CARDTRONICS INC
Form 10-Q
November 05, 2010

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 September 30, 2010
	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 (State or other jurisdiction of incorporation or organization)	76-0681190 (I.R.S. Employer Identification No.)
3250 Briarpark Drive, Suite 400 Houston, TX (Address of principal executive offices)	77042 (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 £	Accelerated filer R	Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company £

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 November 3, 2010: 42,251,255

CARDTRONICS, INC.

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$2,623	$10,449
Accounts and notes receivable, net of allowance of $241 and $560 as of September 30, 2010 and December 31, 2009, respectively	23,254	27,700
Inventory	2,170	2,617
Restricted cash, short-term	3,091	3,452
Current portion of deferred tax asset, net	1,682	—
Prepaid expenses, deferred costs, and other current assets	9,569	8,850
Total current assets	42,389	53,068
Property and equipment, net	157,077	147,348
Intangible assets, net	78,856	89,036
Goodwill	164,858	165,166
Deferred tax asset, net	9,270	—
Prepaid expenses, deferred costs, and other assets	4,459	5,786
Total assets	$456,909	$460,404
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current portion of long-term debt and notes payable	$2,829	$2,122
Capital lease obligations	—	235
Current portion of other long-term liabilities	25,374	26,047
Accounts payable	19,218	12,904
Accrued liabilities	46,046	57,583
Current portion of deferred tax liability, net	80	3,121
Total current liabilities	93,547	102,012
Long-term liabilities:		
Long-term debt, net of related discounts	279,362	304,930
Deferred tax liability, net	30	12,250
Asset retirement obligations	25,682	24,003
Other long-term liabilities	33,080	18,499
Total liabilities	431,701	461,694
Commitments and contingencies		
Stockholders' equity (deficit):		
Common stock, $0.0001 par value; 125,000,000 shares authorized; 47,643,240 and 46,238,028 shares issued as of September 30, 2010 and December 31, 2009, respectively; 42,119,444 and 40,900,532 shares outstanding as of September 30,	4	4

2010 and December 31, 2009, respectively		
Additional paid-in capital	206,730	200,323
Accumulated other comprehensive loss, net	(69,068)	(57,618)
Accumulated deficit	(63,991)	(96,922)
Treasury stock; 5,523,796 and 5,337,496 shares at cost as of September 30, 2010 and December 31, 2009, respectively	(50,342)	(48,679)
Total parent stockholders' equity (deficit)	23,333	(2,892)
Noncontrolling interests	1,875	1,602
Total stockholders' equity (deficit)	25,208	(1,290)
Total liabilities and stockholders' equity (deficit)	$456,909	$460,404

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
ATM operating revenues	$134,090	$126,194	$390,337	$361,136
ATM product sales and other revenues	2,515	2,409	6,992	7,460
Total revenues	136,605	128,603	397,329	368,596
Cost of revenues:				
Cost of ATM operating revenues (exclusive of depreciation, accretion, and amortization shown separately below. See Note 1)	89,026	85,083	262,319	251,287
Cost of ATM product sales and other revenues	2,425	2,678	6,932	7,645
Total cost of revenues	91,451	87,761	269,251	258,932
Gross profit	45,154	40,842	128,078	109,664
Operating expenses:				
Selling, general, and administrative expenses	11,519	9,210	32,934	30,649
Depreciation and accretion expense	10,865	9,986	31,351	29,560
Amortization expense	3,823	4,405	11,567	13,436
Loss on disposal of assets	368	1,047	1,840	4,831
Total operating expenses	26,575	24,648	77,692	78,476
Income from operations	18,579	16,194	50,386	31,188
Other expense:				
Interest expense, net	7,064	7,473	21,696	22,828
Amortization of deferred financing costs and bond discounts	546	606	1,818	1,777
Write-off of deferred financing costs and bond discounts	7,296	—	7,296	—
Redemption costs for early extinguishment of debt	7,193	—	7,193	—
Other (income) expense	(207)	339	(173)	(788)
Total other expense	21,892	8,418	37,830	23,817
(Loss) income before income taxes	(3,313)	7,776	12,556	7,371
Income tax (benefit) expense	(23,968)	1,251	(20,577)	3,284
Net income	20,655	6,525	33,133	4,087
Net (loss) income attributable to noncontrolling interests	(108)	127	202	269
Net income attributable to controlling interests and available to common stockholders	$20,763	$6,398	$32,931	$3,818
Net income per common share – basic	$0.49	$0.16	$0.79	$0.09
Net income per common share – diluted	$0.49	$0.15	$0.78	$0.09
Weighted average shares outstanding – basic	40,529,280	39,356,013	40,119,310	39,123,738
Weighted average shares outstanding – diluted	41,207,238	40,117,598	40,790,504	39,768,708

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30, 2010	2009
Cash flows from operating activities:		
Net income	$33,133	$4,087
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, accretion, and amortization expense	42,918	42,996
Amortization of deferred financing costs and bond discounts	1,818	1,777
Write-off of deferred financing costs and bond discounts	7,296	—
Redemption costs for early extinguishment of debt	7,193	—
Stock-based compensation expense	4,603	3,376
Deferred income taxes	(21,371)	2,836
Loss on disposal of assets	1,840	4,831
Unrealized gain on derivative instruments	(744)	—
Amortization of accumulated other comprehensive losses associated with derivative instruments no longer designated as hedging instruments	1,316	—
Other reserves and non-cash items	1,251	(3,241)
Changes in assets and liabilities:		
Decrease in accounts and notes receivable, net	4,430	83
(Increase) decrease in prepaid, deferred costs, and other current assets	(1,107)	4,286
Decrease (increase) in inventory	307	(109)
Decrease in other assets	1,582	1,406
Increase (decrease) in accounts payable	5,427	(4,063)
Decrease in accrued liabilities	(12,641)	(6,806)
Decrease in other liabilities	(4,258)	(3,575)
Net cash provided by operating activities	72,993	47,884
Cash flows from investing activities:		
Additions to property and equipment	(37,410)	(18,953)
Payments for exclusive license agreements, site acquisition costs and other intangible assets	(2,549)	(121)
Net cash used in investing activities	(39,959)	(19,074)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	345,000	47,312
Repayments of long-term debt and capital leases	(381,013)	(74,092)
Repayments of borrowings under bank overdraft facility, net	(47)	(142)
Debt issuance and modification costs	(5,227)	(458)
Payments received on subscriptions receivable	—	34
Proceeds from exercises of stock options	1,802	1,219
Repurchase of capital stock	(1,663)	(439)
Net cash used in financing activities	(41,148)	(26,566)
Effect of exchange rate changes on cash	288	473

Net (decrease) increase in cash and cash equivalents	(7,826)	2,717
Cash and cash equivalents as of beginning of period	10,449	3,424
Cash and cash equivalents as of end of period	$2,623	$6,141
Supplemental disclosure of cash flow information:		
Cash paid for interest, including interest on capital leases	$30,336	$30,073
Cash paid for income taxes	$831	$285
Fixed assets financed by direct debt	$542	$443

See accompanying notes to consolidated financial statements.

