 8,259 |
| Exclusive license agreements | 5,475 | (2,697) | 2,778 |
| Non-Compete agreements | 425 | (100) | 325 |
| Total | $ 179,567 | $ (79,044) | $ 100,523 |

## (6) Accrued Liabilities

Accrued liabilities consisted of the following:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | (In thousands) | |
| Accrued merchant fees | $ 11,558 | $ 10,291 |
| Accrued armored fees | 5,683 | 5,372 |
| Accrued maintenance fees | 5,394 | 4,273 |
| Accrued interest expense | 3,759 | 10,643 |
| Accrued merchant settlement amounts | 3,507 | 3,111 |
| Accrued compensation | 3,114 | 3,396 |
| Accrued cash rental and management fees | 2,681 | 3,693 |
| Accrued processing costs | 2,011 | 1,804 |
| Accrued interest rate swap payments | 1,847 | 1,836 |
| Accrued ATM telecommunications costs | 1,444 | 1,916 |
| Accrued purchases | 626 | 1,085 |
| Other accrued expenses | 4,501 | 7,754 |
| Total | $ 46,125 | $ 55,174 |

The decrease in accrued liabilities from December 31, 2008 to March 31, 2009 was primarily the result of the timing of interest payments associated with the Company s $300.0 million of senior subordinated notes, which are due in February and August of each year, and the timing of the receipt and payment of invoices for ATM-related services.

**(7) Long-Term Debt**

The Company s long-term debt consisted of the following:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | (In thousands) | |
| Revolving credit facility | $ 48,500 | $ 43,500 |
| Senior subordinated notes due August 2013 (net of unamortized discounts of $3.2 million and $3.4 million as of March 31, 2009 and December 31, 2008) | 296,782 | 296,637 |
| Other | 5,556 | 6,052 |
| Total | 350,838 | 346,189 |
| Less: current portion | 1,466 | 1,373 |
| Total long-term debt, excluding current portion | $ 349,372 | $ 344,816 |

***Revolving Credit Facility***

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

As of March 31, 2009, $48.5 million of borrowings were outstanding under the Company s $175.0 million revolving credit facility. Additionally, the Company had posted $3.8 million in letters of credit under the facility in favor of the lessors under the Company s ATM equipment leases and $4.3 million in letters of credit to secure the Company s borrowing under its United Kingdom subsidiary s overdraft facility (further discussed below). These letters of credit, which the applicable third-parties may draw upon in the event the Company defaults on the related obligations, further reduce the Company s borrowing capacity under its revolving credit facility. As of March 31, 2009, the Company s available borrowing capacity under the facility, as determined under the earnings before interest expense, income taxes, depreciation and accretion expense, and amortization expense ( EBITDA ) and interest expense covenants contained in the agreement, totaled approximately $118.4 million. As of March 31, 2009, the Company was in compliance with all applicable covenants and ratios under the facility.

***Other Facilities***

*Cardtronics Mexico equipment financial agreements.* As of March 31, 2009, other long-term debt consisted of six separate equipment financing agreements entered into by Cardtronics Mexico. These agreements, which are denominated in Mexican pesos and bear interest at an average fixed rate of 10.96%, were utilized for the purchase of additional ATMs to support the Company s Mexico operations. Pursuant to the terms of the equipment financing agreements, the Company has issued a guaranty for 51.0% of the obligations under these agreements (consistent with its ownership percentage in Cardtronics Mexico.) As of March 31, 2009, the total amount of the guaranty was $40.8 million pesos ($2.8 million U.S.).

*Bank Machine overdraft facility.* In addition to Cardtronics, Inc. s $175.0 million revolving credit facility, Bank Machine Ltd., the Company s wholly-owned subsidiary operating in the United Kingdom, has a £1.0 million overdraft facility. Such facility, which bears interest at 1.75% over the bank s base rate (0.5% as of March 31, 2009) and is secured by a letter of credit posted under the Company s corporate revolving credit facility, is utilized for general corporate purposes for the Company s United Kingdom operations. As of March 31, 2009, no amounts were

outstanding under this facility.

