

GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 10-Q (Quarterly Report)

Filed 08/14/07 for the Period Ending 06/30/07

Address	7250 S. TENAYA WAY SUITE 100 LAS VEGAS, NV 89113
Telephone	702-855-3000
CIK	0001318568
Symbol	GCA
SIC Code	6199 - Finance Services
Industry	Business Services
Sector	Services
Fiscal Year	12/31

GLOBAL CASH ACCESS HOLDINGS, INC.

FORM 10-Q (Quarterly Report)

Filed 8/14/2007 For Period Ending 6/30/2007

Address	3525 EAST POST ROAD SUITE 120 LAS VEGAS, Nevada 89120
Telephone	705-855-3000
CIK	0001318568
Industry	Misc. Financial Services
Sector	Financial
Fiscal Year	12/31

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file no 001 — 32622

GLOBAL CASH ACCESS HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

20-0723270

(I.R.S. Employer I.D. No.)

**3525 EAST POST ROAD, SUITE 120
LAS VEGAS, NEVADA**

(Address of Principal Executive Offices)

89120

(Zip Code)

Registrant's telephone number, including area code:

(800) 833-7110

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 10, 2007, there were 83,055,765 shares of the Registrant's \$0.001 par value per share common stock outstanding.

TABLE OF CONTENTS

	<u>Page</u>
Part I: Financial Information	3
Item 1: Unaudited Condensed Consolidated Financial Statements	3
Unaudited Condensed Consolidated Balance Sheets as of June 30, 2007 and December 31, 2006	3
Unaudited Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2007 and 2006	4
Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2007 and 2006	5
Notes to Unaudited Condensed Consolidated Financial Statements	7
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations	28
Item 3: Quantitative and Qualitative Disclosures About Market Risk	41
Item 4: Controls and Procedures	42
Part II: Other Information	44
Item 1: Legal Proceedings	44
Item 1A: Risk Factors	45
Item 2: Unregistered Sales of Equity Securities and Use of Proceeds	69
Item 4: Submission of Matters to a Vote of Security Holders	70
Item 6: Exhibits	70
Signatures	71
Exhibit 31.1	
Exhibit 32.1	

PART I: FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except par value)
(unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Cash and cash equivalents	\$ 61,732	\$ 40,919
Restricted cash and cash equivalents	1,372	1,350
Settlement receivables	73,424	137,091
Receivables other, net	20,453	12,848
Prepaid and other assets	7,718	9,488
Property, equipment and leasehold improvements, net	20,396	20,454
Goodwill, net	156,827	156,755
Other intangibles, net	16,104	18,001
Deferred income taxes, net	182,388	191,741
	<u>540,414</u>	<u>588,647</u>
Total assets	<u>\$ 540,414</u>	<u>\$ 588,647</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Settlement liabilities	\$ 80,641	\$ 138,242
Accounts payable	24,858	26,282
Accrued expenses	17,915	17,383
Borrowings	263,980	274,480
	<u>387,394</u>	<u>456,387</u>
Total liabilities	<u>387,394</u>	<u>456,387</u>
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	311	103
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 500,000 shares authorized and 83,056 and 82,313 shares issued at June 30, 2007 and December 31, 2006, respectively	82	82
Preferred stock, \$0.001 par value, 50,000 shares authorized and 0 shares outstanding at June 30, 2007 and December 31, 2006, respectively	—	—
Additional paid in capital	146,704	139,515
Retained earnings (accumulated deficit)	6,867	(9,601)
Accumulated other comprehensive income	2,693	2,161
Treasury stock, at cost, 231 and 0 shares at June 30, 2007 and December 31, 2006, respectively	(3,637)	—
Total stockholders' equity	<u>152,709</u>	<u>132,157</u>
Total liabilities and stockholders' equity	<u>\$ 540,414</u>	<u>\$ 588,647</u>

See notes to unaudited condensed consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(amounts in thousands, except per share)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
REVENUES:				
Cash advance	\$ 79,702	\$ 69,143	\$ 157,114	\$ 136,198
ATM	61,093	54,586	121,859	107,746
Check services	7,492	7,459	14,843	14,703
Central Credit and other revenues	3,243	2,388	6,458	4,764
Total revenues	151,530	133,576	300,274	263,411
Cost of revenues (exclusive of depreciation and amortization)				
Operating expenses	(17,068)	(16,636)	(35,000)	(31,926)
Amortization	(1,353)	(1,384)	(2,679)	(2,886)
Depreciation	(1,527)	(1,050)	(2,958)	(2,115)
OPERATING INCOME	22,525	20,214	43,851	40,841
INTEREST INCOME (EXPENSE), NET				
Interest income	1,021	868	1,917	1,424
Interest expense	(9,710)	(10,701)	(19,353)	(20,949)
Total interest income (expense), net	(8,689)	(9,833)	(17,436)	(19,525)
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS				
INCOME TAX PROVISION	13,836	10,381	26,415	21,316
INCOME TAX PROVISION	(5,327)	(4,140)	(10,070)	(8,147)
INCOME BEFORE MINORITY OWNERSHIP LOSS	8,509	6,241	16,345	13,169
MINORITY OWNERSHIP LOSS, NET OF TAX	59	38	123	74
NET INCOME	8,568	6,279	16,468	13,243
Foreign currency translation, net of tax	475	319	531	372
COMPREHENSIVE INCOME	\$ 9,043	\$ 6,598	\$ 16,999	\$ 13,615
Earnings per share				
Basic	\$ 0.10	\$ 0.08	\$ 0.20	\$ 0.16
Diluted	\$ 0.10	\$ 0.08	\$ 0.20	\$ 0.16
Weighted average number of common shares outstanding				
Basic	81,752	81,619	81,758	81,588
Diluted	82,084	82,230	82,026	81,965

See notes to unaudited condensed consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Six Months Ended	
	June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 16,468	\$ 13,243
Adjustments to reconcile net income to cash provided by operating activities:		
Amortization of financing costs	486	853
Amortization of intangibles	2,679	2,886
Depreciation	2,958	2,115
Loss (gain) on sale of or disposal of assets	139	(5)
Provision for bad debts	3,612	3,011
Deferred income taxes	9,353	8,035
Minority ownership loss	(193)	(116)
Stock-based compensation	6,206	4,323
Changes in operating assets and liabilities:		
Settlement receivables	63,775	35,413
Receivables other, net	(9,138)	(2,288)
Prepaid and other assets	1,322	447
Settlement liabilities	(57,704)	(33,133)
Accounts payable	(1,442)	2,425
Accrued expenses	(392)	173
Net cash provided by operating activities	<u>38,129</u>	<u>37,382</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, equipment and leasehold improvements	(3,025)	(9,453)
Purchase of other intangibles	(781)	(999)
Changes in restricted cash and cash equivalents	(22)	—
Net cash used in investing activities	<u>(3,828)</u>	<u>(10,452)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments under credit facility	(10,500)	(4,621)
Debt issuance costs	(23)	(139)
Proceeds from exercise of stock options	972	1,287
Purchase of treasury stock	(3,637)	—
Minority capital contributions	400	240
Net cash used in financing activities	<u>(12,788)</u>	<u>(3,233)</u>

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)
(unaudited)

	Six Months Ended	
	June 30,	
	<u>2007</u>	<u>2006</u>
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ (700)	\$ (185)
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,813	23,512
CASH AND CASH EQUIVALENTS—Beginning of period	<u>40,919</u>	<u>35,123</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 61,732</u>	<u>\$ 58,635</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 18,924</u>	<u>\$ 19,809</u>
Cash paid for income taxes, net of refunds	<u>\$ 1,341</u>	<u>\$ 537</u>

See notes to unaudited condensed consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BUSINESS AND BASIS OF PRESENTATION

Business— Global Cash Access Holdings, Inc. is a holding company, the principal asset of which is the capital stock of Global Cash Access, Inc. (“GCA”). Unless otherwise indicated, the terms “the Company,” “Holdings,” “we,” “us” and “our” refer to Global Cash Access Holdings, Inc. together with its consolidated subsidiaries. Holdings was formed on February 4, 2004, to hold all of the outstanding capital stock of GCA and to guarantee the obligations under GCA’s senior secured credit facilities.

GCA is a financial services company that provides cash access products and services to the gaming industry. The Company’s cash access products and services allow gaming patrons to access funds through a variety of methods, including credit card cash advances, point-of-sale debit card cash advances, automated teller machine (“ATM”) withdrawals, check cashing transactions and money transfers. These services are provided to patrons at gaming establishments directly by the Company or through one of its consolidated subsidiaries. GCA’s subsidiaries are: CashCall Systems Inc. (“CashCall”), Global Cash Access (UK) Ltd. (“GCA UK”), Global Cash Access (BVI), Inc. (“BVI”), Arriva Card, Inc. (“Arriva”), Global Cash Access Switzerland A.G. (“GCA Switzerland”), Global Cash Access (Belgium), S.A. (“GCA Belgium”), Innovative Funds Transfer, LLC (“IFT”), Global Cash Access (HK) Ltd. (“GCA HK”) and GCA (Macau), S.A. (“GCA Macau”).

The Company also owns and operates a credit reporting agency for the gaming industry, Central Credit, LLC (“Central”), and provides credit-information services and credit-reporting history on gaming patrons to various gaming establishments. Central operates in both international and domestic gaming markets.

Commencing in the third quarter of 2006, the Company, through Arriva, began marketing a credit card aimed at consumers who perform cash advance transactions in gaming establishments.

The accompanying unaudited condensed consolidated financial statements include the accounts of Holdings and its consolidated subsidiaries: GCA, CashCall, GCA UK, Central, BVI, Arriva, GCA Switzerland, GCA Belgium, IFT, GCA HK and GCA Macau.

Basis of Presentation— The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair presentation of results for the interim periods have been made. The results for the three and six months ended June 30, 2007 are not necessarily indicative of results to be expected for the full fiscal year.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto included within the Company’s Annual Report on Form 10-K for the year ended December 31, 2006.

Use of Estimates— We have made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes. Our actual results may differ from these estimates. The significant accounting estimates incorporated into our condensed consolidated financial statements include:

- the reserve for warranty expense associated with our check warranty receivables,

- the valuation and recognition of share-based compensation,
- the useful lives for depreciable and amortizable assets,
- the estimated cash flows in assessing the recoverability of long-lived assets,
- the estimated fair value of the guarantee of receivables held by CIT Bank, and
- the estimated reserve for bad debts on receivables purchased from CIT Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The unaudited condensed consolidated financial statements presented for the three and six months ended June 30, 2007 and 2006 and as of December 31, 2006 include the accounts of Global Cash Access Holdings, Inc., and its subsidiaries.

All significant intercompany transactions and balances have been eliminated in consolidation.

Earnings Applicable to Common Stock— In accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 128, *Earnings per Share*, basic earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect the effect of potential common stock, which consists of non-vested shares of restricted stock outstanding and assumed stock option exercises. The weighted-average number of common shares outstanding used in the computation of basic and diluted earnings per share is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Weighted average common shares outstanding — basic	81,752	81,619	81,758	81,588
Potential dilution from equity grants (1)(2)	332	611	268	377
Weighted average common shares outstanding — diluted	82,084	82,230	82,026	81,965

(1) — The potential dilution excludes the weighted average effect of stock options to acquire 3,888,483 and 3,934,590 shares and 3,833,290 and 3,846,379 shares of common stock for the three and six months ended June 30, 2007 and June 30, 2006, respectively, as the application of the treasury stock method, as required by SFAS No. 128, makes them anti-dilutive.

(2) — The potential dilution excludes the weighted average effect of shares of time-based restricted stock of 1,030,745 and 990,632 shares and 268,721 and 274,029 shares for the three and six months ended June 30, 2007 and June 30, 2006, respectively, as the application of the treasury stock method, as required by SFAS No. 128, makes them anti-dilutive.

Arriva Card, Inc.— Pursuant to the Receivables Sale Agreement and the Revolving Loan Product Program Agreement entered into in March 2006 between CIT Bank (“CIT”) and Arriva, CIT is the legal issuer of the credit cards marketed by Arriva (the “Arriva Card”). As of June 30, 2007, CIT had \$2.5 million in outstanding patron receivables from originated transactions performed on Arriva Cards. CIT is entitled to receive monthly from Arriva a fee based on the average balance of receivables multiplied by an interest rate. As of June 30, 2007, the interest is determined as the one-month London InterBank Offered Rate (“LIBOR”) plus 225 basis points, or approximately 7.6%.

Central Credit Check Warranty Receivables— Beginning with the quarter ended March 31, 2007, the Company established a policy of writing off all warranted checks that are older than one year in age. The adoption of this policy resulted in receivable write-offs of \$3.2 million against the established bad debt reserve in the quarter ended March 31, 2007 and write-offs of \$2.5 million against the established bad debt reserve in the three months ended June 30, 2007.

Recently Issued Accounting Pronouncements— In July 2006, the FASB issued Interpretation No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. See further discussion of adoption of FIN 48 in Note 9.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*, which clarifies the definition of fair value whenever another standard requires or permits assets or liabilities to be measured at fair value. Specifically, the standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability, and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. SFAS No. 157 does not expand the use of fair value to any new circumstances. The standard also requires expanded financial statement disclosures about fair value measurements, including disclosure of the methods used and the effect on earnings. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. SFAS No. 159 permits companies to choose to measure certain financial instruments and other items at fair value. The standard requires that unrealized gains and losses are reported in earnings for items measured using the fair value option. SFAS No. 159 is effective for the Company beginning in the first quarter of fiscal year 2008. The Company is currently evaluating the impact of SFAS No. 159.

In June 2007, the FASB’s Emerging Issues Task Force issued Topic No. 06-11 (“EITF 06-11”), *Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards*. EITF 06-11 requires the realized tax benefit for dividends paid on share-based payment awards expected to vest to be credited to the Company’s additional paid-in capital account. The application of EITF 06-11 shall be applied prospectively to income tax benefits of dividends declared on affected securities in fiscal years beginning after December 15, 2007. Earlier application is permitted. The Company is currently evaluating the impact of adopting EITF 06-11 on its consolidated financial condition and results of operations.

3. ATM FUNDING AGREEMENTS

Bank of America Amended Treasury Services Agreement— On March 8, 2004, the Company entered into an Amendment of the Treasury Services Agreement (“Bank of America ATM Funding Agreement”) with Bank of America, N.A. that allowed for the Company to utilize up to \$300 million in funds owned by Bank of America to provide the currency needed for normal operating requirements for all the Company’s ATMs. The amount provided by Bank of America can be increased above \$300 million at the option of Bank of America. For use of these funds, GCA pays Bank of America a cash usage fee equal to the average daily balance of funds utilized multiplied by the one-month LIBOR plus 25 basis points. For the three and six months ended June 30, 2007 and 2006, \$4.1 million and \$8.0 million, and \$4.0 million and \$7.5 million, respectively, of cash usage fees have been included in interest expense in the accompanying condensed consolidated statements of income. At June 30, 2007, the outstanding balance of ATM cash utilized by GCA was \$325.2 million and the cash usage interest rate in effect was 5.6%.

Site Funded ATMs— GCA operates some ATMs at customer locations where the customer provides the cash required for ATM operational needs. GCA is required to reimburse the customer for the amount of cash dispensed from these site-funded ATMs. The site-funded ATM liability is included within settlement liabilities in the accompanying balance sheets and was \$37.1 million and \$53.7 million as of June 30, 2007 and December 31, 2006, respectively. As of June 30, 2007 and December 31, 2006, GCA operated 740 and 626 devices (ATMs and redemption kiosks), respectively, that were site funded.

4. BENEFIT PLANS

Stock Options— The Company has issued stock options to directors, officers and key employees under the 2005 Stock Incentive Plan (the “2005 Plan”). Generally, options under the 2005 Plan (other than those granted to non-employee directors) will vest at a rate of 25% of the shares underlying the option after one year and the remaining shares vest in equal portions over the following 36 months, such that all shares are vested after four years. Stock options are issued at the current market price on the date of grant, with a contractual term of 10 years.

Table of Contents

A summary of award activity under the Company's stock option plans as of June 30, 2007 and changes during the three and six month periods then ended is as follows:

	<u>Options</u>	<u>Weighted Average Exercise Prices</u>	<u>Weighted Average Life Remaining</u>	<u>Aggregate Intrinsic Value</u> (in thousands)
Outstanding — December 31, 2006	4,247,350	\$ 13.30	8.2 years	\$ 29,103
Granted	—	—		
Exercised	(25,179)	13.99		
Forfeited	<u>(38,074)</u>	13.96		
Outstanding — March 31, 2007	<u>4,184,097</u>	\$ 13.29	7.9 years	\$ 28,666
Granted	—	—		
Exercised	(46,976)	14.05		
Forfeited	<u>(14,010)</u>	13.99		
Outstanding — June 30, 2007	<u>4,123,111</u>	\$ 13.28	7.6 years	\$ 28,219
Exercisable — June 30, 2007	<u>2,305,182</u>	\$ 12.96	7.5 years	\$ 15,521

There were no stock options granted during the three and six months ended June 30, 2007. During the three and six months ended June 30, 2007 we received \$0.7 million and \$1.0 million in cash from the exercise of stock options, respectively. The total intrinsic value of options exercised during the three and six months ended June 30, 2007 was \$0.3 million and \$0.5 million, respectively. During the three and six months ended June 30, 2007 we recorded \$1.8 million and \$3.7 million in non-cash compensation expense related to options granted that are expected to vest. As of June 30, 2007, there was \$12.0 million in unrecognized compensation expense related to options expected to vest. This cost is expected to be recognized on a straight-line basis over a weighted average period of 1.6 years.