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CARDTRONICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) General and Basis of Presentation

General

Cardtronics, Inc., along with its wholly- and majority-owned subsidiaries (collectively, the "Company") provides convenient automated consumer financial services through its network of automated teller machines ("ATMs") and multi-function financial services kiosks. As of September 30, 2010, the Company provided services to over 36,400 devices across its portfolio, which included approximately 30,600 devices located in all 50 states of the United States ("U.S.") as well as in the U.S. territories of Puerto Rico and the U.S. Virgin Islands, approximately 2,900 devices throughout the United Kingdom ("U.K."), and approximately 2,900 devices throughout Mexico. Included within this number are approximately 2,200 multi-function financial services kiosks deployed in the U.S. that, in addition to traditional ATM functions such as cash dispensing and bank account balance inquiries, perform other consumer financial services, including bill payments, check cashing, remote deposit capture (which is deposit taking at off-premise ATMs using electronic imaging), and money transfers. Also included within this number are approximately 2,900 devices for which the Company provides various forms of managed services solutions, which may include services such as transaction processing, monitoring, maintenance, cash management, and customer service.

Through its network, 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. The Company's surcharge-free network, which operates under the Allpoint brand name, has more than 40,000 participating ATMs, including a majority of the Company's ATMs in the United States and all of the Company's ATMs in the United Kingdom. Finally, the Company provides electronic funds transfer ("EFT") transaction processing services to its network of ATMs and other ATMs under managed services arrangements.

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, 2009 ("2009 Form 10-K"), which includes a summary of the Company's significant accounting policies and other disclosures.

The financial statements as of September 30, 2010 and for the three and nine month periods ended September 30, 2010 and 2009 are unaudited. The Consolidated Balance Sheet as of December 31, 2009 was derived from the audited balance sheet filed in the Company's 2009 Form 10-K. In management's opinion, all normal recurring adjustments necessary for a fair presentation of the Company's interim and prior period results have been made. The results of operations for the three and nine month periods ended September 30, 2010 and 2009 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 certain minor reclassifications. Those reclassifications did not impact the

Company’s total reported net income or stockholders’ equity (deficit).

The unaudited interim 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 consolidated financial statements, with the remaining ownership interests not held by the Company being reflected as noncontrolling interests.

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.

Cost of ATM Operating Revenues and Gross Profit Presentation

The Company presents Cost of ATM operating revenues and Gross profit within its 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 periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
		(In thousands)		
Depreciation and accretion expense related to ATMs and ATM-related assets	$9,208	$8,289	$25,844	$24,562
Amortization expense	3,823	4,405	11,567	13,436
Total depreciation, accretion, and amortization expense excluded from Cost of ATM operating revenues and Gross profit	$13,031	$12,694	$37,411	$37,998

Property and Equipment, net

In accounting for property and equipment, the Company is required to make estimates regarding the expected useful lives of its assets, which ranged historically from three to seven years. To ensure its useful life estimates accurately reflect the economic use of the assets, the Company periodically evaluates whether changes to the assigned estimated useful lives are necessary. As a result of its most recent evaluation in the first quarter of 2010, which was based on historical information on its existing and disposed assets, the Company revised the estimated useful lives of several asset classes. Specifically, the Company determined that it was appropriate to extend the estimated useful life of new ATMs by one year and reduce the estimated useful life of used ATMs by two years starting January 1, 2010. The Company also decreased the estimated useful lives of deployment costs and asset retirement obligations by two years each, to more accurately align the periods over which these assets are depreciated with the average time period an ATM is installed in a location before being deinstalled. The Company anticipates that the above changes will increase its future depreciation expense amounts slightly relative to prior years but reduce the frequency and amount of losses on disposals of assets in future periods.

(2) Stock-Based Compensation

The Company calculates the fair value of stock-based awards granted to employees and directors on the date of grant and recognizes 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 Company's Consolidated Statements of Operations for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
		(In thousands)		

Cost of ATM operating revenues	$226	$207	$594	$590
Selling, general, and administrative expenses	1,481	1,050	4,009	2,786
Total stock-based compensation expense	$1,707	$1,257	$4,603	$3,376

The increase in stock-based compensation expense during the three and nine month periods ended September 30, 2010 was due to the issuance of additional shares of restricted stock and stock options to certain of the Company's employees and directors during 2009 and 2010. Both the restricted shares and the stock options were granted under the Company's Amended and Restated 2007 Stock Incentive Plan (the "2007 Stock Incentive Plan").

At the Company's 2010 Annual Meeting of Shareholders held on June 15, 2010, stockholders approved the amendment and restatement of the 2007 Stock Incentive Plan. Among other things, changes to the 2007 Stock Incentive Plan included an increase in the maximum number of shares of common stock that may be granted as equity incentive awards under the plan by 2,000,000 shares, from 3,179,393 to 5,179,393, of which 2,398,316 shares had been granted as of September 30, 2010. As a result of the increased number of shares eligible for grant under the 2007 Stock Incentive Plan, in the event the Company makes additional grants under the plan, stock-based compensation expense would increase in future periods.

In addition to increasing the number of shares eligible for grant, stockholders voted to (i) adjust the existing provisions regarding performance-based awards granted and conform a number of administration provisions of the 2007 Stock Incentive Plan necessary to effectuate the modified performance-based awards, (ii) modify the annual award limitations for any individual participant of the plan as well as the performance criteria that may be utilized to structure performance-based awards, (iii) increase the term of the plan from a 10-year period beginning on the original adoption date (which was August 22, 2007) to a 10-year period beginning on the adoption of the amendment to the plan, and (iv) add two types of awards eligible for grant under the plan: a restricted stock unit award and an annual incentive award.