**(8) Asset Retirement Obligations**

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

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The following table is a summary of the changes in Company s asset retirement obligation liability for the three months ended March 31, 2009 *(in thousands)*:

| | |
|---|---|
| Asset retirement obligation as of January 1, 2009 | $ 21,069 |
| Additional obligations | 776 |
| Accretion expense | 465 |
| Payments | (661) |
| Foreign currency translation adjustments | (188) |
| Asset retirement obligation as of March 31, 2009 | $ 21,461 |

See *Note 11* for additional disclosures on the Company s asset retirement obligations required by SFAS No. 157, *Fair Value Measurements*.

**(9) Other Liabilities**

Other liabilities consisted of the following:

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | (In thousands) | |
| *Current Portion of Other Long-Term Liabilities:* | | |
| Interest rate swaps | $ 13,324 | $ 13,788 |
| Obligations associated with acquired unfavorable contracts | 5,925 | 8,203 |
| Deferred revenue | 1,870 | 1,879 |
| Other | 406 | 432 |
| Total | $ 21,525 | $ 24,302 |
| *Other Long-Term Liabilities:* | | |
| Interest rate swaps | $ 17,635 | $ 18,364 |
| Deferred revenue | 3,121 | 3,604 |
| Other long-term liabilities | 2,815 | 1,999 |
| Total | $ 23,571 | $ 23,967 |

The decline in the current portion of other long-term liabilities was primarily the result of the amortization of unfavorable contracts acquired by the Company in previous acquisitions. These obligations are being amortized on a monthly basis over the remaining life of the contracts, the majority of which terminate by the end of 2009.

**(10) Derivative Financial Instruments**

***Accounting Policy***

SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended* ( SFAS No. 133 ), requires that the Company recognize all of its derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (e.g., gains or losses) of those derivative instruments depends on (i) whether such instruments have been designated (and qualify) as part of a hedging relationship and (ii) on the type of hedging relationship actually designated. For derivative instruments that are designated and qualify as hedging instruments, the Company must designate the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation. In addition to SFAS No. 133, SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ( SFAS No. 161 ), requires that the Company provide expanded qualitative and quantitative disclosures about its derivative instruments. The Company

adopted SFAS No. 161 effective January 1, 2009 and has provided the additional disclosures required by such statement below.

The Company is exposed to certain risks relating to its ongoing business operations, including interest rate risk associated with the Company s vault cash rental obligations and, to a lesser extent, outstanding borrowings under the Company s revolving credit facility. The Company is also exposed to foreign currency rate risk with respect to its investments in its foreign subsidiaries, most notably its investment in Bank Machine in the United Kingdom. While the Company does not currently utilize derivative instruments to hedge its foreign currency rate risk, it does utilize interest rate swap contracts to manage the interest rate risk associated with its vault cash rental obligations in the United States. The Company does not currently utilize any derivative instruments to manage the interest rate risk associated with its vault cash rental obligations in the United Kingdom or Mexico, nor does it utilize derivative instruments to manage the interest rate risk associated with the borrowings outstanding under its revolving credit facility.

As of March 31, 2009, the notional amounts, weighted-average fixed rates, and terms associated with the Company s domestic interest rate swap contracts were as follows:

| Notional Amount (In thousands) | | Weighted Average Fixed Rate | Term |
|---|---|---|---|
| $ | 550,000 | 4.30% | April 1, 2009 December 31, 2009 |
| $ | 550,000 | 4.11% | January 1, 2010 December 31, 2010 |
| $ | 400,000 | 3.72% | January 1, 2011 December 31, 2011 |
| $ | 200,000 | 3.96% | January 1, 2012 December 31, 2012 |

In accordance with SFAS No. 133, the Company has designated its interest rate swap contracts as cash flow hedges of the Company s forecasted vault cash rental obligations. Accordingly, changes in the fair values of the related interest rate swap contracts have been reported in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets. As a result of the Company s overall net loss position for tax purposes, the Company has not recorded deferred tax benefits on the loss amounts related to these interest rate swap contracts as management does not currently believe that the Company will be able to realize the benefits associated with its net deferred tax asset positions.

***Cash Flow Hedging Strategy***

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income/loss ( OCI ) and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedge transaction affects earnings. Gains and losses on the derivative instrument representing either hedge ineffectiveness or hedge components that are excluded from the assessment of effectiveness are recognized in earnings. However, because the Company currently only utilizes fixed-for-floating interest rate swaps in which the underlying pricing terms agree, in all material respects, with the pricing terms of the Company s domestic vault cash rental obligations, the amount of ineffectiveness associated with such interest rate swap contracts has historically been immaterial. Accordingly, no ineffectiveness amounts have been recorded in the Company s condensed consolidated financial statements.