There were 0.1 million and 0.1 million stock options granted during the three and six months ended June 30, 2006. During the three and six months ended June 30, 2006 we received \$1.1 million and \$1.3 million in cash from the exercise of stock options, respectively. The total intrinsic value of options exercised during the three and six months ended June 30, 2006 was \$0.6 million and \$0.7 million, respectively. During the three and six months ended June 30, 2006 we recorded \$1.7 million and \$3.5 million in non-cash compensation expense related to options granted that are expected to vest. As of June 30, 2006, there was \$17.4 million in unrecognized compensation expense related to options expected to vest. This cost is expected to be recognized on a straight-line basis over a weighted average period of 2.5 years.

Restricted Stock— The Company began issuing restricted stock to employees in the first quarter of 2006. The vesting provisions are similar to those applicable to stock options. Because these restricted shares are issued primarily to employees of the Company, some of the shares issued will be withheld by the Company to satisfy the minimum statutory tax withholding requirements applicable to the restricted stock grants. Therefore, as these awards vest the actual number of shares outstanding as a result of the restricted stock awards is reduced and the number of shares included within treasury stock is increased by the amount of shares withheld. Prior to vesting, the restricted stock has rights to the dividends declared and voting rights; therefore they are considered issued and outstanding. During the three and six months ended June 30, 2007, the Company withheld 11 thousand and 58 thousand shares of restricted stock, respectively, from employees with a cumulative vest date fair value of \$0.2 and \$1.0 million, respectively. These amounts have been included a part of the total treasury stock repurchased during the period.

Table of Contents

In February 2007, the Company awarded 689,500 shares of time-based restricted common stock to independent non-employee directors, officers and key employees. Generally, these shares will vest over a four year period similar to the vesting outlined for options under our 2005 Plan. A summary of all non-vested share awards for the Company's time-based restricted shares as of June 30, 2007 is as follows:

	Shares Outstanding
Balance — December 31, 2006	602,997
Granted	689,500
Vested	(158,105)
Canceled	(6,343)
Balance — March 31, 2007	<u>1,128,049</u>
Granted	6,500
Vested	(37,833)
Canceled	(7,799)
Balance — June 30, 2007	<u>1,088,917</u>

There were 38 thousand and 0.2 million time-based restricted shares vested during the three and six months ended June 30, 2007. During the three and six months ended June 30, 2007 and 2006 we recorded \$1.4 million and \$2.5 million and \$0.6 million and \$0.8 million in non-cash compensation expense related to the restricted stock granted that is expected to vest. As of June 30, 2007, there was \$16.3 million in unrecognized compensation expense related to time-based restricted shares expected to vest. This cost is expected to be recognized on a straight-line basis over a weighted average period of 3.1 years.

5. COMMITMENTS AND CONTINGENCIES

Litigation Claims and Assessments

Canadian Goods and Services Tax ("GST")— In April 2004, CashCall was notified through one of its customers that the Canadian Revenue Agency ("CRA") Appeals Division had taken a position, on audit of the customer's two locations, that the customer was liable for GST on commissions it received in connection with the cash advance services provided by CashCall. The CRA's position is disputed by both CashCall and the customer based upon their interpretation of the Canadian Excise Tax Act ("ETA").

In December 2004, the Company paid the amount assessed related to the customer, and the customer remitted such amount to the CRA. In February 2005, the Company filed a refund claim for taxes paid in error with CRA. This claim was denied as expected, and the Company is currently defending the rebate claim through the appeals process.

The Company believes the transactions performed in Canada are financial services transactions specifically exempted by the ETA and therefore not subject to GST. As the Company has paid these obligations and as there is uncertainty related to the ability to recover these amounts through the refund claim and appeals process, the Company has deemed it appropriate to expense this payment and accrue for a liability related to future payments for this customer. In the three and six months ended June 30, 2007 and 2006, the Company has recorded minimal amounts in operating expenses related to this potential tax exposure in the accompanying consolidated income statements.

Compliance Letters from MasterCard International, Inc. and Visa USA— In the normal course of business, the Company routinely receives letters from MasterCard International, Inc. and Visa USA (the "Associations") regarding non-compliance with various aspects of the respective Associations' bylaws and regulations as they relate to transaction processing. The Company is periodically involved in discussions with its sponsoring bank and the Associations to resolve these issues. It is the opinion of management that all of the issues raised by the Associations will be resolved in the normal course of business and related changes to the bankcard transaction processing, if any, will not result in material adverse impact to the financial results of the Company.

The Company is threatened with or named as a defendant in various lawsuits in the ordinary course of business. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that the final resolution of any threatened or pending litigation is not likely to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Commitments

Registration Agreement. The Company and some of its stockholders are party to a Registration Agreement. The Registration Agreement provides the stockholders with rights to cause the Company to register their shares of common stock on a registration statement filed with the Securities and Exchange Commission. Under the terms of this agreement, some holders of registration rights may require the Company to file a registration statement under the Securities Act at the Company's expense with respect to their shares of common stock. Under this agreement, the Company has agreed to bear all registration and offering expenses (other than underwriting discounts and commissions and fees), and specific fees and disbursements of counsel of the holders of registration rights. The Company has agreed to indemnify the holders of registration rights against specific liabilities under the Securities Act.

USA Payments Processing Commitments . The Company obtains transaction processing services from USA Payments, a company controlled by the principals of M&C International ("M&C"), pursuant to the Amended and Restated Agreement for Electronic Payment Processing. Under terms of this agreement, GCA is obligated to pay USA Payments \$2.3 million annually in fixed monthly processing fees and minimum annual transaction volume fees through the termination of this agreement in March 2014.

Arriva Origination Commitments . Arriva entered into separate agreements with CIT and with Fiserv Solutions, Inc. ("Fiserv"), all of which are effective March 14, 2006, related to the issuance, underwriting and processing of our private label credit card. Under the terms of the agreements with CIT, Arriva is committed to pay CIT a minimum of \$0.2 million in consumer origination fees and \$0.1 million in other operating expenses during the first 18 months of the term. After meeting these commitments, Arriva may cancel these agreements at any time during the first 18 months of the term without any additional penalty. Under the terms of the agreement with Fiserv, Arriva is also committed to pay \$0.5 million in termination fees if the arrangement is terminated during the first 18 months of the term.

Innovative Funds Transfer, LLC Required Capital Investment. Pursuant to the terms of our agreement with International Game Technology ("IGT"), we are obligated to invest up to our pro rata share of \$10.0 million in capital to IFT. Our obligation to invest additional capital in IFT is conditioned upon capital calls, which are in our sole discretion. As of June 30, 2007, we had invested a total of \$4.6 million in IFT, and are committed to invest up to \$1.4 million in additional capital investments if required.

First Data Sponsorship Indemnification Agreement. On March 10, 2004, GCA and First Data Corporation ("First Data") entered into a Sponsorship Indemnification Agreement whereby First Data agreed to continue its guarantee of performance by us to Bank of America for our sponsorship as a Bank Identification Number and Interbank Card Association licensee under the applicable VISA and MasterCard rules. GCA has agreed to indemnify First Data and its affiliates against any and all losses and expenses arising from its indemnification obligations pursuant to that agreement. As collateral security for prompt and complete performance if GCA's obligations under this agreement GCA was required to cause a letter of credit in the amount of \$3.0 million to be issued to First Data to cover any indemnified amounts not paid under terms of this agreement. The required amount of this letter of credit will be adjusted annually based upon the underlying cash advance volume covered by the Sponsorship Indemnification Agreement. In March 2007, the amount of this letter of credit was increased from \$3.0 million to \$3.2 million.

6. BORROWINGS

Second Amended and Restated Credit Agreement. On November 1, 2006, GCA and Holdings entered into a Second Amended and Restated Credit Agreement with certain lenders. The Second Amended and Restated Credit Agreement significantly amended and restated the terms of GCA's existing senior secured credit facilities to provide for a \$100.0 million term loan facility and a \$100.0 million five-year revolving credit facility, with a \$25.0 million letter of credit sublimit and a \$5.0 million swingline loan sublimit.

As of June 30, 2007 and December 31, 2006, the Company had \$99.5 million and \$100.0 million in borrowings under the term loan, \$11.7 million and \$21.7 million under the revolving portion and \$3.2 million and \$3.1 million in letters of credit issued and outstanding, respectively. The letters of credit issued and outstanding reduce amounts available under the revolving portion of the Second Amended and Restated Credit Agreement. Borrowings under this loan facility bear interest at a specified number of basis points above a specified base interest rate. As of June 30, 2007, the applicable margin was 112.5 basis points to the LIBOR based interest rate, or 6.4%.

Senior Subordinated Notes . On March 10, 2004, GCA completed a private placement offering of \$235 million 8.75% Senior Subordinated Notes due March 15, 2012 (the "Notes Offering"). On October 14, 2004, we completed an exchange offer of the notes for registered notes of like tenor and effect. Interest on the notes accrues based upon a 360-day year comprised of twelve 30-day months and is payable semiannually on March 15th and September 15th. All of the Company's existing and future domestic wholly owned subsidiaries are guarantors of the notes on a senior subordinated basis. As of June 30, 2007 and December 31, 2006, the Company had \$152.8 million in borrowings outstanding under the Notes Offering.

7. CAPITAL STOCK

Common Stock Repurchase Program . On February 6, 2007, the Company's Board of Directors authorized the repurchase of up to \$50.0 million of the Company's issued and outstanding common stock, subject to compliance with any contractual limitations on such repurchases under the Company's financing agreements in effect from time to time, including but not limited to those relating to the Company's senior secured indebtedness and senior subordinated notes. During the three and six months ended June 30, 2007, the Company repurchased or withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards 0.1 million and 0.2 million shares of common stock at an aggregate purchase price of \$1.5 million and \$3.6 million, respectively. As of June 30, 2007, \$46.4 million remained available under the existing repurchase authorization.

8. RELATED PARTY TRANSACTIONS

M&C is the owner of approximately 23.5% of the outstanding equity interests of the Company. Two members of our Board of Directors are principals of M&C. The Company made payments for software development costs and system maintenance to Infonox on the Web ("Infonox") pursuant to agreements with Infonox. At the time we entered into these agreements and during the periods presented, Infonox was controlled by the principals of M&C and family members of one of our directors. These family members now own a majority of the ownership interests, and hold two of the three director seats, of Infonox. The Company obtains transaction processing services from USA Payments, a company controlled by the principals of M&C, pursuant to the Amended and Restated Agreement for Electronic Payment Processing.

Table of Contents

The following table represents the transactions with related parties for the three months and six months ended June 30, 2007 and June 30, 2006 (amounts in thousands):

Name of Related Party	Description of Transaction	Three Months Ended June 30,		Six Months Ended June 30,	
		2007	2006	2007	2006
M&C Affiliates:					
Infonox on the Web	Software development costs and maintenance expense included in operating expenses and other intangibles, net	\$ 1,134	\$ 872	\$ 1,852	\$ 1,284
USA Payments	Transaction processing charges included in cost of revenues (exclusive of depreciation and amortization)	886	823	1,843	1,676
USA Payments	Pass through billing related to gateway fees, telecom and other items included in cost of revenues (exclusive of depreciation and amortization) and operating expenses	324	358	691	633

The following table details the amounts receivable from or (liabilities to) these related parties that are recorded as part of other receivables, net, accounts payable or accrued expenses in the unaudited condensed consolidated balance sheets (amounts in thousands):

	June 30, 2007	December 31, 2006
M&C and related companies	\$ 21	\$ 42
Total included within receivables, other	\$ 21	\$ 42
USA Payment Systems	\$ (352)	\$ (149)
Infonox on the Web	(579)	(633)
Total included within accounts payable and accrued expenses	\$ (931)	\$ (782)

9. INCOME TAXES

Effective January 1, 2007, the Company has adopted the provisions of FIN 48 with no material effect on the financial statements. We do not have any tax positions that would have impacted our prior reported earnings had FIN 48 been previously applied. As a result, there was no cumulative effect adjustment related to adopting FIN 48. Similarly, no interest or penalties have been incurred for uncertain tax positions. However, if incurred, our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of the date of adoption of FIN 48, we did not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense recognized during the quarter.

As of January 1, 2007, the Company has provided a liability for \$0.5 million of unrecognized tax benefits related to various federal and state income tax matters. The recognition of this amount would not impact the Company's effective tax rate, if recognized. As we have net operating loss carryforwards that are required to be applied against any taxable income, the liability associated with the adoption of FIN 48 has been offset against our net operating loss carryforwards.

The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2004, our first year as a taxpayer, through 2006. The Company's and its subsidiaries' state income tax returns are open to audit under the statute of limitations for the years ending December 31, 2004 through 2006.

10. SEGMENT INFORMATION

Operating segments as defined by SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group consists of the Chief Executive Officer and Chief Financial Officer. The operating segments are reviewed separately because each represents products or services that can be, and often are, marketed and sold separately to our customers.

The Company operates in four distinct business segments: (i) cash advance, (ii) ATM, (iii) check services and (iv) credit reporting services. These segments are monitored separately by management for performance against its internal forecast and are consistent with the Company's internal management reporting.

Other lines of business, none of which exceed the established materiality for segment reporting, include Arriva, Western Union, direct marketing and IFT, among others.

The Company's business is predominantly domestic, with no specific regional concentrations.

Major customers — For the three and six months ended June 30, 2007, the combined revenues from all segments from our largest customer was approximately \$29.1 million and \$57.3 million, respectively representing 19.4% and 19.3% of the Company's total consolidated revenues, respectively. For the three and six months ended June 30, 2006, the combined revenues from all segments from our largest customer was approximately \$23.4 million and \$46.3 million, respectively representing 17.5% and 17.6% of the Company's total consolidated revenues, respectively.

For the three and six months ended June 30, 2007, the combined revenues from all segments for our second largest customer was approximately \$14.3 million and \$28.5 million, respectively representing 9.6% and 9.6%, of the Company's total consolidated revenues, respectively. For the three and six months ended June 30, 2006, the combined revenues from all segments for our second largest customer was approximately \$13.8 million and \$26.6 million, respectively, representing 10.4% and 10.1%, of the Company's total consolidated revenues, respectively.

Table of Contents

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The tables below present the results of operations for the three and six months ended June 30, 2007 and 2006 and total assets by operating segment as of June 30, 2007 and December 31, 2006 (amounts in thousands):

	<u>Cash Advance</u>	<u>ATM</u>	<u>Check Services</u>	<u>Credit Reporting</u>	<u>Other</u>	<u>Total</u>
Three Months Ended June 30, 2007						
Revenues	\$ 79,702	\$ 61,093	\$ 7,492	\$ 2,160	\$ 1,083	\$ 151,530
Depreciation and amortization	(1,328)	(1,387)	(4)	(1)	(160)	(2,880)
Operating income (loss)	9,898	9,132	3,341	1,102	(948)	22,525
Interest income	1,021	—	—	—	—	1,021
Interest expense	(2,954)	(6,358)	(278)	(80)	(40)	(9,710)
Income taxes	(3,067)	(1,068)	(1,179)	(393)	380	(5,327)
Minority ownership loss	—	—	—	—	59	59
Net income (loss)	\$ 4,898	\$ 1,706	\$ 1,884	\$ 629	\$ (549)	\$ 8,568

Three Months Ended June 30, 2006

Revenues	\$ 69,143	\$ 54,586	\$ 7,459	\$ 2,005	\$ 383	\$ 133,576
Depreciation and amortization	(968)	(1,321)	(8)	(20)	(117)	(2,434)
Operating income (loss)	10,343	7,094	1,983	1,050	(256)	20,214
Interest income	868	—	—	—	—	868
Interest expense	(3,474)	(6,733)	(375)	(101)	(18)	(10,701)
Income taxes	(3,085)	(188)	(626)	(369)	128	(4,140)
Minority ownership loss	—	—	—	—	38	38
Net income (loss)	\$ 4,652	\$ 173	\$ 982	\$ 580	\$ (108)	\$ 6,279

Six Months Ended June 30, 2007

Revenues	\$ 157,114	\$ 121,859	\$ 14,843	\$ 4,427	\$ 2,031	\$ 300,274
Depreciation and amortization	(2,630)	(2,685)	(7)	(1)	(314)	(5,637)
Operating income (loss)	18,777	18,246	6,407	2,290	(1,869)	43,851
Interest income	1,917	—	—	—	—	1,917
Interest expense	(5,937)	(12,611)	(561)	(167)	(77)	(19,353)
Income taxes	(5,626)	(2,148)	(2,229)	(809)	742	(10,070)
Minority ownership loss	—	—	—	—	123	123
Net income (loss)	\$ 9,131	\$ 3,487	\$ 3,617	\$ 1,314	\$ (1,081)	\$ 16,468

Six Months Ended June 30, 2006

Revenues	\$ 136,198	\$ 107,746	\$ 14,703	\$ 4,080	\$ 684	\$ 263,411
Depreciation and amortization	(1,940)	(2,777)	(17)	(39)	(228)	(5,001)
Operating income (loss)	20,478	14,276	4,514	2,125	(552)	40,841
Interest income	1,424	—	—	—	—	1,424
Interest expense	(6,945)	(13,012)	(750)	(208)	(34)	(20,949)
Income taxes	(5,737)	(521)	(1,427)	(727)	265	(8,147)
Minority ownership loss	—	—	—	—	74	74
Net income (loss)	\$ 9,220	\$ 743	\$ 2,337	\$ 1,190	\$ (247)	\$ 13,243

<u>Total Assets</u>	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Cash advance	\$ 312,550	\$ 359,023
ATM	155,415	177,278
Check services	12,198	5,310
Credit reporting	48,924	46,872
Other	11,327	164
Total assets	<u>\$ 540,414</u>	<u>\$ 588,647</u>

11. SUBSEQUENT EVENTS

Bank of America Amended Treasury Services Agreement— On August 8, 2007, the Company and Bank of America entered into an Agreement to Amend the Bank of America ATM Funding Agreement. The Bank of America ATM Funding Agreement governs the terms surrounding the provision of cash for our ATMs by Bank of America. Under terms of the Agreement to Amend, Bank of America and GCA agreed to extend the terms of the existing Bank of America ATM Funding Agreement through November 6, 2007.