Options. The number of the Company's outstanding stock options as of September 30, 2010, and changes during the nine month period ended September 30, 2010, are presented below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding as of January 1, 2010	3,803,771	$8.34
Granted	23,000	$10.95
Exercised	(667,772)	$2.70
Forfeited	(52,500)	$7.73
Options outstanding as of September 30, 2010	3,106,499	$9.58
Options vested and exercisable as of September 30, 2010	2,740,070	$9.58

The options granted during the nine month period ended September 30, 2010 had a total grant-date fair value of approximately $126,500, or $5.50 per share. As of September 30, 2010, the unrecognized compensation expense associated with outstanding options was approximately $0.9 million.

Restricted Stock. The number of the Company's outstanding restricted shares as of September 30, 2010, and changes during the nine month period ended September 30, 2010, are presented below:

	Number of Shares
Restricted shares outstanding as of January 1, 2010	1,114,437
Granted	737,440
Vested	(354,437)
Forfeited	(48,750)
Restricted shares outstanding as of September 30, 2010	1,448,690

The restricted shares granted during the nine month period ended September 30, 2010 had a total grant-date fair value of approximately $8.1 million, or $10.92 per share. As of September 30, 2010, the unrecognized compensation expense associated with restricted share grants was approximately $11.1 million.

(3) Earnings per Share

The Company reports its earnings per share under the two-class method. Under this method, potentially dilutive securities are excluded from the calculation of diluted earnings per share (as well as their related impacts to the statements of operations) when their impact on net income (loss) available to common stockholders is anti-dilutive. Potentially dilutive securities for the three and nine month periods ended September 30, 2009 and 2010 included all outstanding stock options and shares of restricted stock, which were included in the calculation of diluted earnings per share for these periods.

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 and as such, the Company has allocated the undistributed earnings for the three and nine month periods ended September 30, 2009 and 2010 among the Company’s outstanding shares of common stock and issued but unvested restricted shares, as follows:

Earnings per Share (in thousands, excluding share and per share amounts):

	Three Months Ended September 30, 2010			Nine Months Ended September 30, 2010		
	Income	Weighted Average Shares Outstanding	Earnings Per Share	Income	Weighted Average Shares Outstanding	Earnings Per Share
Basic:						
Net income attributable to controlling interests and available to common stockholders	$ 20,763			$ 32,931		
Less: undistributed earnings allocated to unvested restricted shares	(723)			(1,281)		
Net income available to common stockholders	$ 20,040	40,529,280	$ 0.49	$ 31,650	40,119,310	$ 0.79
Diluted:						
Effect of dilutive securities:						
Add: Undistributed earnings allocated to restricted shares	$ 723			$ 1,281		
Stock options added to the denominator under the treasury stock method		677,958			671,194	
Less: Undistributed earnings reallocated to restricted shares	(712)			(1,261)		
Net income available to common stockholders and assumed conversions	$ 20,051	41,207,238	$ 0.49	$ 31,670	40,790,504	$ 0.78

	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2009		
	Income	Weighted Average Shares Outstanding	Earnings Per Share	Income	Weighted Average Shares Outstanding	Earnings Per Share
Basic:						
Net income attributable to controlling interests and available to common stockholders	$ 6,398			$ 3,818		
Less: undistributed earnings allocated to unvested restricted shares	(191)			(133)		
Net income available to common stockholders	$ 6,207	39,356,013	$ 0.16	$ 3,685	39,123,738	$ 0.09

Diluted:						
Effect of dilutive securities:						
Add: Undistributed earnings allocated to restricted shares	$ 191			$ 133		
Stock options added to the denominator under the treasury stock method		761,585			644,970	
Less: Undistributed earnings reallocated to restricted shares	(187)			(131)		
Net income available to common stockholders and assumed conversions	$ 6,211	40,117,598	$ 0.15	$ 3,687	39,768,708	$ 0.09

The computation of diluted earnings per share excluded potentially dilutive common shares related to restricted stock of 395,985 and 427,695 shares for the three and nine month periods ended September 30, 2010, respectively, and 83,416 and 15,339 shares for the three and nine month periods ended September 30, 2009, respectively, because the effect of including these shares in the computation would have been anti-dilutive.

(4) Comprehensive Income (Loss)

Total comprehensive income (loss) consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Net income	$20,655	$6,525	$33,133	$4,087
Unrealized gains (losses) on interest rate swap contracts, net	805	(5,287)	(10,296)	(3,751)
Foreign currency translation adjustments	2,668	(1,682)	(1,154)	7,015
Total comprehensive income (loss)	24,128	(444)	21,683	7,351
Less: comprehensive (loss) income attributable to noncontrolling interests	(56)	104	273	275
Comprehensive income (loss) attributable to controlling interests	$24,184	$(548)	$21,410	$7,076

Accumulated other comprehensive loss, net is displayed as a separate component of stockholders' equity (deficit) in the accompanying Consolidated Balance Sheets and consisted of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Foreign currency translation adjustments	$(25,574)	$(24,420)
Unrealized losses on interest rate swap contracts, net of income taxes of $4.8 million as of September 30, 2010	(43,494)	(33,198)
Total accumulated other comprehensive loss, net	$(69,068)	$(57,618)

During the third quarter of 2010, the Company determined that it was more likely than not that it would be able to realize the benefits associated with its net deferred tax asset positions in the future. Consequently, $23.7 million of previously-recognized valuation allowances related to its United States segment were released during the quarter, of which $12.6 million related to the deferred tax benefits on the unrealized loss amounts associated with its interest rate swaps in the United States. Although the valuation allowances associated with the Company's interest rate swap contracts were initially established by a charge against other comprehensive income, in accordance with U.S. GAAP, the release of the beginning of the year valuation allowance amount has been reflected as an income tax benefit within the accompanying Consolidated Statements of Operations. As a result, the Company now records the unrealized loss amounts related to its domestic interest rate swaps net of estimated taxes in the Accumulated other comprehensive loss, net line item within Stockholders' equity (deficit) in the accompanying Consolidated Balance Sheets.

The Company currently believes that the unremitted earnings of its United Kingdom and Mexico subsidiaries will be reinvested in the corresponding country of origin for an indefinite period of time. While the Company's United Kingdom subsidiary has recently begun repaying certain working capital advances provided by the Company's domestic entities during the past few years, the Company's original capital investment is not expected to be repaid in the foreseeable future. Accordingly, no deferred taxes have been provided for the differences between the Company's book basis and underlying tax basis in those subsidiaries or on the foreign currency translation adjustment amounts.