The interest rate swap contracts entered into with respect to the Company s domestic vault cash rental obligations effectively modify the Company s exposure to interest rate risk by converting a portion of the Company s monthly floating-rate vault cash rental obligations to a fixed rate through December 31, 2012. By converting such amounts to a fixed rate, the impact of future interest rate changes (both favorable and unfavorable) on the Company s monthly vault cash rental expense amounts has been reduced. The interest rate swap contracts involve the receipt of floating rate amounts from the Company s counterparties that match, in all material respects, the floating rate amounts required to be paid by the Company to its domestic vault cash providers for the portions of the Company s outstanding vault cash obligations that have been hedged. In return, the Company pays the interest rate swap counterparties a fixed rate amount per month based on the same notional amounts outstanding. At no point is there an exchange of the underlying principal or notional amounts associated with the interest rate swaps. Additionally, none of the Company s existing interest rate swap contracts contain credit-risk-related contingent features.

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***Tabular Disclosures***

The following tables depict the effects of the use of derivative contracts on the Company s Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations.

*Balance Sheet Data*

| | Liability Derivative Instruments | | | |
|---|---|---|---|---|
| | March 31, 2009 | | December 31, 2008 | |
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| | *(In thousands)* | | | |
| **Derivatives Designated as Hedging Instruments Under SFAS No. 133** | | | | |
| Interest rate swap contracts | Current portion of other long-term liabilities | $ 13,324 | Current portion of other long-term liabilities | $ 13,788 |
| Interest rate swap contracts | Other long-term liabilities | 17,635 | Other long-term liabilities | 18,364 |
| Total | | $ 30,959 | | $ 32,152 |

The Company does not currently have any derivative instruments that are not designated as hedging instruments under SFAS No. 133. Additionally, all of the Company s derivative instruments that were designated as hedging instruments under SFAS No. 133 were in a liability position as of March 31, 2009 and December 31, 2008. Accordingly, no asset derivative instrument positions have been reflected in the table above.

*Statements of Operations Data*

| | Amount of Gain (Loss) Recognized in OCI on Derivative Instruments (Effective Portion) Three Months Ended March 31, | | Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | 2009 | 2008 | | 2009 | 2008 |
| | *(In thousands)* | | | *(In thousands)* | |
| **Derivatives in SFAS No. 133 Cash Flow Hedging Relationships** | | | | | |
| Interest rate swap contracts | $ 6,640 | $ (11,578) | Cost of ATM operating revenues | $ (5,447) | $ (1,887) |

The Company does not currently have any derivative instruments that have been designated as fair value or net investment hedges pursuant to SFAS No. 133. Additionally, the Company does not recognize any gains or losses related to the ineffective portion of its interest rate swaps as such amounts have historically been, and, based on the Company s analysis as of March 31, 2009, are expected to continue to be, immaterial. Furthermore, the Company has not historically, and does not currently anticipate, discontinuing its existing derivative instruments prior to their expiration date. However, if the Company concludes that it is no longer probable that the anticipated future vault cash rental obligations that have been hedged will occur, or if changes are made to the underlying terms and conditions of

the Company s domestic vault cash rental agreements, thus creating some amount of ineffectiveness associated with the Company s current interest rate swap contracts, any resulting gains or losses will be recognized within the Other expense (income) line item of the Company s Consolidated Statements of Operations.

As of March 31, 2009, the Company expects to reclassify $13.3 million of net derivative-related losses contained within accumulated OCI to earnings during the next twelve months concurrent with the recording of the related vault cash rental expense amounts.

See *Note 11* for additional disclosures on the Company s interest rate swap contracts required by SFAS No. 157, *Fair Value Measurements*.