Amendment No. 2 to Second Amended and Restated Credit Agreement— On August 8, 2007, Holdings together with its wholly-owned subsidiary GCA, entered into Amendment No. 2 to Second Amended and Restated Credit Agreement (the “Amendment”) with Bank of America, N.A., as Administrative Agent, which amended certain terms of the Second Amended and Restated Credit Agreement, dated as of November 1, 2006 and amended by Amendment No. 1 thereto dated June 22, 2007. The Amendment increased to \$30 million the aggregate amount that the Company is permitted to invest in Arriva Card, Inc.

Termination of Chief Financial Officer— On July 27, 2007, the Company terminated the employment of Harry Hagerty, Chief Financial Officer. Kirk Sanford, our Chief Executive Officer and President, assumed the office of Chief Financial Officer on an interim basis upon the termination of Mr. Hagerty’s employment. Mr. Sanford also assumed the duties of the office of Secretary upon the termination of Mr. Hagerty’s employment.

12. GUARANTOR INFORMATION

In March 2004, GCA issued \$235 million in aggregate principal amount of 8^{3/4}% senior subordinated notes due 2012 (the “Notes”). At June 30, 2007 and December 31, 2006 there were \$152.8 million in Notes outstanding. The Notes are guaranteed by all of GCA’s existing domestic 100% owned subsidiaries. In addition, effective upon the closing of the Company’s initial public offering of common stock, Holdings guaranteed, on a subordinated basis, GCA’s obligations under the Notes. These guarantees are full, unconditional, joint and several. CashCall, GCA UK, BVI, GCA Switzerland, GCA Belgium, GCA HK and GCA Macau, which are 100% owned non-domestic subsidiaries, and IFT, which is a consolidated joint venture, do not guaranty the Notes. The following consolidating schedules present separate unaudited condensed financial statement information on a combined basis for the parent only, the issuer, as well as the Company’s guarantor subsidiaries and non-guarantor subsidiaries and affiliate, as of June 30, 2007 and December 31, 2006, and for the three and six months ended June 30, 2007 and 2006.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — BALANCE SHEET INFORMATION
JUNE 30, 2007
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Elimination Entries *</u>	<u>Consolidated</u>
ASSETS						
Cash and cash equivalents	\$ —	\$ 53,189	\$ 1,303	\$ 7,240	\$ —	\$ 61,732
Restricted cash and cash equivalents	—	372	1,000	—	—	1,372
Settlement receivables	—	77,118	211	1,544	(5,449)	73,424
Receivables other, net	—	15,831	48,039	143	(43,560)	20,453
Prepaid and other assets	—	7,564	30	124	—	7,718
Investment in subsidiaries	138,527	78,915	—	—	(217,442)	—
Property, equipment and leasehold improvements, net	—	20,026	52	318	—	20,396
Goodwill, net	—	116,574	39,470	783	—	156,827
Other intangibles, net	—	15,473	434	197	—	16,104
Deferred income taxes, net	—	182,388	—	—	—	182,388
TOTAL	<u>\$138,527</u>	<u>\$567,450</u>	<u>\$ 90,539</u>	<u>\$ 10,349</u>	<u>\$ (266,451)</u>	<u>\$ 540,414</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
LIABILITIES:						
Settlement liabilities	\$ —	\$ 79,008	\$ 5,449	\$ 1,633	\$ (5,449)	\$ 80,641
Accounts payable	—	24,193	253	412	—	24,858
Accrued expenses	—	61,431	12,077	2,149	(57,742)	17,915
Borrowings	—	263,980	—	—	—	263,980
Total liabilities	<u>—</u>	<u>428,612</u>	<u>17,779</u>	<u>4,194</u>	<u>(63,191)</u>	<u>387,394</u>
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST	<u>—</u>	<u>311</u>				<u>311</u>
STOCKHOLDERS' EQUITY	<u>138,527</u>	<u>138,527</u>	<u>72,760</u>	<u>6,155</u>	<u>(203,260)</u>	<u>152,709</u>
TOTAL	<u>\$138,527</u>	<u>\$567,450</u>	<u>\$ 90,539</u>	<u>\$ 10,349</u>	<u>\$ (266,451)</u>	<u>\$ 540,414</u>

* Eliminations include intercompany investments and management fees

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — BALANCE SHEET INFORMATION
DECEMBER 31, 2006
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Elimination Entries *</u>	<u>Consolidated</u>
ASSETS						
Cash and cash equivalents	\$ —	\$ 35,022	\$ 2,176	\$ 3,721	\$ —	\$ 40,919
Restricted cash and cash equivalents	—	350	1,000	—	—	1,350
Settlement receivables	—	138,145	445	3,554	(5,053)	137,091
Receivables other, net	—	18,512	31,060	445	(37,169)	12,848
Prepaid and other assets	—	9,403	2	83	—	9,488
Investment in subsidiaries	121,527	72,353	—	—	(193,880)	—
Property, equipment and leasehold improvements, net	—	20,046	26	382	—	20,454
Goodwill, net	—	116,573	39,471	711	—	156,755
Other intangibles, net	—	17,274	527	200	—	18,001
Deferred income taxes, net	—	191,741	—	—	—	191,741
TOTAL	<u>\$121,527</u>	<u>\$619,419</u>	<u>\$ 74,707</u>	<u>\$ 9,096</u>	<u>\$ (236,102)</u>	<u>\$ 588,647</u>
LIABILITIES AND STOCKHOLDERS' EQUITY						
LIABILITIES:						
Settlement liabilities	\$ —	\$136,217	\$ 5,053	\$ 2,025	\$ (5,053)	\$ 138,242
Accounts payable	—	25,657	58	567	—	26,282
Accrued expenses	—	61,435	1,087	1,660	(46,799)	17,383
Borrowings	—	274,480	—	—	—	274,480
Total liabilities	<u>—</u>	<u>497,789</u>	<u>6,198</u>	<u>4,252</u>	<u>(51,852)</u>	<u>456,387</u>
COMMITMENTS AND CONTINGENCIES						
MINORITY INTEREST	—	103	—	—	—	103
STOCKHOLDERS' EQUITY	<u>121,527</u>	<u>121,527</u>	<u>68,509</u>	<u>4,844</u>	<u>(184,250)</u>	<u>132,157</u>
TOTAL	<u>\$121,527</u>	<u>\$619,419</u>	<u>\$ 74,707</u>	<u>\$ 9,096</u>	<u>\$ (236,102)</u>	<u>\$ 588,647</u>

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — STATEMENT OF INCOME INFORMATION
THREE MONTHS ENDED JUNE 30, 2007
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Eliminations *</u>	<u>Consolidated</u>
REVENUES:						
Cash advance	\$ —	\$ 78,006	\$ —	\$ 1,696	\$ —	\$ 79,702
ATM	—	61,093	—	—	—	61,093
Check services	—	3,759	3,733	—	—	7,492
Central Credit and other revenues	<u>8,568</u>	<u>2,491</u>	<u>2,893</u>	<u>29</u>	<u>(10,738)</u>	<u>3,243</u>
Total revenues	8,568	145,349	6,626	1,725	(10,738)	151,530
Cost of revenues (exclusive of depreciation and amortization)	—	(104,998)	(2,995)	(1,064)	—	(109,057)
Operating expenses	—	(15,153)	(1,468)	(605)	158	(17,068)
Amortization	—	(1,254)	(67)	(32)	—	(1,353)
Depreciation	<u>—</u>	<u>(1,483)</u>	<u>(6)</u>	<u>(38)</u>	<u>—</u>	<u>(1,527)</u>
OPERATING INCOME	<u>8,568</u>	<u>22,461</u>	<u>2,090</u>	<u>(14)</u>	<u>(10,580)</u>	<u>22,525</u>
INTEREST INCOME (EXPENSE), NET						
Interest income	—	944	10	67	—	1,021
Interest expense	<u>—</u>	<u>(9,710)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,710)</u>
Total interest income (expense), net	<u>—</u>	<u>(8,766)</u>	<u>10</u>	<u>67</u>	<u>—</u>	<u>(8,689)</u>
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	8,568	13,695	2,100.00	53	(10,580)	13,836
INCOME TAX PROVISION	<u>—</u>	<u>(5,186)</u>	<u>—</u>	<u>(141)</u>	<u>—</u>	<u>(5,327)</u>
INCOME (LOSS) BEFORE MINORITY OWNERSHIP LOSS	8,568	8,509	2,100	(88)	(10,580)	8,509
MINORITY OWNERSHIP LOSS	<u>—</u>	<u>59</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>59</u>
NET INCOME (LOSS)	<u>\$ 8,568</u>	<u>\$ 8,568</u>	<u>\$ 2,100</u>	<u>\$ (88)</u>	<u>\$ (10,580)</u>	<u>\$ 8,568</u>

* Eliminations include earnings on subsidiaries and management fees

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — STATEMENT OF INCOME INFORMATION
SIX MONTHS ENDED JUNE 30, 2007
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Eliminations *</u>	<u>Consolidated</u>
REVENUES:						
Cash advance	\$ —	\$ 153,998	\$ —	\$ 3,116	\$ —	\$ 157,114
ATM	—	121,859	—	—	—	121,859
Check services	—	7,820	7,023.00	—	—	14,843
Central Credit and other revenues	<u>16,468</u>	<u>5,078</u>	<u>5,727</u>	<u>57</u>	<u>(20,872)</u>	<u>6,458</u>
Total revenues	16,468	288,755	12,750	3,173	(20,872)	300,274
Cost of revenues (exclusive of depreciation and amortization)	—	(208,592)	(5,438)	(1,756)	—	(215,786)
Operating expenses	—	(31,141)	(2,938)	(1,223)	302	(35,000)
Amortization	—	(2,486)	(132)	(61)	—	(2,679)
Depreciation	<u>—</u>	<u>(2,873)</u>	<u>(9)</u>	<u>(76)</u>	<u>—</u>	<u>(2,958)</u>
OPERATING INCOME	<u>16,468</u>	<u>43,663</u>	<u>4,233</u>	<u>57</u>	<u>(20,570)</u>	<u>43,851</u>
INTEREST INCOME (EXPENSE), NET						
Interest income	—	1,789	18	110	—	1,917
Interest expense	<u>—</u>	<u>(19,353)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(19,353)</u>
Total interest income (expense), net	<u>—</u>	<u>(17,564)</u>	<u>18</u>	<u>110</u>	<u>—</u>	<u>(17,436)</u>
INCOME (LOSS) BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS						
	16,468	26,099	4,251.00	167	(20,570)	26,415
INCOME TAX PROVISION	<u>—</u>	<u>(9,754)</u>	<u>—</u>	<u>(316)</u>	<u>—</u>	<u>(10,070)</u>
INCOME (LOSS) BEFORE MINORITY OWNERSHIP LOSS						
	16,468	16,345	4,251	(149)	(20,570)	16,345
MINORITY OWNERSHIP LOSS	<u>—</u>	<u>123</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>123</u>
NET INCOME (LOSS)	<u>\$ 16,468</u>	<u>\$ 16,468</u>	<u>\$ 4,251</u>	<u>\$ (149)</u>	<u>\$ (20,570)</u>	<u>\$ 16,468</u>

* Eliminations include earnings on subsidiaries and management fees

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — STATEMENT OF INCOME INFORMATION
THREE MONTHS ENDED JUNE 30, 2006
(amounts in thousands)
(unaudited)

	Parent	Issuer	Combined Guarantors	Combined Non- Guarantors	Eliminations *	Consolidated
REVENUES:						
Cash advance	\$ —	\$ 67,762	\$ —	\$ 1,381	\$ —	\$ 69,143
ATM	—	54,586	—	—	—	54,586
Check services	—	4,676	2,783	—	—	7,459
Central Credit and other revenues	6,279	2,259	2,007	26	(8,183)	2,388
Total revenues	6,279	129,283	4,790	1,407	(8,183)	133,576
Cost of revenues (exclusive of depreciation and amortization)	—	(91,369)	(2,146)	(777)	—	(94,292)
Operating expenses	—	(15,366)	(957)	(471)	158	(16,636)
Amortization	—	(1,338)	(28)	(18)	—	(1,384)
Depreciation	—	(1,037)	(2)	(11)	—	(1,050)
OPERATING INCOME	6,279	20,173	1,657	130	(8,025)	20,214
INTEREST INCOME (EXPENSE), NET						
Interest income	—	832	—	36	—	868
Interest expense	—	(10,701)	—	—	—	(10,701)
Total interest income (expense), net	—	(9,869)	—	36	—	(9,833)
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	6,279	10,304	1,657	166	(8,025)	10,381
INCOME TAX PROVISION	—	(4,063)	—	(77)	—	(4,140)
INCOME BEFORE MINORITY OWNERSHIP LOSS	6,279	6,241	1,657	89	(8,025)	6,241
MINORITY OWNERSHIP LOSS	—	38	—	—	—	38
NET INCOME	\$ 6,279	\$ 6,279	\$ 1,657	\$ 89	\$ (8,025)	\$ 6,279

* Eliminations include earnings on subsidiaries and management fees

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — STATEMENT OF INCOME INFORMATION
SIX MONTHS ENDED JUNE 30, 2006
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Eliminations *</u>	<u>Consolidated</u>
REVENUES:						
Cash advance	\$ —	\$ 133,535	\$ —	\$ 2,663	\$ —	\$ 136,198
ATM	—	107,746	—	—	—	107,746
Check services	—	9,589	5,114	—	—	14,703
Central Credit and other revenues	<u>13,243</u>	<u>4,505</u>	<u>4,082</u>	<u>48</u>	<u>(17,114)</u>	<u>4,764</u>
Total revenues	13,243	255,375	9,196	2,711	(17,114)	263,411
Cost of revenues (exclusive of depreciation and amortization)	—	(180,368)	(3,712)	(1,563)	—	(185,643)
Operating expenses	—	(29,339)	(1,986)	(910)	309	(31,926)
Amortization	—	(2,806)	(45)	(35)	—	(2,886)
Depreciation	<u>—</u>	<u>(2,091)</u>	<u>(2)</u>	<u>(22)</u>	<u>—</u>	<u>(2,115)</u>
OPERATING INCOME	<u>13,243</u>	<u>40,771</u>	<u>3,451</u>	<u>181</u>	<u>(16,805)</u>	<u>40,841</u>
INTEREST INCOME (EXPENSE), NET						
Interest income	—	1,359	—	65	—	1,424
Interest expense	<u>—</u>	<u>(20,949)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(20,949)</u>
Total interest income (expense), net	<u>—</u>	<u>(19,590)</u>	<u>—</u>	<u>65</u>	<u>—</u>	<u>(19,525)</u>
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	13,243	21,181	3,451	246	(16,805)	21,316
INCOME TAX PROVISION	<u>—</u>	<u>(8,012)</u>	<u>—</u>	<u>(135)</u>	<u>—</u>	<u>(8,147)</u>
INCOME BEFORE MINORITY OWNERSHIP LOSS	13,243	13,169	3,451	111	(16,805)	13,169
MINORITY OWNERSHIP LOSS	<u>—</u>	<u>74</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>74</u>
NET INCOME	<u>\$ 13,243</u>	<u>\$ 13,243</u>	<u>\$ 3,451</u>	<u>\$ 111</u>	<u>\$ (16,805)</u>	<u>\$ 13,243</u>