(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 September 30, 2010, as well as the changes in the net carrying amounts for the nine month period ended September 30, 2010, by segment:

	Goodwill U.S.	U.K.	Mexico	Trade Name U.S.	U.K.	Total
			(In thousands)			
Balance as of January 1, 2010:						
Gross balance	$ 150,461	$ 63,994	$ 714	$ 200	$ 3,243	$ 218,612
Accumulated impairment loss	—	(50,003)	—	—	—	(50,003)
	$ 150,461	$ 13,991	$ 714	$ 200	$ 3,243	$ 168,609
Foreign currency translation adjustments	—	(302)	(6)	—	(69)	(377)
Balance as of September 30, 2010:						
Gross balance	$ 150,461	$ 63,692	$ 708	$ 200	$ 3,174	$ 218,235
Accumulated impairment loss	—	(50,003)	—	—	—	(50,003)
	$ 150,461	$ 13,689	$ 708	$ 200	$ 3,174	$ 168,232

Intangible Assets with Definite Lives

The following is a summary of the Company's intangible assets that are subject to amortization as of September 30, 2010:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
		(In thousands)	
Customer and branding contracts/relationships	$ 158,764	$ (91,825)	$ 66,939
Deferred financing costs	8,318	(2,274)	6,044
Exclusive license agreements	6,057	(3,837)	2,220
Non-compete agreements	511	(232)	279
Total	$ 173,650	$ (98,168)	$ 75,482

(6) Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Accrued merchant commissions	$ 12,580	$ 11,470
Accrued compensation	6,081	8,470
Accrued armored fees	5,157	5,234
Accrued merchant settlement amounts	3,259	3,603
Accrued cash rental and management fees	2,290	2,866
Accrued interest rate swap payments	2,156	1,937
Accrued interest expense	1,795	10,406

Accrued ATM telecommunications costs	1,410	1,169
Accrued maintenance fees	1,393	4,133
Accrued processing costs	1,232	1,556
Other accrued expenses	8,693	6,739
Total	$46,046	$57,583

(7) Long-Term Debt

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

	September 30, 2010	December 31, 2009
	(In thousands)	
Revolving credit facility	$73,000	$—
Senior subordinated notes due September 2018	200,000	—
Senior subordinated notes due August 2013 (net of unamortized discounts of $2.8 million as of December 31, 2009)	—	297,242
Other	9,191	9,810
Total	282,191	307,052
Less: current portion	2,829	2,122
Total long-term debt, excluding current portion	$279,362	$304,930

Revolving Credit Facility

On July 15, 2010, the Company refinanced its $175.0 million revolving credit agreement. Under the terms of the new agreement, outstanding borrowings bear interest at either the London Interbank Offered Rate ("LIBOR") or Base Rate (as defined in the agreement), at the Company's election, plus an applicable margin, based on the Company's Total Leverage Ratio (as defined in the agreement). The facility, which includes a $15.0 million swing line facility, a $60.0 million foreign currency sub-limit, and a $20.0 million letter of credit sub-limit, provides for $175.0 million in borrowings and letters of credit, but also contains a feature that allows the Company to expand the facility up to an amount of $250.0 million, subject to the availability of additional bank commitments. The facility has a termination date of July 2015, which was extended during the third quarter from the initial termination date of February 2013 as a result of the refinancing of the Company's senior subordinated notes (discussed below).

The credit agreement contains representations, warranties and covenants that are customary for similar credit arrangements, including, among other things, covenants relating to (i) financial reporting and notification, (ii) payment of obligations, (iii) compliance with applicable laws and (iv) notification of certain events. Financial covenants in the facility require the Company to maintain:

- A ratio of (i) the sum of (a) Consolidated Funded Indebtedness (as defined in the agreement) as of such date minus (b) subordinated indebtedness as of such date to (ii) Consolidated Adjusted Pro Forma EBITDA (as defined in the agreement) for the four quarter period then ended (the "Senior Leverage Ratio") of no more than 2.25 to 1.00;
- A Total Leverage Ratio of no more than 4.00 to 1.00; and
- A ratio of (i) the sum of (a) Consolidated Adjusted Pro Forma EBITDA for the four quarter period then ended, minus (b) capital expenditures of the Company and the restricted subsidiaries for such period, minus (c) dividends and distributions in respect of its equity interests paid by the Company and the restricted subsidiaries during such period (excluding any such dividends and distributions paid to an obligor or restricted subsidiary), minus (d) consideration paid by the Company for repurchase or redemption of its equity interests held by its employees, directors and officers during such period in excess of $5.0 million minus (e) consideration paid by the Company for repurchase or redemption of its equity interests held by other persons during such period in excess of $10.0 million, minus (f) cash taxes paid by the Company and the restricted subsidiaries during such period, to (ii) cash interest expense (the "Fixed Charge Coverage Ratio") of at least 1.50 to 1.00.

In addition to the above financial covenants, the credit agreement also contains various customary restrictive covenants, subject to certain exceptions that prohibit the Company from, among other things, incurring additional indebtedness or guarantees, creating liens or other encumbrances on property or granting negative pledges, entering into a merger or similar transaction, selling or transferring certain property, making certain restricted payments and entering into transactions with affiliates.

The failure to comply with the covenants will constitute an event of default (subject, in the case of certain covenants, to applicable notice and/or cure periods) under the agreement. Other events of default under the agreement include, among other things, (i) the failure to timely pay principal, interest, fees or other amounts due and owing, (ii) the inaccuracy of representations or warranties in any material respect, (iii) the occurrence of certain bankruptcy or insolvency events, (iv) loss of lien perfection or priority and (v) the occurrence of a change in control. The occurrence and continuance of an event of default could result in, among other things, termination of the lenders' commitments and acceleration of all amounts outstanding. The Company's obligations under the credit agreement are guaranteed by certain of the Company's existing and future domestic subsidiaries, subject to certain limitations. In addition, the Company's obligations under the agreement, subject to certain exceptions, are secured on a first-priority basis by liens on substantially all of the tangible and intangible assets of the Company and the guarantors.

As of September 30, 2010, $73.0 million of borrowings were outstanding under the revolving credit facility. Additionally, as of September 30, 2010, the Company had a $4.3 million letter of credit posted under the facility to secure borrowings under the Company's United Kingdom subsidiary's overdraft facility (discussed below). This letter of credit, which may be drawn upon in the event the Company defaults under the overdraft facility, reduces the Company's borrowing capacity under its revolving credit facility. As of September 30, 2010, 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 credit agreement, totaled $97.7 million, and the Company was in compliance with all applicable covenants and ratios under the facility.