**(11) Fair Value Measurements**

The Company adopted the provisions of SFAS No. 157, *Fair Value Measurements*, on January 1, 2008, with the exception of the application of the statement to non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis. Effective January 1, 2009, in accordance with FSP No. 157-2, *Effective Date of Financial Accounting Standards Board ( FASB ) Statement No. 157*, the Company adopted the provisions of SFAS No. 157 for non-financial assets and non-financial liabilities, which include those measured at fair value in goodwill impairment testing, indefinite-lived intangible assets measured at fair value for impairment assessment, non-financial long-lived assets measured at fair value for impairment assessment, asset retirement obligations initially measured at fair value, and those initially measured at fair value in a business combination. The adoption did not have an impact on the Company s financial statements.

The following table provides the liabilities carried at fair value measured on a recurring basis as of March 31, 2009:

| | Total Carrying Value | Fair Value Measurements | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| | | (In thousands) | | |
| Liabilities associated with interest rate swaps | $ 30,959 | $ | $ 30,959 | $ |

The following table provides the liabilities measured at fair value on a non-recurring basis at March 31, 2009. These items are included in the asset retirement obligations line in the Company s Condensed Consolidated Balance Sheet:

| | Total Carrying Value | Fair Value Measurements | | |
|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 |
| | | (In thousands) | | |
| Asset retirement obligations liabilities added during the three months ended March 31, 2009 | $ 776 | $ | $ | $ 776 |

The following is a description of the Company s valuation methodology for assets and liabilities measured at fair value:

C*ash and cash equivalents, accounts and notes receivable, net of the allowance for doubtful accounts, other current assets, accounts payable, accrued expenses, and other current liabilities.* These financial instruments are not carried at fair value, but are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk.

*Interest rate swaps.* These financial instruments are carried at fair value, calculated as the present value of amounts estimated to be received or paid to a marketplace participant in a selling transaction. These derivatives are valued using pricing models based on significant other observable inputs (Level 2 inputs), while taking into account the creditworthiness of the party that is in the liability position with respect to each trade.

*Additions to asset retirement obligation liability.* The Company estimates the fair value of additions to its asset retirement obligation liability using expected future cash outflows discounted at the Company s credit-adjusted risk-free interest rate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**(12) Commitments and Contingencies**

***Legal and Other Regulatory Matters***

In June 2006, Duane Reade, Inc. ( Customer ), one of the Company s merchant customers, filed a complaint in the New York State Supreme Court alleging that the Company had breached its ATM operating agreement with the Customer by failing to pay the Customer the proper amount of fees under the agreement. The Customer is claiming that it is owed no less than $600,000 in lost revenues, exclusive of interest and costs, and projects that additional damages will accrue to it at a rate of approximately $100,000 per month, exclusive of interest and costs. As the term of the Company s operating agreement with the Customer extends to December 2014, the Customer s claims could exceed $12.0 million. In response to a motion for summary judgment filed by the Customer and a cross-motion filed by the Company, the New York State Supreme Court ruled in September 2007 that the Company s interpretation of the ATM operating agreement was the appropriate interpretation and expressly rejected the Customer s proposed interpretations. The Customer appealed this ruling, and on August 5, 2008, the New York State Court of Appeals remanded the case back to the New York State Supreme Court for trial on the merits. Notwithstanding that decision, the Company believes that the ultimate resolution of this dispute will not have a material adverse impact on its financial condition or

results of operations.

The Company is defending claims in Nathanson v. Cardtronics, Inc. et. al., a putative class-action lawsuit concerning balance inquiry transactions at the Company s ATMs located in California. The plaintiff alleges that the ATMs of the companies named in the lawsuit violated California state laws by not disclosing the possibility that consumers financial institutions would impose fees for balance inquiry transactions conducted through the companies ATMs, and asserts claims under California law for either wrongful collection of a fee and/or for failure to notify the plaintiff of the fee. The plaintiff seeks unspecified damages and injunctive relief for himself and a class of other consumers who allegedly paid such fees without notice in the four-year period prior to the filing of the lawsuit. The lawsuit was originally filed on or about October 21, 2008 in the Superior Court of California, County of Los Angeles, and the Company removed the lawsuit to the United States District Court, Central District of California (Western Division) (the Court ). After briefing by the parties, the Court ruled that federal jurisdiction is proper. The Court granted the Company s motion to dismiss one of the plaintiff s initial three claims, and the plaintiff filed an amended complaint regarding his two additional claims. The Company plans to vigorously oppose all claims and believes it has fully complied with California law in all respects and that the claims are legally and factually invalid.