* Eliminations include earnings on subsidiaries and management fees

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2007
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Eliminations *</u>	<u>Consolidated</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net income (loss)	\$ 16,468	\$ 16,468	\$ 4,251	\$ (149)	\$ (20,570)	\$ 16,468
Adjustments to reconcile net income (loss) to cash provided by (used in) operating activities:						
Amortization of financing costs	—	486	—	—	—	486
Amortization of intangibles	—	2,486	132	61	—	2,679
Depreciation	—	2,873	9	76	—	2,958
Loss on sale or disposal of assets	—	139	—	—	—	139
Provision for bad debts	—	—	3,612	—	—	3,612
Deferred income taxes	—	9,353	—	—	—	9,353
Equity income in subsidiaries	(14,083)	(4,102)	—	—	18,185	—
Minority ownership loss	—	(193)	—	—	—	(193)
Stock-based compensation	—	6,206	—	—	—	6,206
Changes in operating assets and liabilities:						
Settlement receivables	—	61,079	235	2,065	396	63,775
Receivables other, net	—	(3,078)	(19,658)	268	13,330	(9,138)
Prepaid and other assets	—	1,382	(28)	(32)	—	1,322
Settlement liabilities	—	(57,275)	396	(429)	(396)	(57,704)
Accounts payable	—	(1,463)	194	(173)	—	(1,442)
Accrued expenses	—	(21)	10,058	516	(10,945)	(392)
Net cash provided by (used in) operating activities	<u>2,385</u>	<u>34,340</u>	<u>(799)</u>	<u>2,203</u>	<u>—</u>	<u>38,129</u>

* Eliminations include intercompany investments and management fees

(Continued)

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED SCHEDULE — STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2007
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Eliminations *</u>	<u>Consolidated</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Purchase of property, equipment and leasehold improvements	\$ —	\$ (2,980)	\$ (35)	\$ (10)	\$ —	\$ (3,025)
Purchase of other intangibles	—	(685)	(39)	(57)	—	(781)
Changes in restricted cash and cash equivalents	—	(22)	—	—	—	(22)
Investments in subsidiaries	<u>280</u>	<u>(600)</u>	<u>—</u>	<u>—</u>	<u>320</u>	<u>—</u>
Net cash provided by (used in) investing activities	<u>280</u>	<u>(4,287)</u>	<u>(74)</u>	<u>(67)</u>	<u>320</u>	<u>(3,828)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayments under credit facility	—	(10,500)	—	—	—	(10,500)
Debt issuance costs	—	(23)	—	—	—	(23)
Proceeds from exercise of stock options	972	—	—	—	—	972
Purchase of treasury stock	(3,637)	—	—	—	—	(3,637)
Minority capital contributions	—	—	—	—	400	400
Capital contributions	<u>—</u>	<u>(280)</u>	<u>—</u>	<u>1,000</u>	<u>(720)</u>	<u>—</u>
Net cash (used in) provided by financing activities	<u>(2,665)</u>	<u>(10,803)</u>	<u>—</u>	<u>1,000</u>	<u>(320)</u>	<u>(12,788)</u>
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS						
	<u>—</u>	<u>(1,083)</u>	<u>—</u>	<u>383</u>	<u>—</u>	<u>(700)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS						
	—	18,167	(873)	3,519	—	20,813
CASH AND CASH EQUIVALENTS—Beginning of period						
	<u>—</u>	<u>35,022</u>	<u>2,176</u>	<u>3,721</u>	<u>—</u>	<u>40,919</u>
CASH AND CASH EQUIVALENTS—End of period						
	<u>\$ —</u>	<u>\$ 53,189</u>	<u>\$ 1,303</u>	<u>\$ 7,240</u>	<u>\$ —</u>	<u>\$ 61,732</u>

* Eliminations include intercompany investments and management fees

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATING SCHEDULE — STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Eliminations *</u>	<u>Consolidated</u>
CASH FLOWS FROM						
OPERATING ACTIVITIES:						
Net income	\$ 13,243	\$ 13,243	\$ 3,451	\$ 111	\$ (16,805)	\$ 13,243
Adjustments to reconcile net income to cash provided by operating activities:						
Amortization of financing costs						
	—	853	—	—	—	853
Amortization of intangibles						
	—	2,806	45	35	—	2,886
Depreciation						
	—	2,091	2	22	—	2,115
Gain on sale or disposal of assets						
	—	(5)	—	—	—	(5)
Provision for bad debts						
	—	—	3,011	—	—	3,011
Deferred income taxes						
	—	8,035	—	—	—	8,035
Equity income						
	(13,243)	(3,562)	—	—	16,805	—
Minority ownership loss						
	—	(116)	—	—	—	(116)
Stock-based compensation						
	—	4,323	—	—	—	4,323
Changes in operating assets and liabilities:						
Settlement receivables						
	—	34,893	—	520	—	35,413
Receivables other, net						
	—	(8,103)	(6,989)	81	12,723	(2,288)
Prepaid and other assets						
	—	436	(1)	12	—	447
Settlement liabilities						
	—	(32,703)	—	(430)	—	(33,133)
Accounts payable						
	—	2,576	(54)	(97)	—	2,425
Accrued expenses						
	—	11,279	792	825	(12,723)	173
Net cash provided by operating activities						
	—	36,046	257	1,079	—	37,382
CASH FLOWS FROM						
INVESTING ACTIVITIES:						
Purchase of property, equipment and leasehold improvements						
	—	(9,415)	(20)	(18)	—	(9,453)
Purchase of other intangibles						
	—	(495)	(399)	(105)	—	(999)
Investments in subsidiaries						
	(1,287)	(360)	—	—	1,647	—
Net cash used in investing activities						
	(1,287)	(10,270)	(419)	(123)	1,647	(10,452)

* Eliminations include intercompany investments and management fees

(Continued)

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED SCHEDULE — STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006
(amounts in thousands)
(unaudited)

	<u>Parent</u>	<u>Issuer</u>	<u>Combined Guarantors</u>	<u>Combined Non- Guarantors</u>	<u>Eliminations *</u>	<u>Consolidated</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Repayments under credit facility	—	(4,621)	—	—	—	(4,621)
Debt issuance costs	—	(139)	—	—	—	(139)
Proceeds from exercise of stock options	1,287	—	—	—	—	1,287
Minority capital contributions	—	—	—	—	240	240
Capital contributions	—	1,287	—	600	(1,887)	—
Net cash provided by (used in) financing activities	<u>1,287</u>	<u>(3,473)</u>	<u>—</u>	<u>600</u>	<u>(1,647)</u>	<u>(3,233)</u>
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS						
	<u>—</u>	<u>(323)</u>	<u>—</u>	<u>138</u>	<u>—</u>	<u>(185)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	<u>—</u>	<u>21,980</u>	<u>(162)</u>	<u>1,694</u>	<u>—</u>	<u>23,512</u>
CASH AND CASH EQUIVALENTS—Beginning of period						
	<u>—</u>	<u>32,237</u>	<u>276</u>	<u>2,610</u>	<u>—</u>	<u>35,123</u>
CASH AND CASH EQUIVALENTS—End of period						
	<u>\$ —</u>	<u>\$ 54,217</u>	<u>\$ 114</u>	<u>\$ 4,304</u>	<u>\$ —</u>	<u>\$ 58,635</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements included in this Quarterly Report, other than statements that are purely historical, are forward-looking statements. Words such as “anticipate,” “contemplate,” “expect,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “will continue to be,” or the negative of the foregoing and similar expressions regarding beliefs, plans, expectations or intentions regarding the future also identify forward-looking statements. Forward-looking statements in this Quarterly Report include, without limitation: in Part I, Item 1, (1) our expectations relative to the vesting of stock options and restricted stock and the time periods over which we expect to be recognize the costs associated therewith; (2) our expectations relative to the withholding of shares of restricted stock to satisfy tax withholding obligations; (3) our belief that transactions performed in Canada are not taxable for purposes of the Canadian GST; (4) our belief that all issues raised by the Associations will be resolved in the normal course of business and that any related changes to our processing procedures will not result in a material adverse impact to our financial results; (5) our opinion that the final resolution of pending or threatened litigation in the aggregate is not likely to have a material adverse effect on our business, cash flow, results of operations or financial position; (6) our expectation that the required amount of the letter of credit issued to First Data will be adjusted annually; in Part I, Item 2, (7) statements regarding our recognition and enjoyment of a net tax asset in connection with our conversion to a taxable corporate entity and the pro forma effect of such conversion; (8) our expectation that commissions and interchange will continue to increase while check warranty expenses decline, and that for the second half of 2007, cost of revenues (excluding depreciation and amortization) will increase at a rate faster than revenues; (9) statements regarding our estimate of the effective tax rate for the full year and that, due to the amortization of our deferred tax assets for income tax purposes, actual cash taxes paid on pretax income generated in the second quarter of 2007 are expected to be substantially lower than our provision for the same; (10) that the senior secured credit facilities will continue to be guaranteed by the Company and all of GCA's wholly-owned domestic subsidiaries other than Arriva; (11) our belief that borrowings under our secured credit facilities, together with our anticipated operating cash flows, will be adequate to meet our anticipated future requirements for working capital, capital expenditures and scheduled interest payments on the senior subordinated notes and under our senior secured credit facility for the next 12 months and for the foreseeable future; (12) our plan, if necessary or otherwise advisable, to seek additional financing through bank borrowings or public or private debt or equity financings; (13) that 180 days after acquisition, CIT will require Arriva to purchase the net amount of all receivables that have a first payment default, cardholder death or bankruptcy during the first 180 days from acquisition; (14) our belief that replacement costs of equipment, furniture and leasehold improvements will not materially affect our operations; in Part I, Item 3, (15) our expectation that we will continue to pay interest on borrowings under our senior secured credit facilities based on LIBOR of various maturities; in Part II, Item 1, (16) our opinion that the final resolution of any threatened or pending litigation, individually or in the aggregate, is not likely to have a material adverse effect on our business, cash flow, results of operations or financial position; in Part II, Item 1A, (17) our expectation that competition in the market for cash access products and related services will increase and intensify in the future; (18) that our success depends on developing and protecting our intellectual property; (19) that in connection with the Recapitalization and Private Equity Restructuring that occurred in 2004, we expect to pay a significantly lower amount in United States federal income taxes than we provide for in our income statements; (20) that prior to the termination of our agreement with IPS we will need to either enter in an agency relationship with another third-party that holds the required money transmitter licenses or obtain our own money transmitter licenses; (21) that upon the expiration of our agreement with Bank of America we will need to obtain an adequate supply of cash for our ATMs from an alternate source; (22) our belief that our ability to maintain and grow our business will depend upon our ability to introduce successful new products and services in a timely manner; (23) our expectation that we will continue to engage in joint development projects with third parties in the future; (24) our expectation that we will bear the credit risk of any cardholders' non-payment as a result of CIT requiring Arriva to purchase the net amount of certain receivables 180 days after acquisition; (25) our belief that we will bear the risk of making payment to merchants for all transactions using the card within a very short time of the transaction, and that we will generally be able to recover those funds from the consumer no sooner than the end of the current monthly statement cycle; (26) our belief that we will need to effectively manage the expansion of our operations in order to execute our growth strategy of entering into new markets, expanding in existing markets and introducing new products and services; (27) that our future success depends upon our ability to attract, train and retain key managers involved in the development, operation and marketing of our products and services to gaming establishments;

(28) that we intend to provide our services in international markets in which we have not previously operated and have no experience as to chargebacks; (29) that we will continue to undertake extensive work to remedy the material weaknesses in our internal controls over financial reporting, (30) our expectation that the demographic profile of gaming patrons changes over time; (31) our belief that our future success will depend, in part, upon our ability to successfully anticipate, develop and introduce new cash access services based on emerging financial services and payment methods and to enhance our existing products and services to respond to changes in technology and industry standards on a timely basis; (32) our expectation that a substantial portion of our future growth will result from the general expansion of the gaming industry; (33) our expectation that consumer and data privacy laws will be broadened in their scope and application, impose additional requirements and restrictions on gathering and using patron information or narrow the types of information that may be collected or used for marketing or other purposes or require patrons to “opt-in” to the use of their information for specific purposes, which will hamper the value of our patron marketing services; (34) our intention to vigorously defend ourselves in any lawsuits filed by problem gamers; and (35) our expectation that in the future we will also issue additional shares or options to purchase additional shares to our employees, directors and consultants, in connection with corporate alliances or acquisitions, and in follow-on offerings to raise additional capital.

Our expectations, beliefs, objectives, anticipations, intentions and strategies regarding the future, including, without limitation, those concerning expected operating results, revenues and earnings are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from results contemplated by the forward-looking statements including, but not limited to: (1) our limited ability to control and predict the cessation of employment of recipients of our stock options and our restricted stock; (2) our inability to predict how recipients of restricted stock grants will choose in the future to satisfy the statutory withholding requirements applicable to the restricted stock grants; (3) our inability to predict the CRA’s ultimate disposition of our disputed rebate claim; (4) our inability to predict the severity of issues raised by card associations, our limited ability to make changes to the bankcard transaction processing, and our reliance on third parties for bankcard transaction processing; (5) the uncertainty of the outcome of any pending or threatened litigation; (6) our inability to control the bases on which the letter of credit will be issued, or at all; (7) unanticipated changes to applicable tax rates or laws or changes in our tax position, including changes in the amortization of our tax asset as a result of an audit or otherwise; (8) our inability to control interchange rates and our ability to offer gaming establishments incentives other than increased commission rates and unanticipated cost savings or larger than anticipated revenue increases due to market expansion, competitive success or otherwise; (9) unanticipated changes to applicable tax rates or laws or changes in our tax position, including changes in the amortization of our tax asset as a result of an audit or otherwise; (10) that the senior secured credit facilities may require a guarantee by Arriva in the future; (11) unanticipated needs for working capital, capital expenditures, our inability to satisfy conditions precedent to our ability to borrow additional funds under our senior secured credit facilities or our failure to accurately estimate our operating cash flows as a result of competitive pressures or otherwise; (12) our inability to obtain additional financings through bank borrowings or debt or equity financing at all or on terms that are favorable to us; (13) our inability to control the future business decisions of CIT and the possibility that CIT may decide to retain certain receivables; (14) unanticipated loss of or damage to our equipment or the need to replace our equipment as a result of unanticipated obsolescence, regulatory changes or otherwise; (15) changes in applicable interest rates that result in interest rates lower than LIBOR becoming available to us; (16) our inability to predict the final resolution of any threatened or pending litigation, individually or in the aggregate; (17) the possibility that saturation in the market for cash access products and related services may deter subsequent market entrants; (18) that we may be successful notwithstanding our inability to protect our intellectual property or that we may be unsuccessful notwithstanding the development and protection of our intellectual property; (19) unanticipated changes to applicable tax rates or laws or changes in our tax position, including changes in the amortization of our tax asset as a result of an audit or otherwise; (20) we may be unsuccessful in entering into an agency relationship with another third-party that holds the required money transmitter licenses and we may fail to obtain our own money transmitter licenses; (21) we may be unsuccessful in obtaining an adequate supply of cash for our ATMs from an alternative source on favorable terms or at all; (22) that we may fail to introduce new products or services due to resource constraints, that we may succeed in growing our business notwithstanding the failure to introduce new products or services or that we may fail to grow our business notwithstanding our success in introducing new products and services; (23) the unwillingness of third parties to enter into joint development projects with us or insufficient business rationales for entering into potential joint development projects with third parties in the future; (24) the possibility that CIT decides to retain certain receivables; (25) the payment habits of consumers may vary and we may recover funds earlier than the end of the current monthly statement cycle; (26) our failure to execute our growth strategy notwithstanding our effective management of the expansion of our operations, due to

competitive forces, regulatory restrictions or resource limitations; (27) the possibility that we may fail in the future notwithstanding our attraction, training and retention of key managers; (28) our failure to enter into international markets due to regulatory restrictions, operational limitations or resource constraints; (29) that we may decide that we have sufficiently remediated the material weaknesses, that resource constraints do not permit us to undertake all desired remediation work, or that we decide to allocate our limited resources to matters other than such remediation work; (30) the inherent difficulty in predicting changes in gaming patron demographic profiles; (31) the inherent difficulty in predicting and taking advantage of emerging financial services and payment methods and the possibility that may fail notwithstanding our implementation of new products and services based upon emerging financial services and payment methods; (32) the gaming industry may contract in the future, and we may fail to realize growth from general expansion of the gaming industry due to competitive forces, changing patron preferences and cash carrying habits or resource limitations; (33) easing of consumer and data privacy laws that enable competitors to obtain and exploit marketing information; (34) the possible settlement of lawsuits by problem gamers through operational modifications that do not materially impair our operations; and (35) we may not enter into corporate alliances or acquisitions, we may not conduct follow-on offerings to raise additional capital and we may choose to replace equity-based compensation with cash-based compensation.

We assume no obligation to update any forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q. Readers should also review the cautionary statements and discussion of the risks of our business set forth elsewhere herein under the heading “Risk Factors” under Part II, Item 1A and our other filings with the Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K (No. 001-32622) filed on March 30, 2007 and our Current Reports on Form 8-K.

Overview

We are a provider of cash access products and related services to the gaming industry in the United States and several international markets. Our products and services provide gaming establishment patrons access to cash through a variety of methods, including ATM cash withdrawals, credit card cash advances, point-of-sale debit cash advances, check cashing and money transfers. Commencing in the third quarter of 2006, the Company, through Arriva, began marketing a private-label revolving credit card aimed at consumers who perform cash advance transactions in gaming establishments. In addition, we also provide products and services that improve credit decision-making, automate cashier operations and enhance patron marketing activities for gaming establishments.