Termination of Previous Credit Facility

Concurrent with entering into its new revolving credit facility on July 15, 2010, the Company terminated its previous $175.0 million revolving credit facility, under which no amounts were outstanding as of December 31, 2009 or as of the date of the termination. No material termination fees or penalties were incurred by the Company in connection with the termination of the previously-existing credit facility, which was due to mature in May 2012. However, the Company recorded a $0.4 million pre-tax charge during the third quarter of 2010 to write off certain deferred financing costs associated with this facility, which is included in the Write-off of deferred financing costs and bond discounts line item in the accompanying Consolidated Statements of Operations.

Redemption of $100.0 Million Senior Subordinated Notes – Series B

On July 21, 2010, the Company issued a “Notice of Redemption” for its $100.0 million 9.25% senior subordinated notes – Series B (the “Series B Notes”), which were redeemed on August 20, 2010, at a price of 102.313% of the principal amount, plus accrued but unpaid interest through August 20, 2010. The redemption of the Series B Notes was funded with approximately $35.0 million of available cash on hand and $65.0 million of borrowings under the Company’s recently-executed revolving credit facility (discussed above). In connection with the redemption, the Company recorded a $3.2 million pre-tax charge during the third quarter of 2010 to write off the remaining unamortized original issue discount and deferred financing costs associated with the Series B Notes and a $2.3 million pre-tax charge related to the call premium, which are included in the Write-off of deferred financing costs and bond discounts and the Redemption costs for early extinguishment of debt line items, respectively, in the accompanying Consolidated Statements of Operations.

Redemption of $200.0 Million Senior Subordinated Notes – Series A

On August 12, 2010, the Company commenced a tender offer for its $200.0 million 9.25% senior subordinated notes (the “Series A Notes”), of which approximately $97.8 million were tendered by August 25, 2010 at the tender offer price of 102.563% of the principal amount, plus accrued but unpaid interest through September 9, 2010. The remaining $102.2 million of the Series A Notes were redeemed on September 27, 2010 pursuant to a Notice of Redemption at a price of 102.313% of the principal amount, plus accrued but unpaid interest through September 27, 2010. The redemption of the Series A Notes was funded with proceeds from the Company’s issuance of $200.0 million 8.25% senior subordinated notes due 2018 (discussed below) and borrowings under the Company’s credit facility. In connection with the tender offer and the redemption, the Company recorded a $3.7 million pre-tax charge during the third quarter of 2010 to write off the remaining unamortized original issue discount and deferred financing costs associated with the Series A Notes and a $4.9 million pre-tax charge related to the call premium, which are included in the Write-off of deferred financing costs and bond discounts and the Redemption costs for early extinguishment of debt line items, respectively, in the accompanying Consolidated Statements of Operations.

Issuance of $200.0 Million 8.25% Senior Subordinated Notes Due 2018

In August, concurrent with the commencement of the tender offer for its Series A Notes, the Company launched a public offering of, and priced, $200.0 million 8.25% senior subordinated notes due September 2018 (the “2018 Notes”). The 2018 Notes were issued at par, and the proceeds from the offering were used to fund the redemption of the Series A Notes (discussed above). Interest under the 2018 Notes is paid semi-annually in arrears on March 1st and September 1st of each year. The 2018 Notes, which are guaranteed by the Company’s domestic subsidiaries, contain no maintenance covenants and only limited incurrence covenants, under which the Company has considerable flexibility. As of September 30, 2010, the Company was in compliance with all applicable covenants required under the 2018 Notes.

Other Facilities

Cardtronics Mexico equipment financing agreements. As of September 30, 2010, other long-term debt consisted of 10 separate equipment financing agreements entered into by Cardtronics Mexico, the Company's majority-owned (51.0%) subsidiary. These agreements, each of which had an original term of five years, are denominated in Mexican pesos and bear interest at an average fixed rate of 10.47% as of September 30, 2010. Proceeds from these agreements 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 guarantees for 51.0% of the obligations under such agreements (consistent with its ownership percentage in Cardtronics Mexico.) As of September 30, 2010, the total amount of the guarantees was $58.5 million pesos (or approximately $4.7 million U.S.).

Bank Machine overdraft facility. Bank Machine, Ltd., the Company's wholly-owned subsidiary operating in the United Kingdom, currently has a £1.0 million overdraft facility in place. This facility, which bears interest at 1.75% over the Bank of England's base rate (0.5% as of September 30, 2010) 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 September 30, 2010, no amount was 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 contractually required to perform this deinstallation and restoration work. For each group of ATMs, the Company has recognized the fair value of the asset retirement obligation as a liability on its balance sheet 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 five years, which is the average time period an ATM is installed in a location before being deinstalled, and the related liabilities are being accreted to their full value over the same period of time.

The following table is a summary of the changes in the Company's asset retirement obligation liability for the nine month period ended September 30, 2010 (in thousands):

Asset retirement obligation as of January 1, 2010	$24,003
Additional obligations	3,646
Accretion expense	1,920
Change in estimate	(1,230)
Payments	(2,575)
Foreign currency translation adjustments	(82)
Asset retirement obligation as of September 30, 2010	$25,682

The change in estimate during the nine month period ended September 30, 2010 primarily related to decreased deinstallation cost assumptions for the Company's ATMs placed in 7-Eleven stores based on an analysis performed by the Company during the third quarter. See Note 11, Fair Value Measurements for additional disclosures on the Company's asset retirement obligations in respect to its fair value measurements.

(9) Other Liabilities

Other liabilities consisted of the following:

	September 30, 2010	December 31, 2009
	(In thousands)	
Current Portion of Other Long-Term Liabilities:		
Interest rate swaps	$23,186	$23,423
Deferred revenue	2,027	2,464
Other	161	160
Total	$25,374	$26,047
Other Long-Term Liabilities:		
Interest rate swaps	$28,527	$12,656
Deferred revenue	1,684	2,393
Other	2,869	3,450

Total	$33,080	$18,499

The increase in the non-current portion of other long-term liabilities was attributable to the Company's interest rate swaps, the liabilities for which increased as a result of additional swap agreements entered into during the nine months ended 2010. Also contributing to the increase was a significant flattening of the forward interest rate curve, which was utilized to value the interest rate swap contracts and resulted in an increase in the Company's estimated future liabilities under such contracts.