In June 2004, the Company acquired from E*Trade Access, Inc. ( E*Trade ) a portfolio of several thousand ATMs. In connection with that acquisition, the Company assumed E*Trade s position in that lawsuit in the United States District Court for the District of Massachusetts wherein the Commonwealth of Massachusetts (the Commonwealth ) and the National Federation of the Blind (the NFB ) has sued E*Trade alleging that E*Trade had the obligation to make its ATMs accessible to blind patrons via voice guidance. In June 2007, the Company, the Commonwealth, and the NFB entered into a class action settlement agreement regarding this matter. The Court approved the settlement in December 2007. The Company has requested a modification to the settlement agreement so as to permit it to upgrade or replace approximately 2,000 non-voice guided ATMs that it acquired in July 2007 over a longer period than permitted in the settlement agreement. The Company has proposed a three-year replacement plan, which has been rejected by the Commonwealth and the NFB. The parties are meeting in early May 2009 to discuss this matter further.

In addition to the above items, the Company is subject to various legal proceedings and claims arising in the ordinary course of its business. The Company has provided reserves where necessary for all claims and the Company s management does not expect the outcome in any of these legal proceedings, individually or collectively, to have a material adverse effect on the Company s financial condition or results of operations.

***Other Commitments***

*Asset Retirement Obligations.* The Company s asset retirement obligations consist primarily of deinstallation costs of the ATM and costs to restore the ATM site to its original condition. In most cases, the Company is legally required to perform this deinstallation and restoration work. The Company had $21.5 million accrued for these liabilities as of March 31, 2009. For additional information on the Company s asset retirement obligations, see *Note 8*.

**(13) Income Taxes**

Income tax expense based on the Company s loss before income taxes was as follows for the three month periods ended March 31:

| | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |
| Income tax expense | $ 1,017 | $ 565 |
| Effective tax rate | (25.3)% | (14.0)% |

The Company has established valuation allowances for its net deferred tax asset positions in all of its jurisdictions and is currently not recording any income tax benefits on current losses in those jurisdictions as it believes it is more likely than not that such benefits will not be realized. In addition, during the three month periods ended March 31, 2009 and 2008, the Company increased its domestic valuation allowance by approximately $0.9 million and $1.2 million, respectively, resulting in the negative effective tax rates reflected above. The lower effective tax rate in 2008 was due to the recognition of certain deferred tax benefits in the Company s United Kingdom jurisdiction as the Company did not begin establishing valuation allowances in that jurisdiction until the fourth quarter of 2008. Finally, the Company is in a taxable income position with respect to its domestic state income taxes, which further contributed to the overall negative effective tax rates reflected above.

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**(14) Segment Information**

As of March 31, 2009, the Company s operations consisted of its United States, United Kingdom, and Mexico segments. While each of these reporting segments provides similar kiosk-based and/or ATM-related services, each segment is currently managed separately, as they require different marketing and business strategies.

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

Below is a reconciliation of EBITDA to net loss attributable to controlling interests for the three month periods ended March 31:

| | 2009 | 2008 |
|---|---|---|
| | *(In thousands)* | |
| EBITDA | $ 18,394 | $ 17,698 |
| Depreciation and accretion expense | 9,639 | 9,082 |
| Amortization expense | 4,527 | 4,503 |
| Interest expense, net, including amortization of deferred financing costs and bond discounts | 8,279 | 8,140 |
| Income tax expense | 1,017 | 565 |
| Net loss attributable to controlling interests | $ (5,068) | $ (4,592) |

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The following tables reflect certain financial information for each of the Company s reporting segments for the three month periods ended March 31. All intercompany transactions between the Company s reporting segments have been eliminated.

| | For the Three Month Period Ended March 31, 2009 | | | | |
|---|---|---|---|---|---|
| | United States | United Kingdom | Mexico | Eliminations | Total |
| | | | (In thousands) | | |
| Revenue from external customers | $ 96,767 | $ 14,777 | $ 3,801 | $ | $ 115,345 |
| Intersegment revenues | 374 | | | (374) | |
| Cost of revenues | 70,782 | 10,707 | 2,928 | (374) | 84,043 |
| Selling, general, and administrative expenses (1) | 9,636 | 1,017 | 202 | | 10,855 |
| EBITDA | 16,508 | 1,291 | 617 | (22) | 18,394 |
| Depreciation and accretion expense | 6,805 | 2,436 | 403 | (5) | 9,639 |
| Amortization expense | 4,119 | 399 | 9 | | 4,527 |
| Loss on disposal of assets | 395 | 1,713 | | | 2,108 |
| Interest expense, net | 6,922 | 1,216 | 141 | | 8,279 |
| Capital expenditures, excluding acquisitions (2) | $ 2,512 | $ 1,767 | $ 154 | $ | $ 4,433 |