We began our operations as a Delaware limited liability company owned by M&C International and entities affiliated with Bank of America Corporation and First Data Corporation in July 1998. In September 2000, Bank of America Corporation sold its entire ownership interest in us to M&C International and First Data Corporation. In March 2004, Global Cash Access, LLC issued \$235 million in aggregate principal amount of 8 ³/₄ % senior subordinated notes due 2012 (the “Notes”) and borrowed \$260 million under senior secured credit facilities. Global Cash Access Holdings, LLC was formed to hold all of the outstanding capital stock of Global Cash Access, Inc. and to guarantee the obligations under the senior secured credit facilities. A substantial portion of the proceeds of these senior subordinated notes and senior secured credit facilities were used to redeem all of First Data Corporation’s interest in us and a portion of M&C International’s interest in us through a recapitalization (the “Recapitalization”), in which Bank of America Corporation reacquired an ownership interest in us. In May 2004, we completed a private equity restructuring (the “Private Equity Restructuring”) in which M&C International sold a portion of its ownership interest in us to a number of private equity investors, including entities affiliated with Summit Partners, and we converted from a limited liability company to a Delaware corporation. In September 2005, Holdings completed an initial public offering of common stock. In connection with that offering, the various equity securities of Holdings that had been outstanding prior to the offering were converted into common stock. In addition, Holdings became a guarantor, on a subordinated basis, of the Notes.

In connection with our conversion from a limited liability company to a corporation for United States federal income tax purposes, we recognized deferred tax assets and liabilities from the expected tax consequences of differences between the book basis and tax basis of our assets and liabilities at the date of conversion into a taxable entity. Prior to our conversion to a corporation, we operated our business as a limited liability company that was treated as a pass through entity for United States federal income tax purposes, making our owners responsible for taxes on their respective share of our earnings.

Three months ended June 30, 2007 compared to three months ended June 30, 2006

The following table sets forth the unaudited condensed consolidated results of operations for the three months ended June 30, 2007 and 2006 (dollars in thousands):

	Three Months Ended			
	June 30, 2007		June 30, 2006	
	\$	%	\$	%
REVENUES:				
Cash advance	\$ 79,702	52.6%	\$ 69,143	51.8%
ATM	61,093	40.3%	54,586	40.9%
Check services	7,492	4.9%	7,459	5.6%
Central Credit and other revenues	3,243	2.1%	2,388	1.8%
Total revenues	<u>151,530</u>	100.0%	<u>133,576</u>	100.0%
Cost of revenues (exclusive of depreciation and amortization)	(109,057)	(72.0)%	(94,292)	(70.6)%
Operating expenses	(17,068)	(11.3)%	(16,636)	(12.5)%
Amortization	(1,353)	(0.9)%	(1,384)	(1.0)%
Depreciation	<u>(1,527)</u>	(1.0)%	<u>(1,050)</u>	(0.8)%
OPERATING INCOME	<u>22,525</u>	14.9%	<u>20,214</u>	15.1%
INTEREST INCOME (EXPENSE), NET				
Interest income	1,021	0.7%	868	0.6%
Interest expense	<u>(9,710)</u>	(6.4)%	<u>(10,701)</u>	(8.0)%
Total interest income (expense), net	<u>(8,689)</u>	(5.7)%	<u>(9,833)</u>	(7.4)%
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	13,836	9.1%	10,381	7.8%
INCOME TAX PROVISION	<u>(5,327)</u>	(3.5)%	<u>(4,140)</u>	(3.1)%
INCOME BEFORE MINORITY OWNERSHIP LOSS	8,509	5.6%	6,241	4.7%
MINORITY OWNERSHIP LOSS, NET OF TAX	59	0.0%	38	0.0%
NET INCOME	<u>\$ 8,568</u>	5.7%	<u>\$ 6,279</u>	4.7%
OTHER DATA:				
Aggregate dollar amount processed (in billions):				
Cash advance	\$ 1.6		\$ 1.4	
ATM	3.4		3.0	
Check warranty	\$ 0.3		\$ 0.3	
Number of transactions completed (in millions):				
Cash advance	2.9		2.5	
ATM	18.5		17.0	
Check warranty	1.3		1.3	

Total Revenues

Total revenues for the quarter ended June 30, 2007 were \$151.5 million, an increase of \$18.0 million, or 13.4%, as compared to the quarter ended June 30, 2006.

The increase in revenues from the second quarter of 2006 to the second quarter of 2007 was primarily due to the reasons described below.

Cash Advance. Cash advance revenue for the quarter ended June 30, 2007 was \$79.7 million, an increase of \$10.6 million, or 15.3%, as compared to the quarter ended June 30, 2006. The total amount of cash disbursed increased 16.9% from \$1.4 billion to \$1.6 billion and the number of transactions completed increased 14.8% from 2.5 million to 2.9 million. Revenue per cash advance transaction increased 0.4% from \$27.18 to \$27.29.

ATM. ATM revenue for the quarter ended June 30, 2007 was \$61.1 million, an increase of \$6.5 million, or 11.9%, as compared to the quarter ended June 30, 2006. The increase was primarily attributable to a 8.9% increase in the number of transactions from 17.0 million to 18.5 million. Revenue per ATM transaction increased 2.8% from \$3.22 to \$3.31. There was a 14.5% increase in the total amount of cash disbursed from \$3.0 billion to \$3.4 billion.

Check Services. Check services revenue for the quarter ended June 30, 2007 was \$7.5 million, an increase of 0.4%, as compared to the quarter ended June 30, 2006. The face amount of checks warranted increased 2.6% from \$339.0 million to \$347.9 million. The number of checks warranted increased 3.3% from 1.29 million to 1.33 million, while the average face amount per check warranted decreased from \$263.51 to \$261.82. Check warranty revenue as a percent of face amount warranted was 1.94% in the 2007 quarter as compared to 2.01% for the quarter ended June 30, 2006, and revenue per check warranty transaction decreased 4.2% from \$5.29 to \$5.07.

Central Credit and Other. Central Credit and other revenues for the quarter ended June 30, 2007, were \$3.2 million, an increase of \$0.9 million, or 35.8%, from \$2.4 million in the quarter ended June 30, 2006. The increase is primarily the result of \$0.7 million of incremental interest and fee revenue earned from Arriva Card cardholders.

Costs and Expenses

Cost of Revenues (Exclusive of Depreciation and Amortization). Cost of revenues (exclusive of depreciation and amortization) increased 15.7% from \$94.3 million to \$109.1 million. The largest component of cost of revenues (exclusive of depreciation and amortization) is commissions, which increased 17.0% in the 2007 quarter as contracts were signed or renewed at higher commission rates than experienced in the 2006 quarter. The second-largest component of cost of revenues (exclusive of depreciation and amortization) is interchange expense, which increased 15.4%. The third major component of cost of revenues (exclusive of depreciation and amortization) is warranty expenses which decreased 26.2%. We expect that commissions and interchange will continue to increase while check warranty expenses decline, and we expect that for the second half of 2007 cost of revenues (exclusive of depreciation and amortization) will increase at a rate faster than revenues.

Operating Expenses. Operating expenses for the quarter ended June 30, 2007 were \$17.1 million, an increase of \$0.4 million or 2.6%, as compared to the quarter ended June 30, 2006. Operating expenses in the second quarter of 2007 included \$3.2 million of non-cash compensation expenses related equity incentive awards issued to our employees, while the second quarter of 2006 included \$2.4 million of non-cash compensation expense. In the three months ended June 30, 2006, we incurred \$0.7 million of expense related to an offering of common stock sold by certain of our stockholders and \$0.2 million in legal expenses related to the settlement of a dispute with a former customer. These expenses did not recur in the comparable period of 2007. Additionally, in the three months ended June 30, 2007 our operating expenses were reduced by \$1.0 million as a result of recovering unclaimed property from our check clearing vendor. Excluding the effects of these events, our operating expenses would have increased \$1.4 million or 10.5%. This was principally the result of increases in payroll and related benefits, system maintenance charges and operating expenses associated with the Arriva Card.

Depreciation and Amortization. Depreciation expense for the quarter ended June 30, 2007 was \$1.5 million, an increase of \$0.5 million, or 45.4% compared to the 2006 quarter. Amortization expense, which relates principally to computer software, customer contracts and our 3-in-1 rollover patent, decreased \$33 thousand to \$1.4 million, or a decrease of 2.2%.

Primarily as a result of the factors described above, operating income for the quarter ended June 30, 2007 was \$22.5 million, an increase of \$2.3 million, or 11.4%, as compared to the quarter ended June 30, 2006.

Interest Income (Expense), Net. Interest income was \$1.0 million in the second quarter of 2007, an increase of 17.6% from the second quarter of 2006, due primarily to higher average cash balances and higher interest rates in the second quarter of 2007.

Interest expense for the quarter ended June 30, 2007, was \$9.7 million, a decrease of \$1.0 million, or 9.3%, as compared to the quarter ended June 30, 2006. This decrease is principally related to lower average interest rates and average outstanding balances on our senior secured credit facilities in the second quarter of 2007. Interest expense on borrowings (including amortization of deferred financing costs) was \$5.6 million in the 2007 quarter as compared to \$6.7 million in the 2006 quarter. The cash usage fee for cash used in our ATMs is included in interest expense. ATM cash usage fees were \$4.1 million in the second quarter of 2007 as compared to \$4.0 million in the same quarter of 2006. This increase was a result of a decrease in the average amount of outstanding ATM cash from \$296.0 million in the second quarter of 2006 to \$290.5 million in the second quarter of 2007 and an increase in the effective interest rate for the quarter from 5.4% to 5.7% for the same periods, respectively.

Primarily as a result of the foregoing, income before income tax provision and minority ownership loss was \$13.8 million for the quarter ended June 30, 2007, an increase of \$3.5 million, or 33.3%, as compared to the 2006 quarter.

Income Tax. The provision for income taxes in the second quarter of 2007 results from our estimate of the effective tax rate for the full year of 38.1% as compared to the estimated full year effective rate of 37.9% during the second quarter of 2006. Due to the amortization of our deferred tax assets for income tax purposes, actual cash taxes paid on pretax income generated in the second quarter of 2007 are expected to be substantially lower than the provision.

Primarily as a result of the foregoing, income before minority ownership loss was \$8.5 million for the quarter ended June 30, 2007, an increase of \$2.3 million, or 36.3%, as compared to the 2006 quarter.

Minority Ownership Loss, Net of Tax. Minority ownership loss, net of tax attributable to Innovative Funds Transfer, LLC (“IFT”) for the quarter ended June 30, 2007 was \$59 thousand as compared to \$38 thousand in the comparable period of 2006.

Primarily as a result of the foregoing, net income was \$8.7 million for the quarter ended June 30, 2007, an increase of \$2.3 million as compared to the 2006 quarter.

Table of Contents

Six months ended June 30, 2007 compared to six months ended June 30, 2006

The following table sets forth the unaudited condensed consolidated results of operations for the six months ended June 30, 2007 and 2006 (dollars in thousands):

	Six Months Ended			
	June 30, 2007		June 30, 2006	
	\$	%	\$	%
REVENUES:				
Cash advance	\$ 157,114	52.3%	\$ 136,198	51.7%
ATM	121,859	40.6%	107,746	40.9%
Check services	14,843	4.9%	14,703	5.6%
Central Credit and other revenues	6,458	2.2%	4,764	1.8%
Total revenues	<u>300,274</u>	100.0%	<u>263,411</u>	100.0%
Cost of revenues (exclusive of depreciation and amortization)	(215,786)	(71.9)%	(185,643)	(70.5)%
Operating expenses	(35,000)	(11.7)%	(31,926)	(12.1)%
Amortization	(2,679)	(0.9)%	(2,886)	(1.1)%
Depreciation	<u>(2,958)</u>	(1.0)%	<u>(2,115)</u>	(0.8)%
OPERATING INCOME	<u>43,851</u>	14.6%	<u>40,841</u>	15.5%
INTEREST INCOME (EXPENSE), NET				
Interest income	1,917	0.6%	1,424	0.5%
Interest expense	<u>(19,353)</u>	(6.4)%	<u>(20,949)</u>	(8.0)%
Total interest income (expense), net	<u>(17,436)</u>	(5.8)%	<u>(19,525)</u>	(7.4)%
INCOME BEFORE INCOME TAX PROVISION AND MINORITY OWNERSHIP LOSS	26,415	8.8%	21,316	8.1%
INCOME TAX PROVISION	<u>(10,070)</u>	(3.4)%	<u>(8,147)</u>	(3.1)%
INCOME BEFORE MINORITY OWNERSHIP LOSS	16,345	5.4%	13,169	5.0%
MINORITY OWNERSHIP LOSS, NET OF TAX	<u>123</u>	0.0%	<u>74</u>	0.0%
NET INCOME	<u>\$ 16,468</u>	5.5%	<u>\$ 13,243</u>	5.0%
OTHER DATA:				
Aggregate dollar amount processed (in billions):				
Cash advance	\$ 3.1		\$ 2.7	
ATM	6.8		5.9	
Check warranty	\$ 0.7		\$ 0.7	
Number of transactions completed (in millions):				
Cash advance	5.7		5.1	
ATM	37.3		33.6	
Check warranty	2.6		2.5	

Total Revenues

Total revenues for the six months ended June 30, 2007 were \$300.3 million, an increase of \$36.8 million, or 14.0%, as compared to the six months ended June 30, 2006.

The increase in revenues from the first half of 2006 to first half of 2007 was primarily due to the reasons described below.

Cash Advance. Cash advance revenue for the six months ended June 30, 2007 was \$157.1 million, an increase of \$20.9 million, or 15.4%, as compared to the six months ended June 30, 2006. The total amount of cash disbursed increased 15.5% from \$2.7 billion to \$3.1 billion and the number of transactions completed increased 12.5% from 5.1 million to 5.7 million. Revenue per cash advance transaction increased 2.5% from \$26.91 to \$27.59.

ATM. ATM revenue for the six months ended June 30, 2007 was \$121.9 million, an increase of \$14.1 million, or 13.1%, as compared to the six months ended June 30, 2006. The increase was primarily attributable to a 11.0% increase in the number of transactions from 33.6 million to 37.3 million. Revenue per ATM transaction increased 1.9% from \$3.20 to \$3.26. There was a 15.3% increase in the total amount of cash disbursed from \$5.9 billion to \$6.8 billion.

Check Services. Check services revenue for the six months ended June 30, 2007 was \$14.8 million, an increase of \$0.1 million, or 1.0%, as compared to the six months ended June 30, 2006. The face amount of checks warranted increased 3.9% from \$661.8 million to \$687.9 million. The number of checks warranted increased 2.9% from 2.5 million to 2.6 million, while the average face amount per check warranted increased from \$259.83 to \$262.46. Check warranty revenue as a percent of face amount warranted was 1.96% in the first six months of 2007 as compared to 2.01% for the six months ended June 30, 2006, and revenue per check warranty transaction decreased 1.7% from \$5.23 to \$5.14.

Central Credit and Other. Central Credit and other revenues for the quarter ended June 30, 2007, were \$6.5 million, an increase of \$1.7 million, or 35.6%, from \$4.8 million in the six months ended June 30, 2006. The increase is primarily the result of \$1.3 million of incremental interest and fee revenue earned from Arriva Card cardholders and \$0.3 million in increases in our billing revenue for Central Credit.

Costs and Expenses

Cost of Revenues (Exclusive of Depreciation and Amortization). Cost of revenues (exclusive of depreciation and amortization) increased 16.2% from \$185.6 million to \$215.8 million. The largest component of cost of revenues (exclusive of depreciation and amortization) is commissions, which increased 17.1% in the first six months of 2007 as contracts were signed or renewed at higher commission rates than experienced in the first half of 2006. The second-largest component of cost of revenues (exclusive of depreciation and amortization) is interchange expense, which increased 15.5%. The third major component of cost of revenues (exclusive of depreciation and amortization) is warranty expenses which decreased 17.3%. We expect that commissions and interchange expenses will continue to increase while check warranty expenses decline, and we expect that for the second half of 2007 cost of revenues (exclusive of depreciation and amortization) will increase at a rate faster than revenues.

Operating Expenses. Operating expenses for the six months ended June 30, 2007 were \$35.0 million, an increase of \$3.1 million or 9.6%, as compared to the six months ended June 30, 2006. Operating expenses in the first half of 2007 included \$6.2 million of non-cash compensation expenses related equity incentive awards issued to our employees, while the first half of 2006 included \$4.3 million of non-cash compensation expense. In the six months ended June 30, 2006, we incurred \$0.7 million of expense related to an offering of common stock sold by certain of our stockholders and \$0.2 million in legal expenses related to the settlement of a dispute with a former customer. These expenses did not recur in the comparable period of 2007. Additionally, in the six months ended June 30, 2007 our operating expenses were reduced by \$1.0 million as a result of recovering unclaimed property from our check clearing vendor. Excluding the effects of these events, our operating expenses would have increased \$3.1 million or 11.5%. This was principally the result of increases in payroll and related benefits, system maintenance charges and operating expenses associated with the Arriva Card.

Depreciation and Amortization. Depreciation expense for the six months ended June 30, 2007 was \$3.0 million, an increase of \$0.8 million, or 39.9% compared to the comparable period of 2006. Amortization expense, which relates principally to computer software, customer contracts and our 3-in-1 rollover patent, decreased \$0.2 million from \$2.9 million to \$2.7 million, a decrease of 7.2%.

Primarily as a result of the factors described above, operating income for the six months ended June 30, 2007 was \$43.9 million, an increase of \$3.0 million, or 7.4%, as compared to the six months ended June 30, 2006.