(10) Derivative Financial Instruments

Accounting Policy

The Company recognizes all of its derivative instruments as either assets or liabilities in the accompanying Consolidated Balance Sheets at fair value. The accounting for changes in the fair value (e.g., gains or losses) of those derivative instruments depends on (i) whether these instruments have been designated (and qualify) as part of a hedging relationship and (ii) the type of hedging relationship actually designated. For derivative instruments that are designated and qualify as hedging instruments, the Company designates the hedging instrument, based upon the exposure being hedged, as a cash flow hedge, a fair value hedge, or a hedge of a net investment in a foreign operation.

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

The notional amounts, weighted average fixed rates, and terms associated with the Company's interest rate swap contracts accounted for as cash flow hedges that are currently in place are as follows:

Notional Amounts United States	Notional Amounts United Kingdom	Notional Amounts Consolidated (1)	Weighted Average Fixed Rate	Terms
	(In thousands)			
$600,000	£75,000	$719,030	3.76 %	October 1, 2010 – December 31, 2010
$625,000	£75,000	$744,030	3.43 %	January 1, 2011 – December 31, 2011
$525,000	£50,000	$604,353	3.55 %	January 1, 2012 – December 31, 2012
$275,000	£25,000	$314,677	3.53 %	January 1, 2013 – December 31, 2013
$100,000	£—	$100,000	3.61 %	January 1, 2014 – December 31, 2014

(1) United Kingdom pound sterling amounts have been converted into United States dollars at approximately $1.59 to £1.00, which was the exchange rate in effect as of September 30, 2010.

The Company has designated a majority of 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 the Accumulated other comprehensive loss, net line item within stockholders' equity (deficit) in the accompanying Consolidated Balance Sheets.

During the third quarter of 2010, the Company determined that it was more likely than not that it would be able to realize the benefits associated with its net deferred tax asset positions in the future. Consequently, $23.7 million of previously-recognized valuation allowances related to its United States segment were released during the quarter, of which $12.6 million related to the deferred tax benefits on the unrealized loss amounts associated with its interest rate swaps in the United States. Although the valuation allowances associated with the Company's interest rate swap contracts were initially established by a charge against other comprehensive income, in accordance with U.S. GAAP, the release of the beginning of the year valuation allowance amount has been reflected as an income tax benefit within the accompanying Consolidated Statements of Operations. As a result, the Company now records the unrealized loss amounts related to its domestic interest rate swaps net of estimated taxes in the Accumulated other comprehensive loss, net line item within Stockholders' equity (deficit) in the accompanying Consolidated Balance Sheets.

Cash Flow Hedging Strategy

For each derivative instrument that is designated and qualifies 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 vault cash rental obligations, the amount of ineffectiveness associated with such interest rate swap contracts has historically been immaterial. Accordingly, no ineffectiveness amounts associated with the Company's cash flow hedges have been recorded in the Company's consolidated financial statements. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in the Consolidated Statements of Operations during the current period.

The interest rate swap contracts entered into with respect to the Company's 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. Such contracts are in place through December 31, 2014 for the Company's United States vault cash rental obligations, and December 31, 2013 for the Company's United Kingdom vault cash rental obligations. 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 typically 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 vault cash providers for the portions of the Company's outstanding vault cash obligations that have been hedged. In return, the Company typically 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.

The Company is also a party to certain derivative instruments that were originally, but are no longer, designated as cash flow hedges. Specifically, during 2009, the Company entered into a number of interest rate swaps to hedge its exposure to changes in market rates of interest on its vault cash rental expense in the United Kingdom. During the fourth quarter of 2009, the Company's vault cash provider in that market exercised its rights under the contract to modify the pricing terms and changed the target vault cash rental rate within the agreement. As a result of this change, the Company was no longer able to apply cash flow hedge accounting treatment to the underlying interest rate swap agreements. In December 2009, the Company entered into a series of additional trades, the effects of which were to offset the existing swaps and establish new swaps to match the modified underlying vault cash rental rate. Since the underlying swaps were not deemed to be effective hedges of the Company's underlying vault cash rental costs, during the three and nine months ended September 30, 2010, an unrealized gain and a corresponding realized loss of $0.3 million and $0.7 million, respectively, related to these swaps have been reflected in the Other (income) expense line item in the accompanying Consolidated Statements of Operations.

Tabular Disclosures

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

Balance Sheet Data

	September 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Asset Derivative Instruments:		(In thousands)		
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Prepaid expenses, deferred costs, and other assets	$—	Prepaid expenses, deferred costs, and other assets	$1,445
Derivatives Not Designated as Hedging Instruments:				
Interest rate swap contracts	Prepaid expenses, deferred costs, and other current assets	$890	Prepaid expenses, deferred costs, and other current assets	$—
Interest rate swap contracts	Prepaid expenses, deferred costs, and other assets	495	Prepaid expenses, deferred costs, and other assets	—
Total		$1,385		$—
Liability Derivative Instruments:				
Derivatives Designated as Hedging Instruments:				
Interest rate swap contracts	Current portion of other long-term liabilities	$21,207	Current portion of other long-term liabilities	$22,286
Interest rate swap contracts	Other long-term liabilities	27,299	Other long-term liabilities	11,139
Total		$48,506		$33,425
Derivatives Not Designated as Hedging Instruments:				
Interest rate swap contracts	Current portion of other long-term liabilities	$1,979	Current portion of other long-term liabilities	$1,137
Interest rate swap contracts	Other long-term liabilities	1,228	Other long-term liabilities	1,517
Total		$3,207		$2,654
Total Derivatives:		$50,328		$34,634

The Asset Derivative Instruments reflected in the table above relate to the current portion of certain derivative instruments that were in an overall liability position, for which the non-current portion is reflected in the Liability Derivative Instruments portion above.