| | For the Three Month Period Ended March 31, 2008 | | | | |
|---|---|---|---|---|---|
| | United States | United Kingdom | Mexico | Eliminations | Total |
| | | | (In thousands) | | |
| Revenue from external customers | $ 100,353 | $ 17,640 | $ 2,582 | $ | $ 120,575 |
| Cost of revenues | 76,686 | 14,392 | 2,187 | | 93,265 |
| Selling, general, and administrative expenses | 7,325 | 928 | 298 | | 8,551 |
| EBITDA | 15,627 | 1,944 | 127 | | 17,698 |
| Depreciation and accretion expense | 6,113 | 2,682 | 309 | (22) | 9,082 |
| Amortization expense | 3,953 | 538 | 12 | | 4,503 |
| Loss on disposal of assets | 872 | 321 | | | 1,193 |
| Interest expense, net | 6,503 | 1,456 | 181 | | 8,140 |
| Capital expenditures, excluding acquisitions (2) | $ 15,843 | $ 10,187 | $ 67 | $ | $ 26,097 |

(1) Selling, general, and administrative expenses for the three months

ended March 31, 2009 includes $1.2 million in severance costs associated with the departure of the Company s former Chief Executive Officer in March 2009.

(2) Capital expenditure amounts include payments made for exclusive license agreements and site acquisition costs. Additionally, capital expenditure amounts for Mexico are reflected gross of any noncontrolling interest amounts.

***Identifiable Assets:***

| | March 31, 2009 | December 31, 2008 |
|---|---|---|
| | *(In thousands)* | |
| United States | $ 385,009 | $ 394,216 |
| United Kingdom | 72,891 | 76,275 |
| Mexico | 11,012 | 11,736 |
| Total | $ 468,912 | $ 482,227 |

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**(15) New Accounting Pronouncements**

***Adopted***

In addition to its adoption of SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities,* (see *Note 10*) and the provisions of SFAS No. 157, *Fair Value Measurements*, to non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis (see *Note 11*), the Company adopted the following pronouncements effective January 1, 2009:

*Noncontrolling Interests*. SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51*, provides guidance on the presentation of minority interests in the financial statements and the accounting for and reporting of transactions between the reporting entity and the holders of noncontrolling interests. This standard requires that minority interests be presented as a separate component of stockholders equity rather than as a mezzanine item between liabilities and stockholders equity and requires that minority interests be presented as a separate caption in the income statement. In addition, this standard requires all transactions with minority interest holders, including the issuance and repurchase of minority interests, be accounted for as equity transactions unless a change in control of the subsidiary occurs. The provisions of SFAS No. 160 are to be applied prospectively with the exception of reclassifying noncontrolling interests to equity and recasting consolidated net income (loss) to include net income (loss) attributable to both the controlling and noncontrolling interests, which are required to be adopted retrospectively. The Company adopted the provisions of SFAS No. 160 on January 1, 2009. As a result of the adoption, the Company has reported noncontrolling interests as a component of equity in the Condensed Consolidated Balance Sheets and the net income attributable to noncontrolling interests has been separately identified in the Condensed Consolidated Statements of Operations. The prior period presentation has been modified to conform to the current classification required by SFAS No. 160.

*Business Combinations.* SFAS No. 141R, *Business Combinations*, provides revised guidance on the accounting for acquisitions of businesses. This standard changed the previous guidance on business combinations and now requires that all acquired assets, liabilities, minority interest, and certain contingencies, including contingent consideration, be measured at fair value, and certain other acquisition-related costs, including costs of a plan to exit an activity or terminate and relocate employees, be expensed rather than capitalized. SFAS No. 141R applies to acquisitions effective after December 31, 2008. The Company will apply the requirements of the statement to future business combinations, and the impact of the Company s adoption will depend upon the nature and terms of business combinations, if any, that the Company consummates in the future.