Interest Income (Expense), Net. Interest income was \$1.9 million in the first half of 2007, an increase of 34.6% from the comparable period of 2006, due primarily to higher average cash balances and higher average interest rates in 2007.

Interest expense for the six months ended June 30, 2007, was \$19.4 million, a decrease of \$1.6 million, or 7.6%, as compared to the six months ended June 30, 2006. This deduction is principally the result of lower average interest rates on our senior secured credit facilities and lower average borrowings. Interest expense on borrowings (including amortization of deferred financing costs) was \$11.3 million in the 2007 six month period as compared to \$13.4 million in the 2006 period. The cash usage fee for cash used in our ATMs is included in interest expense. ATM cash usage fees were \$8.0 million in the first six months of 2007 as compared to \$7.5 million in the same period of 2006. This increase in interest was a result of a decrease in the average amount of outstanding ATM cash from \$293.2 million in the first half of 2006 to \$285.4 million in the comparable period of 2007 and an increase in the effective interest rate for the quarter from 5.2% to 5.7% for the same periods, respectively.

Primarily as a result of the foregoing, income before income tax provision and minority ownership loss was \$26.4 million for the six months ended June 30, 2007, an increase of \$5.1 million, or 23.9%, as compared to the 2006 period.

Income Tax. The provision for income taxes in the first six months of 2007 represents our estimate of the effective tax rate for the full year of 38.1% as compared to the estimated full year effective rate of 37.9% in the first six months of 2006. Due to the amortization of our deferred tax assets for income tax purposes, actual cash taxes paid on pretax income generated in the first half of 2007 are expected to be substantially lower than the provision.

Primarily as a result of the foregoing, income before minority ownership loss was \$16.3 million for the six months ended June 30, 2007, an increase of \$3.2 million, or 24.1%, as compared to 2006.

Minority Ownership Loss, Net of Tax. Minority ownership loss, net of tax attributable to Innovative Funds Transfer, LLC (“IFT”) for the six months ended June 30, 2007 was \$123 thousand as compared to \$74 thousand in the comparable period of 2006.

Primarily as a result of the foregoing, net income was \$16.5 million for the six months ended June 30, 2007, an increase of \$3.2 million as compared to the comparable 2006 period.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2007 and 2006, respectively (amounts in thousands):

	<u>Six Months Ended</u>	
	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u>
Net cash provided by operating activities	\$ 38,129	\$ 37,382
Net cash used in investing activities	(3,828)	(10,452)
Net used in financing activities	(12,788)	(3,233)
Net effect of exchange rate changes on cash and cash equivalents	<u>(700)</u>	<u>(185)</u>
Net increase in cash and cash equivalents	20,813	23,512
Cash and cash equivalents, beginning of period	<u>40,919</u>	<u>35,123</u>
Cash and cash equivalents, end of period	<u>\$ 61,732</u>	<u>\$ 58,635</u>

Our principal source of liquidity is cash flows from operating activities, which were \$38.1 million and \$37.4 million for the six months ended June 30, 2007 and 2006, respectively. Changes in operating assets and liabilities accounted for a net decrease of \$9.5 million in cash flow from operating activities. Offsetting this decrease is the net change in settlement receivables and liabilities of \$3.8 million and an increase of \$6.4 million from increases in net income, the add back of non-cash compensation expense to net income and the net increase in cash tax savings added back to the deferred income tax asset.

Net cash used in investing activities totaled \$3.8 million and \$10.5 million for the six months ended June 30, 2007 and 2006, respectively. Included in net cash used in investing activities for the six months ended June 30, 2007 and 2006, respectively, were funds spent on purchased software and software development in the amounts of \$0.8 million and \$1.0 million and funds spent on the procurement of cash access equipment, computer and other hardware in the amounts of \$3.0 million and \$9.5 million. We have met our capital requirements to date through cash flows from operating activities.

Net cash used in financing activities was \$12.8 million compared to \$3.2 million of cash provided for the six months ended June 30, 2007 and 2006, respectively. Under terms of the credit facility that we entered into in the fourth quarter of 2006, our required quarterly principal amortization was significantly reduced. In the six months ended June 30, 2007 we repaid \$0.5 million of scheduled principal on the term loan and \$10.0 million of voluntary repayments on the revolving portion of our credit facilities while in the six months ended June 30, 2006 we repaid \$4.6 million. In the six months ended June 30, 2007 and 2006, the net cash used also includes payments for debt issuance costs of \$23 thousand and \$139 thousand, respectively. In 2007, the Company's Board of Directors authorized the repurchase of up to \$50 million shares of common stock. During the six months ended June 30, 2007, we repurchased \$3.6 million worth of common stock in open market purchases and employee tax withholding transactions from vesting of restricted shares under the Company's equity incentive programs. Offsetting the cash used was \$1.0 million and \$1.3 million in proceeds from the exercise of stock options by our employees in the first half of 2007 and 2006, respectively. In the six months ended June 30, 2007 and 2006, we also received \$0.4 million and \$0.2 million, respectively, in capital contributions from its minority owner of IFT.

Borrowings

On November 1, 2006, GCA and Holdings entered into a Second Amended and Restated Credit Agreement with certain lenders, Bank of America, N.A., as Administrative Agent and Wachovia Bank, N.A., as Syndication Agent (the "Second Amended and Restated Credit Agreement"), which amended and restated the terms of the First Amended and Restated Credit Agreement. The Second Amended and Restated Credit Agreement amended and restated the terms of GCA's existing senior secured credit facilities to provide for a \$100.0 million term loan facility and a \$100.0 million five-year revolving credit facility, with a \$25.0 million letter of credit sublimit and a \$5.0 million swingline loan sublimit. The Second Amended and Restated Credit Agreement also contains an increase option permitting GCA to arrange with existing lenders and/or new lenders for them to provide up to an aggregate of \$150.0 million in additional term loan or revolving credit commitments.

The Second Amended and Restated Credit Agreement significantly amended and restated the terms of the First Amended and Restated Credit Agreement to, among other things, reduce the rate at which interest accrues on certain borrowings under the senior secured credit facilities and modify certain other terms, conditions, provisions and covenants in connection with the senior secured credit facilities.

Principal, together with accrued interest, is due on the maturity date, November 1, 2011. GCA may prepay the loans and terminate the commitments at any time, without premium or penalty, subject to certain qualifications set forth in the Second Amended and Restated Credit Agreement. Furthermore, the Second Amended and Restated Credit Agreement contains mandatory prepayment provisions which, under certain circumstances, obligate GCA to apply defined portions of its cash flow to prepayment of the senior secured credit facilities.

Pursuant to the Second Amended and Restated Credit Agreement, the senior secured credit facilities continue to be secured by substantially all of the assets of the Company, GCA and GCA's wholly-owned domestic subsidiaries other than Arriva, and will continue to be guaranteed by the Company and all of GCA's wholly-owned domestic subsidiaries other than Arriva.

The Second Amended and Restated Credit Agreement contains customary affirmative and negative covenants, financial covenants, representations and warranties and events of defaults, which are subject to important exceptions and qualifications, as set forth in the Second Amended and Restated Credit Agreement.

On March 10, 2004, we completed a private placement offering of the Notes. All of GCA's existing and future domestic wholly owned subsidiaries are guarantors of the Notes on a senior subordinated basis. In addition, effective upon the closing of the Company's initial public offering of common stock, Holdings guaranteed, on a subordinated basis, GCA's obligations under the Notes.

Interest on the Notes accrues based upon a 360-day year comprised of twelve 30-day months and is payable semiannually on March 15th and September 15th. On October 31, 2005, \$82.25 million or 35% of these Notes were redeemed at a price of 108.75% of face, out of the net proceeds from our initial public offering. The Company may redeem all or a portion of the Notes at redemption prices of 104.375% on or after March 15, 2008, 102.188% on or after March 15, 2009 or 100.000% on or after March 15, 2010.

Deferred Tax Asset

At June 30, 2007, we had a net deferred income tax asset of a \$182.4 million. We recognized a deferred tax asset upon our conversion from a limited liability company to a corporation on May 14, 2004. Prior to that time, all tax attributes flowed through to the members of the limited liability company. The principal component of the deferred tax asset is a difference between our assets for financial accounting and tax purposes. This difference results from a significant balance of Acquired Goodwill (approximately \$686 million) which is recorded for tax purposes but not for accounting purposes. This asset is amortized over 15 years for tax purposes, resulting in annual pretax income being \$45.7 million lower for tax purposes than for financial accounting purposes. At an estimated effective tax rate of 38.1%, this results in tax payments being approximately \$17.4 million less than the provision for income taxes shown on the income statement for financial accounting purposes. This is an expected aggregate of \$202.4 million in cash savings over the remaining life of the portion of our deferred tax asset related to the conversion.

Other Liquidity Needs and Resources

Bank of America, N.A. supplies us with currency needed for normal operating requirements of our ATMs pursuant to the Amendment of the Treasury Services Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all ATMs multiplied by average LIBOR for one-month United States dollar deposits for each day that rate is published in that month plus a margin of 25 basis points. We are therefore exposed to interest rate risk to the extent that the applicable LIBOR increases. As of June 30, 2007, the rate in effect, inclusive of the 25 basis points margin, was 5.6%, and the currency supplied by Bank of America, N.A. pursuant to this agreement was \$325.2 million.

We need supplies of cash to support our foreign operations that involve the dispensing of currency. For some foreign jurisdictions, applicable law and cross-border treaties allow us to transfer funds between our domestic and foreign operations efficiently. The income from the United Kingdom branch operation is taxed as earned in the United States and United Kingdom. This double taxation is removed through tax treaty and the subsequent use of the United States foreign tax credit. As a result, transfer of funds between our domestic and United Kingdom operations can be handled efficiently with no restrictive repatriation considerations.

For other foreign jurisdictions, we must rely on the supply of cash generated by our operations in those foreign jurisdictions, as the costs of repatriation are prohibitive. For example, CashCall, the subsidiary through which we operate in Canada, generates a supply of cash that is sufficient to support its operations, and all cash generated through such operations is retained by CashCall. As we expand our operations into new foreign jurisdictions, we must rely on treaty-favored cross-border transfers of funds, the supply of cash generated by our operations in those foreign jurisdictions or alternate sources of working capital.

Pursuant to the terms of our agreement with IGT, we are obligated to invest up to our pro rata share of \$10.0 million in capital to IFT. Our obligation to invest additional capital in IFT is conditioned upon capital calls, which are in our sole discretion. As of June 30, 2007, we had invested a total of \$4.6 million in IFT.

We believe that borrowings available under our senior secured credit facilities, together with our anticipated operating cash flows, will be adequate to meet our anticipated future requirements for working capital, capital expenditures and scheduled interest payments on the Notes and under our senior secured credit facilities for the next 12 months and for the foreseeable future. Although no additional financing is currently contemplated, we may seek, if necessary or otherwise advisable and to the extent permitted under the indenture governing the Notes and the terms of the senior secured credit facilities, additional financing through bank borrowings or public or private debt or equity financings. We cannot ensure that additional financing, if needed, will be available to us, or that, if available, the financing will be on terms favorable to us. The terms of any additional debt or equity financing that we may obtain in the future could impose additional limitations on our operations and/or management structure. We also cannot ensure that the estimates of our liquidity needs are accurate or that new business developments or other unforeseen events will not occur, resulting in the need to raise additional funds.

Off-Balance Sheet Arrangements

Bank of America Amended Treasury Services Agreement. We obtain currency to meet the normal operating requirements of our domestic ATMs and automated cashier machines (“ACM”) pursuant to the Amendment of the Treasury Services Agreement with Bank of America, N.A. Under this agreement, all currency supplied by Bank of America, N.A. remains the sole property of Bank of America, N.A. at all times until it is dispensed, at which time Bank of America, N.A. obtains an interest in the corresponding settlement receivable. Because it is never an asset of ours, supplied cash is not reflected on our balance sheet. At June 30, 2007, the total currency obtained from Bank of America, N.A. pursuant to this agreement was \$325.2 million. Because Bank of America, N.A. obtains an interest in our settlement receivables, there is no liability corresponding to the supplied cash reflected on our balance sheet. The fees that we pay to Bank of America, N.A. for cash usage pursuant to the Amendment of the Treasury Services Agreement are reflected as interest expense in our financial statements. Foreign gaming establishments supply the currency needs for the ATMs located on their premises.

Our agreement with Bank of America, N.A. will expire on November 6, 2007, and we are currently negotiating with them to extend this agreement.

Arriva Card, Inc. Pursuant to the Receivables Sale Agreement and the Revolving Loan Product Program Agreement entered into in March 2006 between CIT and Arriva, CIT is the legal issuer of the Arriva Cards marketed by Arriva. The Arriva Card is a private-label revolving credit card that provides gaming patrons with access to credit in gaming establishments.

When a customer uses the Arriva Card for a transaction, CIT extends credit to the patron for the face amount of transaction and the fee charged and acquires the receivable from the customer. Arriva is entitled to receive all fees and interest income associated with the receivable. The other fees are included within other revenues in the condensed consolidated statements of income and the receivables from the patrons for this revenue is recorded as part of receivables other, net in the condensed consolidated balance sheets.

As of June 30, 2007, CIT had \$2.5 million in outstanding patron receivables from originated transactions performed on Arriva Cards. Arriva has the option to purchase the originated receivable from CIT at any time between three and 180 days (the "Holding Period") from the date CIT acquires the receivable. CIT has the right to require Arriva to purchase any receivables that have a first payment default, cardholder death or bankruptcy during the first 180 days from acquisition, and CIT will require Arriva to purchase the net amount of all such receivables 180 days after acquisition. For the three and six months ended June 30, 2007, Arriva has purchased \$13.2 million and \$21.7 million of receivables from CIT, respectively. CIT is entitled to receive monthly from Arriva a fee based on the average balance of receivables multiplied by an interest rate. The interest rate is computed based upon the Holding Period. As of June 30, 2007, the interest is determined as LIBOR plus 225 basis points, or approximately 7.6%.

Additionally, Arriva is required to pay CIT an origination fee for the extension of credit on receivables. This origination fee is computed as the principal amount of the extension of credit multiplied by 0.25%. In the first year of the program Arriva is committed to paying \$100 thousand in minimum origination fees. In each subsequent year, this minimum origination fee is increased to \$200 thousand.

Senior Secured Credit Facility— As of June 30, 2007, we have \$3.2 million in standby letters of credit outstanding as a collateral security for First Data Corporation related to a Sponsorship Indemnification Agreement whereby First Data agreed to continue their guarantee of performance for us to Bank of America for our sponsorship as a Bank Identification Number and Interbank Card Association licensee under the applicable Visa and MasterCard rules. GCA has agreed to indemnify First Data Corporation and its affiliates against any and all losses and expenses arising from its indemnification obligations pursuant to that agreement. Additionally, we had \$50 thousand in standby letters of credit issued and outstanding as collateral on surety bonds for certain licenses held related to our Nevada check cashing licenses.

Effects of Inflation

Our monetary assets, consisting primarily of cash and receivables, are not significantly affected by inflation. Our non-monetary assets, consisting primarily of our deferred tax asset, goodwill and other intangible assets, are not affected by inflation. We believe that replacement costs of equipment, furniture and leasehold improvements will not materially affect our operations. However, the rate of inflation affects our operating expenses, such as those for salaries and benefits, armored carrier expenses, telecommunications expenses and equipment repair and maintenance services, which may not be readily recoverable in the financial terms under which we provide our cash access products and services to gaming establishments and their patrons.

Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our consolidated financial statements. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the financial condition and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain. There were no newly identified significant accounting estimates in the six months ended June 30, 2007.

There were not any material changes to the critical accounting policies and estimates discussed in the Company's audited consolidated financial statements for the year ended December 31, 2006, included in the Company's Annual Report on Form 10-K (No. 001-32622) filed on March 30, 2007.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to foreign currency exchange risk. We operate and conduct business in foreign countries and, as a result, are exposed to movements in foreign currency exchange rates. Our exposure to foreign currency exchange risk related to our foreign operations is not material to our results of operations, cash flows or financial position. At present, we do not hedge this risk, but continue to evaluate such foreign currency translation risk exposure. At present, we do not hold any derivative securities of any kind.

Bank of America, N.A. supplies us with currency needed for normal operating requirements of our domestic ATMs and ACMs pursuant to the Amendment of the Treasury Services Agreement. Under the terms of this agreement, we pay a monthly cash usage fee based upon the product of the average daily dollars outstanding in all ATMs and ACMs multiplied by the average LIBOR for one-month United States dollar deposits for each day that rate is published in that month plus a margin of 25 basis points. We are therefore exposed to interest rate risk to the extent that the applicable LIBOR increases. As of June 30, 2007, the rate in effect, inclusive of the 25 basis points margin, was 5.6% and the currency supplied by Bank of America, N.A. pursuant to this agreement was \$325.2 million. Based upon the average outstanding amount of currency to be supplied by Bank of America, N.A. pursuant to this agreement during the first six months of 2007, which was \$285.4 million, each 1% increase in the applicable LIBOR would have a \$2.9 million impact on income before taxes and minority ownership loss over a 12-month period. Foreign gaming establishments supply the currency needs for the ATMs located on their premises.