Statements of Operations Data

Derivatives in Cash Flow Hedging Relationships	Three Months Ended September 30, Amount of Gain (Loss) Recognized in OCI on Derivative Instruments (Effective Portion) 2010	2009	Location of Gain (Loss) Reclassified from Accumulated OCI into Income(Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) 2010	2009
	(In thousands)			(In thousands)	
Interest rate swap contracts	$(5,856)	$(11,019)	Cost of ATM operating revenues	$(6,422)	$(5,732)

Derivatives in Cash Flow Hedging Relationships	Nine Months Ended September 30, Amount of Loss Recognized in OCI on Derivative Instruments (Effective Portion) 2010	2009	Location of Gain (Loss) Reclassified from Accumulated OCI into Income(Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) 2010	2009
	(In thousands)			(In thousands)	
Interest rate swap contracts	$(30,362)	$(20,521)	Cost of ATM operating revenues	$(19,208)	$(16,770)

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized into Income on Derivative	Three Months Ended September 30, Amount of Loss Recognized into Income on Derivative 2010	2009
		(In thousands)	
Interest rate swap contracts	Cost of ATM operating revenues	$ (239)	$ —
Interest rate swap contracts	Other (income) expense	(40)	—
		$ (279)	$ —

Derivatives Not Designated as Hedging Instruments	Location of Loss Recognized into Income on Derivative	Nine Months Ended September 30, Amount of Loss Recognized into Income on Derivative 2010	2009
		(In thousands)	
Interest rate swap contracts	Cost of ATM operating revenues	$ (858)	$ —
Interest rate swap contracts	Other (income) expense	(71)	—
		$ (929)	$ —

The Company does not currently have any derivative instruments that have been designated as fair value or net investment hedges. The Company has not historically, and does not currently anticipate, discontinuing its existing derivative instruments prior to their expiration date. 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 vault cash rental agreements, thus creating some amount of ineffectiveness associated with the Company’s current interest rate swap contracts, as occurred during the fourth quarter of 2009, any resulting gains or losses will be recognized within the Other (income) expense line item of the

Company's Consolidated Statements of Operations.

As of September 30, 2010, the Company expects to reclassify $21.5 million of net derivative-related losses contained within accumulated OCI into earnings during the next 12 months concurrent with the recording of the related vault cash rental expense amounts.

See Note 11, Fair Value Measurements for additional disclosures on the Company's interest rate swap contracts in respect to its fair value measurements.

(11) Fair Value Measurements

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs. An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following tables summarize the Company's assets and liabilities carried at fair value measured on a recurring basis using the fair value hierarchy prescribed by U.S. GAAP:

	Fair Value Measurements at September 30, 2010			
	Total	Level 1	Level 2	Level 3
Assets:	(In thousands)			
Assets associated with interest rate swaps	$1,385	$—	$1,385	$—
Liabilities:				
Liabilities associated with interest rate swaps	$51,713	$—	$51,713	$—

	Fair Value Measurements at December 31, 2009			
	Total	Level 1	Level 2	Level 3
Assets:	(In thousands)			
Assets associated with interest rate swaps	$1,445	$—	$1,445	$—
Liabilities:				
Liabilities associated with interest rate swaps	$36,079	$—	$36,079	$—

Liabilities added to the Asset retirement obligations line item in the accompanying Consolidated Balance Sheets are measured at fair value on a non-recurring basis using Level 3 inputs. The liabilities added during the nine month periods ended September 30, 2010 and 2009 were $3.6 million and $2.4 million, respectively.

Additionally, below are descriptions of the Company's valuation methodologies for assets and liabilities measured at fair value. The methods described below 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.

Cash 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. The fair value of the Company's interest rate swaps was a net liability of $50.3 million as of September 30, 2010. 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.

Long-term debt. The carrying amount of the long-term debt balance related to borrowings under the Company's revolving credit facility, if and when there is an amount outstanding, approximates fair value due to the fact that any borrowings are subject to short-term floating market interest rates. As of September 30, 2010, the fair value of the Company's $200.0 million senior subordinated notes (see Note 7, Long-Term Debt) totaled $211.0 million, based on the quoted market price for such notes as of that date.

(12) Commitments and Contingencies

Legal Matters

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 a lawsuit in the United States District Court for the District of Massachusetts (the "Court") wherein the Commonwealth of Massachusetts (the "Commonwealth") and the National Federation of the Blind (the "NFB") had sued E*Trade alleging that E*Trade had the obligation to make its ATMs accessible to blind patrons via voice-guidance. In June 2007, the Company, the Commonwealth, and the NFB entered into a class action settlement agreement (the "June 2007 Settlement Agreement") regarding this matter. The Court approved the June 2007 Settlement Agreement in December 2007. In 2009, the Company requested a modification to the June 2007 Settlement Agreement so as to permit it to complete the upgrading or replacement of approximately 2,200 non-voice-guided ATMs by June 30, 2010, with respect to that portion of the non-voice-guided ATMs located in the Commonwealth, and by December 31, 2010, with respect to that portion of the non-voice-guided ATMs located in other states. The Commonwealth, the NFB, and the Company have reached an agreement on a proposed modification to the June 2007 Settlement Agreement and have submitted a joint motion to the Court requesting its approval. The material terms of the proposed modification include that the Company must: (i) ensure all Company-owned ATMs in the state of Massachusetts are voice-guided no later than June 30, 2010, which the Company has accomplished; (ii) ensure all of its Company-owned ATMs located anywhere but in 7-Eleven locations are voice-guided by December 31, 2010; (iii) ensure all of its ATMs located in 7-Eleven locations are voice-guided by March 31, 2011; (iv) affix Braille signage on all Company-owned ATMs; (v) distribute Braille signage to non-Company-owned voice-guided ATMs in its portfolio that have not previously been provided such signage by the Company; (vi) keep the Company's internet-based ATM Locator updated as to the location of the Company's voice-guided ATMs; and (vii) ensure that all voice-guided ATMs in its portfolio have tactilely discernable controls, a headphone jack, and a voice script that enables the consumer to complete an ATM transaction. The proposed modification to the June 2007 Settlement Agreement was approved by the Court on November 3, 2010. As the settlement modification does not impact the Company's obligations under the June 2007 Settlement Agreement but rather only the timing of fulfilling its obligations, the Company does not believe that the settlement modification will have a material impact on its financial condition or results of operations.