*Useful Life of Intangible Assets.* FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets,* amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets* ( SFAS No. 142 ). The intent of FSP FAS 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R (discussed above) and other applicable accounting literature. The Company will (1) apply the useful life estimation provisions of FSP FAS 142-3 to all intangible assets associated with new or renewed contracts on a prospective basis and (2) apply the disclosure provisions to all intangible assets.

*Unvested Participating Securities.* FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities,* states that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The adoption of this standard did not impact the Company s financial position or results of operations as the Company has reported a net loss.

***Issued but Not Yet Adopted***

*Interim Disclosures about Fair Value.* In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments.* This FSP amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require publicly-traded companies, as defined in APB Opinion No. 28, *Interim Financial Reporting*, to provide disclosures on the fair value of financial instruments in interim financial statements. This standard is effective for interim periods ending after June 15, 2009. The Company will adopt the new disclosure

requirements in its June 30, 2009 financial statements and is currently evaluating the impact that the adoption will have on its financial statement disclosures.

**(16) Supplemental Guarantor Financial Information**

The Company s $300.0 million of senior subordinated notes are guaranteed on a full and unconditional basis by all of the Company s domestic subsidiaries. The following information sets forth the condensed consolidating statements of operations and cash flows for the three month periods ended March 31, 2009 and 2008 and the condensed consolidating balance sheets as of March 31, 2009 and December 31, 2008 of (1) Cardtronics, Inc., the parent company and issuer of the senior subordinated notes ( Parent ); (2) the Company s domestic subsidiaries on a combined basis (collectively, the Guarantors ); and (3) the Company s international subsidiaries on a combined basis (collectively, the Non-Guarantors ):

***Condensed Consolidating Statements of Operations***

| | Three Months Ended March 31, 2009 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
| | | | *(In thousands)* | | |
| Revenues | $ | $ 97,141 | $ 18,578 | $ (374) | $ 115,345 |
| Operating costs and expenses | 1,133 | 90,604 | 19,814 | (379) | 111,172 |
| Operating income (loss) | (1,133) | 6,537 | (1,236) | 5 | 4,173 |
| Interest expense, net, including amortization of deferred financing costs and bond discounts | 496 | 6,426 | 1,357 | | 8,279 |
| Equity in losses of subsidiaries | 2,634 | | | (2,634) | |
| Other (income) expense, net | (167) | (22) | 103 | | (86) |
| Loss (income) before income taxes | (4,096) | 133 | (2,696) | 2,639 | (4,020) |
| Income tax expense | 946 | 71 | | | 1,017 |
| Net (loss) income | (5,042) | 62 | (2,696) | 2,639 | (5,037) |
| Net income attributable to noncontrolling interests | | | | 31 | 31 |
| Net (loss) income attributable to controlling interests and available to common stockholders | $ (5,042) | $ 62 | $ (2,696) | $ 2,608 | $ (5,068) |

| | Three Months Ended March 31, 2008 | | | | |
|---|---|---|---|---|---|
| | Parent | Guarantors | Non-Guarantors | Eliminations | Total |
| | | | *(In thousands)* | | |
| Revenues | $ | $ 100,353 | $ 20,222 | $ | $ 120,575 |
| Operating costs and expenses | 17 | 94,932 | 21,667 | (22) | 116,594 |
| Operating income (loss) | (17) | 5,421 | (1,445) | 22 | 3,981 |
| Interest expense, net, including amortization of deferred financing costs and bond discounts | 49 | 6,454 | 1,637 | | 8,140 |
| Equity in losses of subsidiaries | 3,422 | | | (3,422) | |
| Other (income) expense, net | (56) | (101) | 25 | | (132) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Loss before income taxes | | (3,432) | | (932) | | (3,107) | | 3,444 | | (4,027) |
| Income tax expense (benefit) | | 1,182 | | 136 | | (753) | | | | 565 |
| Net loss | | (4,614) | | (1,068) | | (2,354) | | 3,444 | | (4,592) |
| Net income attributable to noncontrolling interests | | | | | | | | | | |
| Net loss attributable to controlling interests and available to common stockholders | $ | (4,614) | $ | (1,068) | $ | (2,354) | $ | 3,444 | $ | (4,592) |