Our senior secured credit facilities bear interest at rates that can vary over time. We have the option of having interest on the outstanding amounts under these credit facilities paid based on a base rate (equivalent to the prime rate) or based on the Eurodollar rate (equivalent to LIBOR). We have historically elected to pay interest based on the one month United States dollar LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities. At June 30, 2007, our interest expense on these credit facilities is the applicable LIBOR plus a margin of 112.5 basis points for the term loan portion and LIBOR plus 112.5 basis points for the revolving credit portion. At June 30, 2007, we had \$11.7 million drawn under the revolving credit portion and we had \$99.5 million outstanding under the term loan portion at an interest rate, including the margin, of 6.4%. Based upon the outstanding balance on the term loan and revolving loan portion of the credit facility of \$111.2 million on June 30, 2007, each 1% increase in the applicable LIBOR would add an additional \$1.1 million of interest expense over a 12-month period.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. While our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives, the design of any system of controls is based in part upon assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions regardless of how remote. Based on the evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined by the SEC in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2007. Such conclusion resulted from the identification of deficiencies that were determined to be material weaknesses as reported in Item 9A of our Annual Report on Form 10-K dated March 30, 2007, and described under “Changes in Internal Control Over Financial Reporting”.

Notwithstanding management’s evaluation that our disclosure controls and procedures were not effective as of June 30, 2007, we believe that the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q correctly present our financial condition, results of operations and cash flows for the periods covered thereby in all material respects.

Changes in Internal Control Over Financial Reporting

As reported in Item 9A of our Annual Report on Form 10-K dated March 30, 2007, management concluded that its internal control over financial reporting was not effective as of December 31, 2006. Such conclusion resulted from the identification of deficiencies that were determined to be material weaknesses. Specifically, we did not have appropriate internal controls in the following areas:

- Ineffective controls related to staffing in finance and accounting: During 2006, we had a high level of turnover of personnel in our finance and accounting staff, which resulted in certain controls not operating effectively as of December 31, 2006. This material weakness did not result in a material adjustment to our 2006 consolidated financial statements but did contribute significantly to the following internal control deficiencies each of which is considered to be a material weakness:
 - Ineffective control related to the reconciliation and analysis of accounts: The control designed to ensure the timely and accurate preparation, review and approval of account analyses and reconciliations did not operate effectively. Specifically, certain reconciliations and analyses were not performed in a timely manner.
 - Ineffective controls related to the financial reporting close process: Certain controls designed to ensure the timely and accurate preparation, review and approval of our accounts and financial statements did not operate effectively. Specifically, 1) certain journal entries were not reviewed and approved by appropriate finance and accounting personnel, 2) certain checklists were not maintained or reviewed and approved by appropriate finance and accounting personnel, and 3) we were unable to adhere to our pre-determined closing and reporting calendar.
 - Ineffective controls related to income taxes: Certain controls designed to ensure the timely and accurate calculation of our provision for income taxes did not operate effectively. Certain matters affecting our income tax provision were not identified on a timely basis by finance and accounting personnel. Further, our process to timely and accurately quantify temporary differences did not operate effectively.
 - Ineffective controls related to the accounts payable process: Certain controls designed to ensure the timely and accurate disbursement of Company funds did not operate effectively. Specifically, 1) certain disbursements were not properly reviewed for appropriate coding and cut-off and 2) the vendor master file was not reviewed by finance and accounting management for pertinence and accuracy.

Table of Contents

- Inadequate controls related to commissions: We did not have appropriate internal control design related to how we calculate the amount of commissions we pay our customers. Specifically, 1) internal controls over commission set-up did not include a comparison of commission rates to contractual terms and 2) there was an ineffective process to determine the appropriate commission type and amount. In addition, some of the databases and applications used to maintain transaction records and perform certain commission computations were maintained by a third party, and appropriate controls to monitor and approve changes were not in place.

During our second quarter ended June 30, 2007, and subsequent thereto, we have completed certain remediation initiatives, which include:

- The hiring of a commission analyst with an auditing background to oversee the commission audit process and the development of automated commission calculations and review tools; and
- Implementation of the accounts payable portion of the new accounting system.

We continue to undertake extensive work to remedy the material weaknesses described above. This includes, but is not limited to, the following remediation initiatives:

- With turnover in 2007 limited to staff level positions, we continue with the hiring of several accounting staff and management positions; and
- Completion of the implementation of a new integrated accounting system and accounts payable system, which enables us to move from manual controls to more automated internal controls.

While management believes progress has been made regarding the implementation of these initiatives, additional procedures and further evaluation are on-going. Remediation of the material weaknesses identified at December 31, 2006, remains a priority for us during fiscal 2007.

Except for the remediation initiatives with respect to the material weaknesses described above and the general ledger system conversion that occurred in the second fiscal quarter, there have been no changes in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are threatened with or named as a defendant in various lawsuits in the ordinary course of business, such as personal injury claims and employment-related claims. It is not possible to determine the ultimate disposition of these matters; however, we are of the opinion that the final resolution of any such threatened or pending litigation, individually or in the aggregate, is not likely to have a material adverse effect on our business, cash flow, results of operations or financial position.

ITEM 1A. RISK FACTORS

The risk factors set forth below captioned “ **We depend on the accuracy and completeness of information...**,” “ **We may experience increased delinquencies and credit losses...** ” and “ **We may be subject to additional risks of which we are not aware ...** ” have been added to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2006, and the risk factors captioned “ **Because of a significant concentration among our top customers ...**,” “ **Because of our dependence on a few providers...**,” “ **Certain providers upon whom we are dependent ...**,” “ **We may not be successful in our entry into the consumer credit business...**,” “ **We depend on key personnel ...** ” and “ **Growth of the gaming industry in any market is subject to political and regulatory developments ...** ”, have been materially modified from prior versions of these risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2006.

Risks Related to Our Business

If we are unable to maintain our current customers on terms that are favorable to us, our business, financial condition and operating results may suffer a material adverse effect.

We enter into contracts with our gaming establishment customers to provide our cash access products and related services. In general, our contracts have a term ranging from three to five years in duration and provide that we are the only provider of cash access products to these establishments during the term of the contract. However, some of our contracts are terminable upon 30 days advance notice and some of our contracts either become nonexclusive or terminable by our gaming establishment customers in the event that we fail to satisfy specific covenants set forth in the contracts, such as covenants related to our ongoing product development. We are typically required to renegotiate the terms of our customer contracts upon their expiration, and in some circumstances we may be forced to modify the terms of our contracts before they expire. When we have successfully renewed these contracts, these negotiations have in the past resulted in, and in the future may result in, financial and other terms that are less favorable to us than the terms of the expired contracts. In particular, we are often required to pay a higher commission rate to a gaming establishment than we previously paid in order to renew the relationship. Assuming constant transaction volume, increases in commissions or other incentives paid to gaming establishments would reduce our operating results. We may not succeed in renewing these contracts when they expire, which would result in a complete loss of revenue from that customer, either for an extended period of time or forever. As our contracts are often executed by one corporation for the provision of services at multiple gaming establishments, the loss of a single contract often results in the loss of multiple gaming establishments. If we are required to pay higher commission rates or agree to other less favorable terms to retain our customers or we are not able to renew our relationships with our customers upon the expiration of our contracts, our business, financial condition and operating results would be harmed.

Competition in the market for cash access services is intense, which could result in higher commissions or loss of customers to our competitors.

The market for cash access products and related services is intensely competitive, and we expect competition to increase and intensify in the future. We compete with other providers of cash access products and services such as Game Financial Corporation, a subsidiary of Fidelity National Information Services Inc. operating as GameCash; Global Payment Systems operating as Cash & Win; and Cash Systems, Inc. We compete with financial institutions such as U.S. Bancorp and other regional and local banks that operate ATMs on the premises of gaming establishments. In markets outside North America, we encounter competition from banks and other financial service companies established in those markets. We face potential competition from gaming establishments that may choose to operate cash access systems on their own behalf rather than outsource to us. We may in the future also face competition from traditional transaction processors, such as First Data, that may choose to enter the gaming patron cash services market. In connection with our redemption of First Data’s interest in us, First Data agreed not to compete with us prior to March 10, 2007. Given its familiarity with our specific industry and business and operations as a result of being our majority owner from inception until March 10, 2004, First Data could be a significant competitive threat now that this covenant not to compete has expired. In addition, we may in the future face potential competition from new entrants into the market for cash access products and related services and, subject to certain covenants made by some of the banks that sponsor us into the card associations, competition from such banks during and after expiration of our contracts with such banks. Some of our competitors and potential competitors have significant advantages over us, including greater name recognition, longer operating histories, pre-existing relationships with current or potential customers, significantly greater financial, marketing and other resources and more ready access to capital which allow them to respond more quickly to new or changing opportunities. In addition, some providers of cash access products and services to gaming establishments have established cooperative relationships with financial institutions in order to expand their service offerings.

Other providers of cash access products and services to gaming establishments have in the past increased, and may in the future continue to increase, the commissions or other incentives they pay to gaming establishments in order to win those gaming establishments as customers and to gain market share. To the extent that competitive pressures force us to increase commissions or other incentives to establish or maintain relationships with gaming establishments, our business and operating results could be adversely affected.

Under our agreements with NRT, Western Money Systems and Glory (U.S.A.) Inc., these companies are generally prohibited from providing their cash handling services on any device that provides cash access services of other providers. Upon the expiration or termination of our agreements with NRT, Western Money Systems and Glory (U.S.A.) Inc., we may face competition from these companies or other providers of cash access services to the extent that NRT, Western Money Systems or Glory (U.S.A.) Inc. enters the market to provide these services or establishes cooperative relationships with other cash access service providers.

Because of significant concentration among our top customers, the loss of a top customer could have a material adverse effect on our revenues and profitability.

For the six months ended June 30, 2007 and the year ended December 31, 2006, our five largest customers accounted for approximately 40.3% and 40.2% of our revenues, respectively. Our largest customer accounted for 19.3% and 18.1% of our revenues in the six months ended June 30, 2007 and the year ended December 31, 2006, respectively. The loss of, or a substantial decrease in revenues from, any one of our top customers could have a material adverse effect on our business and operating results.

Consolidation among operators of gaming establishments may also result in the loss of a top customer to the extent that customers of ours are acquired by our competitors' customers.

We depend on key personnel and they would be difficult to replace .

We depend upon the ability and experience of members of senior management who have substantial experience with our operations and the gaming patron cash access industry. We are highly dependent on the involvement of Kirk Sanford, our President and Chief Executive Officer. In July 2007, Mr. Sanford also assumed the role of Chief Financial Officer on an interim basis. We are currently undertaking a search for a permanent Chief Financial Officer. Even if we are able to identify and hire a qualified successor, the individual selected may not be able to immediately understand our industry or unique operations. While this transition occurs there could be significant inefficiencies in our operations and management.

Other than Mr. Sanford and Kathryn Lever, our General Counsel, none of our executive officers have employment agreements with us. The loss of Mr. Sanford could have a material adverse effect on our business. We currently have a \$2.0 million key-man life insurance policy in effect on Mr. Sanford with the Company as the beneficiary.

Our future success depends upon our ability to attract, train and retain key managers involved in the development, operation and marketing of our products and services to gaming establishments. We may need to increase the number of key managers as we further develop our products and services and as we enter new markets and expand in existing markets. Our ability to enter into contracts with gaming establishments depends in large part on the relationships that our key managers have formed with management-level personnel of gaming establishments. Competition for individuals with such relationships is intense, and we may not be successful in recruiting such personnel. In addition, we may not be able to retain such individuals as they may leave our company and go to work for our competitors. Our sales efforts would be particularly hampered by the defection of personnel with long-standing relationships with management-level personnel of gaming establishments. If we are unable to attract or retain key personnel, our business, financial condition, operating results and liquidity could be materially adversely affected.

We may be subject to additional risks of which we are not aware due to the recent termination of our prior chief financial officer.

We relied heavily on our prior chief financial officer for the management and oversight of a substantial portion of our operations, including our internal accounting and financial reporting functions. His employment was terminated prior to the completion of the closing process for the fiscal quarter ended June 30, 2007. Upon the termination of his employment, other personnel have assumed his duties and are in the process of familiarizing themselves with the processes, systems and procedures that are necessary to understand our operations from an internal accounting and financial reporting perspective. Their ability to assess the Company's financial condition and results of operations is limited by the limited amount of transition time that they have been provided. With the benefit of additional transition time, they may identify additional risks to our operations, financial condition or prospects.

If we are unable to protect our intellectual property adequately, we may lose a valuable competitive advantage or be forced to incur costly litigation to protect our rights.

Our success depends on developing and protecting our intellectual property. We have entered into license agreements with other parties for intellectual property that is critical to our business. We rely on the terms of these license agreements, as well as copyright, patent, trademark and trade secret laws to protect our intellectual property. We also rely on other confidentiality and contractual agreements and arrangements with our employees, affiliates, business partners and customers to establish and protect our intellectual property and similar proprietary rights. We hold two issued patents and have three patent applications pending. These patent applications may not become issued patents. If they do not become issued patents, our competitors would not be prevented from using these inventions.

We have also entered into license agreements with other parties for the exclusive use of their technology and intellectual property rights in the gaming industry, such as our license to use portions of the software infrastructure upon which our systems operate from Infonox. We rely on these other parties to maintain and protect this technology and the related intellectual property rights. If our licensors fail to protect their intellectual property rights in material that we license and we are unable to protect such intellectual property rights, the value of our licenses may diminish significantly and our business could be significantly harmed. It is possible that third parties may copy or otherwise obtain and use our information and proprietary technology without our authorization or otherwise infringe on our intellectual property rights or intellectual property rights that we exclusively license. In addition, we may not be able to deter current and former employees, consultants, and other parties from breaching confidentiality agreements with us and misappropriating proprietary information from us or other parties. If we are unable to adequately protect our intellectual property or our exclusively licensed rights, or if we are unable to continue to obtain or maintain licenses for proprietary technology from other parties, including in particular Infonox, it could have a material adverse effect on the value of our intellectual property, our reputation, our business and our operating results.

We may have to rely on costly litigation to enforce our intellectual property rights and contractual rights. For example, from 2004 to 2006 we pursued a claim against competitors of ours alleging the infringement of the patented "3-in-1 rollover". By pursuing this type of litigation, we become exposed to the risk that defendants will attempt to invalidate our right to the subject intellectual property or otherwise limit its scope. If litigation that we initiate is unsuccessful, we may not be able to protect the value of our intellectual property and our business could be adversely affected. In addition, in the litigation we do initiate, the defendants may assert various counterclaims that may subject us to liability. In addition to losing the ability to protect our intellectual property, we may also be liable for damages. We may also face difficulty enforcing our rights in the QuikCash trademark because of the timing and sequence of some of the assignment and renewal actions relating to the trademark.

In addition, we may face claims of infringement that could interfere with our ability to use technology or other intellectual property rights that are material to our business operations. In the event a claim of infringement against us is successful, we may be required to pay royalties to use technology or other intellectual property rights that we had been using or we may be required to enter into a license agreement and pay license fees, or we may be required to stop using the technology or other intellectual property rights that we had been using. We may be unable to obtain necessary licenses from third parties at a reasonable cost or within a reasonable time. Any litigation of this type, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources.

We are subject to extensive rules and regulations of card associations, including MasterCard International, Visa International and Visa U.S.A., that are always subject to change, which may harm our business.

In 2006 and the first six months of 2007, a substantial portion of our revenues were derived from transactions subject to the extensive rules and regulations of the leading card associations, Visa International and Visa U.S.A. (collectively “VISA”), and MasterCard International (“MasterCard”). From time to time, we receive correspondence from these card associations regarding our compliance with their rules and regulations. In the ordinary course of our business, we engage in discussions with the card associations, and the banks that sponsor us into the card associations, regarding our compliance with their rules and regulations. The rules and regulations do not expressly address some of the contexts and settings in which we process cash access transactions, or do so in a manner subject to varying interpretations. For example, neither of the major card associations has determined that our ability to process credit card cash advance transactions using biometric technology at an unmanned machine and without cashier involvement through our ACM complies with its regulations. One association has allowed us to conduct these transactions as long as we assume chargeback liability for any transaction in which we do not obtain a contemporaneous cardholder signature. An increase in the level of chargebacks could have a material adverse effect on our business or results of operations. The other association has allowed us to conduct a limited pilot test. Therefore, patrons still must complete these transactions at the cashier, which is less convenient to patrons and prevents gaming establishments from realizing potential cashier labor cost savings. As another example, in 2003, one of the major card associations informed our sponsoring bank that authorization requests originating from our systems needed to be encoded to identify our transactions as gambling transactions, even though our services do not directly involve any gambling activity. This resulted in a large number of card issuing banks declining all transactions initiated through our services. We resolved this issue by encoding the authorization requests with an alternative non-gambling indicator that the card association agreed was applicable. As another example, we must continue to comply with the Payment Card Industry Data Security Standard. These examples only illustrate some of the ways in which the card association rules and regulations have affected us in the past or may affect us in the future; there are many other ways in which these rules and regulations may adversely affect us beyond the examples provided in this document.