On August 16, 2010, a lawsuit was filed in the United States District Court for the District of Delaware entitled Automated Transactions LLC v. IYG Holding Co., et al. The lawsuit names the Company's wholly-owned subsidiary, Cardtronics USA, Inc. ("CATM-USA"), as one of the defendants. The lawsuit alleges that the Company's subsidiary and the other defendants have infringed on certain of the plaintiff's patents by providing retail transactions to consumers through its automated teller machines. The allegations raised by the plaintiff in this suit appear to be similar to the allegations made in a suit filed in 2006. The Company's supplier in that case agreed to indemnify the Company against the plaintiff's claims and has agreed to indemnify the Company in this case to the extent the plaintiff's claims relate to that supplier's ATMs. The plaintiff is seeking a permanent injunction, damages, treble damages and costs, including attorney's fees and expenses. The Company believes that it has meritorious defenses to the plaintiff's claims and further believes that it is entitled to indemnification from its suppliers under statutory law. While the Company intends to defend the lawsuit vigorously, it cannot currently predict the outcome of this lawsuit, nor can it predict the amount of time and expense that will be required to resolve the lawsuit. An unfavorable resolution of this litigation could adversely impact the Company's financial condition or results of operation.

In addition to the above item, 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 impact on the Company's financial condition or results of operations.

Regulatory Matters

Financial Regulatory Reform in the United States. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"), which contains broad measures aimed at overhauling existing financial regulations within the United States, was signed into law on July 21, 2010. Among many other things, the Act includes provisions that (i) call for the establishment of a new Bureau of Consumer Financial Protection, (ii) limit the activities that banking entities may engage in, and (iii) give the Federal Reserve the authority to regulate interchange transaction fees charged by electronic funds transfer networks for electronic debit transactions. Many of the detailed regulations required under the Act have yet to be finalized and will likely not be finalized until the summer of 2011 at the earliest. Based on the current language contained within the Act, it is uncertain whether the regulation of interchange fees for electronic debit transactions will apply to ATM cash withdrawal transactions. If ATM cash withdrawal transactions were to fall under the proposed regulatory framework, and the related interchange fees were reduced from their current levels, such change would likely have a negative impact on the Company's future revenues and operating profits. Conversely, additional proposed regulations contained within the Act are aimed at providing merchants with additional flexibility in terms of allowing certain point-of-sale transactions to be paid for in cash rather than with debit or credit cards. Such a change could result in the increased use of cash at the point-of-sale for some merchants, and thus, could positively impact the Company's future revenues and operating profits (through increased transaction levels at the Company's ATMs).

Change in Mexico Fee Structure. In May 2010, as supplemented in October 2010, rules promulgated by the Central Bank of Mexico became effective that require ATM operators to choose between receiving an interchange fee from the consumer's card issuing bank or a surcharge fee from the consumer. When a surcharge is received by the ATM operator, the rules prohibit a bank from charging its cardholder an additional fee. The rules also prohibit a bank from charging its cardholders a surcharge fee when those cardholders use its ATMs.

The Company's majority-owned subsidiary, Cardtronics Mexico, elected to assess a surcharge fee rather than selecting the interchange fee-only option, and subsequently increased the amount of its surcharge fees to compensate for the loss of interchange fees that it previously earned on such ATM transactions. Although the total cost to the consumer (including bank fees) of an ATM transaction at a Cardtronics Mexico ATM has stayed approximately the same, average transaction counts, revenues, and profit per machine have declined. As a result of the above developments, the Company has reduced its ATM deployments in Mexico and is working on strategies to reverse or offset the negative effects of these events. If the Company is unsuccessful in such efforts, the Company's overall profitability in that market will decline. If such declines are significant, the Company may be required to record an impairment charge in future periods to write down the carrying value of certain existing tangible and intangible assets associated with that operation.

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 $25.7 million accrued for these liabilities as of September 30, 2010. For additional information, see Note 8, Asset Retirement Obligations.

Other Contingencies

On or about February 8, 2010, the United States government arrested on a charge of conspiring to commit bank fraud the President and principal owner of Mount Vernon Money Center ("MVMC"), one of the Company's third-party armored service providers in the Northeast United States. On or about February 12, 2010, United States' law enforcement personnel seized all vault cash in the possession of MVMC, and the U.S. District Court for the Southern

District of New York (the “SDNY”) appointed a receiver (the “Receiver”) to, among other things, immediately take possession and control of all the assets and property of MVMC and affiliated entities. As a result of these events, by on or about February 12, 2010, MVMC ceased substantially all of its operations. Accordingly, the Company was required to convert over 1,000 ATMs that were being serviced by MVMC to another third-party armored service provider, resulting in a minor amount of downtime being experienced by those ATMs. Further, based upon a federal indictment in the SDNY of MVMC’s President and of its Chief Operating Officer (the “Indictment”), it appears that all or some of the cash which was delivered to MVMC’s vaults for the sole purpose of loading such cash into the Company’s ATMs was misappropriated by MVMC. The Company estimates that, immediately prior to the cessation of MVMC’s operations, the amount of vault cash that MVMC should have been holding for loading into the Company’s ATMs totaled approximately $16.2 million.

The Indictment alleges that the defendants defrauded multiple financial institutions and seeks the forfeiture to the United States government from the defendants in an amount of at least $75 million. On September 15, 2010, MVMC's President pled guilty to counts one through seven of the Indictment and agreed to the entry of a $70 million judgment against him, representing the amount of proceeds obtained as a result of the bank fraud and wire fraud offenses alleged in the Indictment. A "Consent Order of Forfeiture" in that amount was entered against MVMC's President on that same date. With this conviction and forfeiture order in place, the Company believes that the U.S. government will distribute the forfeited assets it obtains to the victims and the Company intends to seek recovery from such forfeited assets, which includes approximately $19 million in cash. The other defendant named in the indictment, MVMC's Chief Operating Officer, has not yet entered any plea.

Additionally, on May 27, 2010, MVMC, under the control of the Receiver, filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Accordingly, at this point, it is uncertain what amount, if any, may ultimately be made available to the Company from the vault cash seized by law enforcement authorities, other assets that may be forfeited to the United States government, other assets controlled by the Receiver or in the MVMC bankruptcy estate, or from other potential sources of recovery, including proceeds from any insurance policies held by MVMC and/or its owner. Regardless, the Company currently believes that its existing insurance policies will cover any residual cash losses resulting from this incident, less related deductible payments. Because the Company cannot reasonably estimate the amount of residual cash losses that may ultimately result from this incident at this point in time, no contingent loss has been reflected in the accompanying Consolidated Statements of Operations. If new information comes to light and the recovery of any resulting cash losses is no longer deemed to be probable, the Company may be required to recognize such losses without a corresponding insurance receivable.

(13) Income Taxes

Income tax (benefit) expense based on the Company's (loss) income before income taxes was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands)			
Income tax (benefit) expense	$(23,968)	$1,251		