The card associations’ rules and regulations are always subject to change, and the card associations may modify their rules and regulations from time to time. Given the recent ownership changes in the card associations, the possibility of such changes may increase. Our inability to anticipate changes in rules, regulations or the interpretation or application thereof may result in substantial disruption to our business. In the event that the card associations or our sponsoring banks determine that the manner in which we process certain types of card transactions is not in compliance with existing rules and regulations, or if the card associations adopt new rules or regulations that prohibit or restrict the manner in which we process certain types of card transactions, we may be forced to pay a fine, modify the manner in which we operate our business or stop processing certain types of cash access transactions altogether, any of which could have a material negative impact on our business and operating results.

In both our credit card and POS debit card cash advance businesses, patrons are generally issued a negotiable instrument which is surrendered to the gaming establishment in exchange for cash. These transactions are classified by the card associations as “quasi-cash” transactions, and are identified to the card associations as such by the use of a specific merchant processing code. These merchant processing codes are unique to the respective card associations and the issuing banks use these codes as one of the factors they consider in determining whether to authorize such transactions. We have introduced EDITH, a new product that dispenses a bar-coded slot ticket based on a POS debit authorization. It has not yet been determined whether the associations will deem the slot ticket a negotiable instrument or not. If they do not, we may be required to route such transactions using a different merchant processing code, and the use of a different merchant processing code may result in lower approval rates and higher interchange expense than we experience with quasi-cash transactions. If approval rates for EDITH transactions are lower than approval rates for quasi-cash transactions, gaming establishment patrons may be dissuaded from using EDITH, resulting in the failure of our EDITH product to gain commercial acceptance.

We also process transactions involving the use of the proprietary credit cards such as those offered by Discover Card and American Express as well as other regional card issues in certain international markets. The rules and regulations of the proprietary credit card networks that service these cards present risks to us that are similar to those posed by the rules and regulations of VISA and MasterCard.

We have entered the consumer credit business through the marketing of the Arriva Card through our wholly-owned subsidiary, Arriva. The Arriva Card is not part of any existing card association such as the VISA or MasterCard card associations. If, in the future, the Arriva Card becomes part of a card association we will become subject to additional rules and regulations of these card associations.

Changes in interchange rates and other fees may affect our cost of revenues (exclusive of depreciation and amortization) and net income.

We pay credit card associations fees for services they provide in settling transactions routed through their networks, called interchange fees. In addition, we pay fees to participate in various ATM or POS debit card networks as well as processing fees to process our transactions. The amounts of these interchange fees are fixed by the card associations and networks in their sole discretion, and are subject to increase at any time. VISA and MasterCard both increased applicable interchange fees in April 2007. Also, in 2004, VISA's Interlink network, through which we process a substantial portion of our POS debit card transactions, materially increased the interchange rates for those transactions. Since that date, the proportion of our POS debit card transactions that are routed on the Interlink network has increased, resulting in a decrease in profitability of our POS debit card business. Many of our contracts enable us to pass through increases in interchange or processing fees to our customers, but competitive pressures might prevent us from passing all or some of these fees through to our customers in the future. To the extent that we are unable to pass through to our customers all or any portion of any increase in interchange or processing fees, our cost of revenues (exclusive of depreciation and amortization) would increase and our net income would decrease, assuming no change in transaction volumes. Any such decrease in net income could have a material adverse effect on our financial condition and operating results. Additionally, the transformation of the ownership structure of Visa and MasterCard from private associations of issuing banks to publicly traded corporations may negatively impact the manner in which these card associations manage and determine interchange rates. This could have a material adverse effect on our business and operating results.

We receive fees from the issuers of ATM cards that are used in our ATMs, called reverse interchange fees. The amounts of these reverse interchange fees are fixed by electronic funds transfer networks, and are subject to decrease in their discretion at any time. Our contracts with gaming operators do not enable us to pass through to our customers the amount of any decrease in reverse interchange fees. To the extent that reverse interchange fees are reduced, our net income would decrease, assuming no change in transaction volumes, which may result in a material adverse effect on our operating results.

Our substantial indebtedness could materially adversely affect our operations and financial results and prevent us from obtaining additional financing, if necessary.

We have a significant amount of indebtedness. As of June 30, 2007, we had total indebtedness of \$264.0 million in principal amount (of which \$152.8 million consisted of senior subordinated notes and \$111.2 million consisted of senior secured debt). Our substantial indebtedness could have important consequences. For example, it:

- makes it more difficult for us to satisfy our obligations with respect to either our senior secured debt or our senior subordinated notes, which, if we fail to do, could result in the acceleration of all of our debt;
- increases our vulnerability to general adverse economic and industry conditions;
- may require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limits our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restricts our ability to pay dividends or repurchase our common stock;

- places us at a competitive disadvantage compared to our competitors that have less debt;
- restricts our ability to acquire businesses or technologies that would benefit our business;
- restricts our ability to engage in transactions with affiliates or create liens or guarantees; and
- limits, along with the financial and other restrictive covenants in our other indebtedness, among other things, our ability to borrow additional funds.

In addition, our senior secured credit facilities and the indenture for the Notes contain financial and other restrictive covenants that limit our ability to engage in activities that we may believe to be in our long-term best interests. These restrictions include, among other things, limits on our ability to make investments, pay dividends, incur debt, sell assets, or merge with or acquire another entity. Our failure to comply with those covenants could result in an event of default, which if not cured or waived, could result in the acceleration of all of our debt. Certain matters may arise that require us to get waivers or modifications of these covenants. For example, as described more fully below, we may seek to obtain our own money transmitter licenses. These licenses may require us to provide letters of credit or surety bonds in excess of the amounts currently allowed under the credit facilities. We may address these risks by seeking modifications or waivers of our existing agreements, by refinancing those agreements, or both. If we are unable to get these matters waived, modified or refinanced, an event of default could occur, which if not cured or waived, could result in the acceleration of all of our debt.

Our senior secured debt currently bears interest at a rate that is based on LIBOR, and is adjusted periodically to reflect changes in LIBOR. We are therefore exposed to the risk of increased interest expense in the event of any increase in LIBOR. The substantial amount of our senior secured debt magnifies this risk.

To service our indebtedness we will require a significant amount of cash, and our ability to generate cash flow depends on many factors beyond our control.

Our ability to generate cash flow from operations depends on general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Due to these factors, it is possible that our business will not generate sufficient cash flow from operations to enable us to pay our indebtedness as it matures and to fund our other liquidity needs. This would cause us to have to borrow money to meet these needs and future borrowing may not be available to us at all or in an amount sufficient to satisfy these needs. In such events, we will need to refinance all or a portion of our indebtedness on or before maturity. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. We could have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt or obtaining additional equity or debt financing or joint venture partners. We may not be able to affect any of these financing strategies on satisfactory terms, if at all. Our failure to generate sufficient cash flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business and our ability to satisfy our obligations with respect to our indebtedness.

The terms of our senior secured debt may require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which will reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes.

Changes by M&C International and First Data to certain of their tax returns may have an impact on the value of a component of our deferred tax asset. In addition, changes in tax laws, regulations and interpretations may adversely affect our business .

In connection with the Recapitalization and Private Equity Restructuring that occurred in 2004, we recorded a deferred tax asset of \$247.0 million. In connection with this deferred tax asset, we expect to pay a significantly lower amount in United States federal income taxes than we provide for in our income statements. Our calculation of the starting balance of the deferred tax asset is based upon information we received from M&C International and First Data about the gains they recorded in the Recapitalization and the Private Equity Restructuring. If M&C International or First Data change their calculation of the gains and file amended tax returns, we may be required to recalculate the starting balance of the deferred tax asset and the annual amortization thereof.

Unanticipated changes in applicable income tax rates or laws or changes in our tax position could adversely impact our future results of operations. Our future effective tax rates could be affected by changes in the valuation of our deferred tax asset as a result of an audit or otherwise. Additionally, changes in tax laws or interpretations of such laws by domestic and foreign tax authorities could affect our results of operations.

Because of our dependence on a few providers, or in some cases one provider, for some of the financial services we offer to patrons, the loss of a provider could have a material adverse effect on our business or our financial performance .

We depend on a few providers, or in some cases one provider, for some of the financial services that we offer to patrons. The loss of any of these providers could have a material adverse effect on our business and financial performance.

Money Order Instruments . We currently rely on IPS to issue the negotiable instruments that are used to complete credit card cash advance and POS debit card transactions. Most states require a money transmitter license in order to issue the negotiable instruments that are used to complete credit card cash advance and POS debit card transactions. We do not hold any money transmitter licenses, but currently issue negotiable instruments as an agent of IPS, which holds the required money transmitter licenses. On November 27, 2006, we entered into an agreement with IPS for a term of three years. Under terms of this agreement, subject to limited exceptions, IPS is our sole and exclusive provider of money order instruments. On February 22, 2007, IPS' parent company, First Data, announced that it had decided to gradually exit the business of issuing money order instruments over the next two to three years. We have been advised that our agreement will be honored until the expiration of the agreement in accordance with its terms on December 31, 2009. Prior to such date we will either be required to enter in an agency relationship with another third-party that holds the required money transmitter licenses or obtain our own money transmitter licenses. We may not be able to enter into an agreement for such an agency relationship on terms that are favorable to us prior to the expiration of our agreement with IPS or at all. If we are unable to enter into such agreement, we may be unable to provide our cash advance services which would have a material adverse effect on our business and financial performance.

We are also considering obtaining our own money transmitter licenses. Many of the regulatory authorities that issue money transmitter licenses would require the posting of letters of credit or surety bonds to guaranty our obligations with respect to the negotiable instruments we would issue to gaming establishments to consummate credit card cash advance and POS debit card transactions. To post these letters of credit or surety bonds, we may need to obtain certain amendments or waivers of the terms of our senior secured credit facilities and we may need to partially secure our obligations under our senior subordinated notes. We may not be able to obtain our own money transmitter licenses. If we are unable to obtain such licenses prior to the expiration of our contract with IPS, we may be unable to complete credit card cash advance and POS debit card transactions, which would have a material adverse effect on our business and financial performance.

Check Warranty Services. We rely on TRS Recovery Services, Inc. (formerly known as TeleCheck Recovery Services, Inc.) ("TeleCheck") to provide many of the check warranty services that our gaming establishment customers contract with us to use when cashing patron checks. Unless extended pursuant to its terms, our contract with TeleCheck expires on March 30, 2008 and we are currently negotiating the terms of a new contract with TeleCheck. Unless we and TeleCheck mutually agree to a new contract, we will need to make alternative arrangements for the provision of check warranty services and we may not have any continuing interest in those contracts that are executed directly between the gaming establishments and TeleCheck which may have a significant impact on revenues derived from check services. We may not be able to make such alternative arrangements on terms that are as favorable to us as the terms of our contract with TeleCheck, or on any terms at all. In addition, our Central Credit check warranty service, as currently deployed, uses risk analytics provided by third-party providers.

Authorizations and Settlement . We rely on USA Payments and USA Payment Systems, each of which is affiliated with M&C International, to obtain authorizations for credit card cash advances, POS debit card transactions, ATM cash withdrawal transactions and to provide settlement transaction files to card associations and Arriva for some of these transactions. Additionally, USA Payments and USA Payment Systems may in some cases be dependent upon a single access point to connect to the various transaction processing networks. Service outages experienced by these access points may inhibit the ability of USA Payments and USA Payment Systems to process our transactions, which would have a material adverse effect on our business and financial performance

Card Association Sponsorship . We rely on Bank of America Merchant Services, which is affiliated with Bank of America Corporation, for sponsorship into the Visa U.S.A. and MasterCard card associations for domestic transactions at no cost to us through September 2010. We also rely on a foreign bank in each foreign jurisdiction in which we operate, for example Banco Weng Hang in Macau SAR, to process transactions conducted in these jurisdictions through the Visa International and MasterCard card associations.

ATM Cash Supply . We rely exclusively on Bank of America to supply cash for substantially all of our ATMs. Under our agreement, Bank of America is not obligated to supply us with more than \$300 million in cash at any given time; however, to satisfy our ATM cash supply needs, Bank of America has regularly provided us with cash in excess of this limit. If Bank of America ever refuses to provide cash in excess of this \$300 million limit, we would have an inadequate supply of cash for our ATMs.

Our agreement with Bank of America for the supply of ATM cash expires on November 6, 2007. Upon the expiration of this agreement we need to obtain an adequate supply of cash for our ATMs from an alternate source. We may not be able to obtain such adequate supply of cash on terms that are favorable to us or at all. Our inability to obtain such adequate supply of cash from an alternate source would have a material adverse effect on our business and financial performance.

Software Development and System Support . We generally rely on Infonox, which is controlled by family members of our director Karim Maskatiya, and USA Payments and USA Payment Systems, each of which is affiliated with M&C International, for software development and system support. In addition, we rely on NRT, Western Money Systems and Glory (U.S.A.) Inc. for software development and system support related to their self-service slot ticket and player point redemption kiosks that incorporate our cash access services.

Product Development . We rely on our joint venture partner and strategic partners for some of our product development. For example, we are developing cashless gaming products through IFT, our joint venture with IGT. With our strategic partners NRT, Western Money Systems and Glory (U.S.A.) Inc., we have jointly developed and are marketing self-service slot ticket and player point redemption kiosks that incorporate our cash access services. These activities have risks resulting from unproven combinations of disparate products and services, reduced flexibility in making design changes in response to market changes, reduced control over product completion schedules and the risk of disputes with our joint venture partners and strategic partners. In addition, if our cashless gaming products are unsuccessful, we could lose our entire investment in IFT.

Money Transfers . We rely on Western Union Financial Services, Inc. to facilitate money transfers.

Arriva Card . We rely on CIT and Fiserv for the issuance, underwriting and processing of our private label credit card. Our contracts with these providers are for varying terms and provide early termination rights in the event of our breach of or the occurrence of an event of default under these contracts. Replacing any of these or other products and services we obtain from third parties could be materially disruptive to our operations. We may not be able to enter into contracts or arrangements with alternate providers on terms and conditions as beneficial to us as the contracts or arrangements with our current providers, or at all. A change in our business relationships with any of these third-party providers or the loss of their services or failed execution on their part could adversely affect our business, financial condition, results of operations or cash flows.

The loss of our sponsorship into the Visa U.S.A., Visa International and MasterCard card associations could have a material adverse effect on our business .

We cannot provide cash access services involving VISA cards and MasterCard cards in the United States without sponsorship into the Visa U.S.A. and MasterCard card associations. Bank of America Merchant Services currently sponsors us into the card associations at no cost to us. Bank of America Merchant Services began this sponsorship of us into the card associations in 1998 when it held a significant ownership interest in us. When Bank of America Merchant Services sold its interest in us in 2000, Bank of America Merchant Services agreed to continue its sponsorship of us at no cost to us conditioned upon First Data's continued indemnification of Bank of America Merchant Services for any losses it may suffer as a result of such sponsorship. When we redeemed First Data's ownership interest in us in 2004, First Data agreed to continue to indemnify Bank of America Merchant Services for any losses it may suffer as a result of sponsoring us into the card associations through September 2010. First Data will have the right to terminate its indemnification obligations prior to September 2010 in the event that we breach indemnification obligations that we owe to First Data, in the event that we incur chargebacks in excess of specified levels, in the event that we are fined in excess of specified amounts for violating card associations' operating rules, or in the event that we amend the sponsorship agreement without First Data's consent.

In the event that First Data terminates its indemnification obligations and as a result we lose our sponsorship by Bank of America Merchant Services into the card associations, we would need to obtain sponsorship into the card associations through another member of the card associations that is capable of supporting our transaction volume. We would not be able to obtain such alternate sponsorship on terms as favorable to us as the terms of our current sponsorship by Bank of America Merchant Services, which is at no cost to us. We may not be able to obtain alternate sponsorship at all. Our inability to obtain alternate sponsorship on favorable terms or at all would have a material adverse effect on our business, operating results and liquidity.

We cannot provide cash access services involving VISA cards and MasterCard cards outside of the United States without a processing agreement with or sponsorship into the Visa International and MasterCard card associations by a bank in each foreign jurisdiction in which we conduct cash access transactions. We are currently a party to processing agreements or sponsored into these card associations by foreign banks in each of the foreign jurisdictions in which we conduct cash access transactions. In the event that any foreign bank that currently is a party to such processing agreement or sponsors us into these card associations terminates such processing agreement or its sponsorship of us, we would need to obtain a processing agreement or sponsorship into the card associations through another foreign bank that is capable of supporting our transaction volume in the relevant jurisdiction. For example, in early 2005 we were notified that Bank of America is not authorized to sponsor us in some Caribbean markets. We paid a \$25,000 fine to one of the card associations in connection with this non-compliant practice and entered into an alternate processing arrangement. We may not be able to obtain alternate sponsorship or processing arrangements in any region on terms as favorable to us as the terms of our current sponsorship by or processing arrangements with foreign banks, or at all. Our inability to obtain alternate sponsorship or processing arrangements on favorable terms or at all could have a material adverse effect on our business and operating results.

Certain providers upon whom we are dependent are under common control with M&C International, the loss of which could have a material adverse effect on our business.

We depend on services provided by USA Payments and USA Payment Systems, each of which is affiliated with M&C International, to provide many of the financial services that we offer to patrons. The interests of M&C International or its principals may not coincide with the interests of the holders of our common stock and such principals may take action that benefits themselves or these entities to our detriment. For example, M&C International's principals could cause any of these entities to take actions that impair the ability of these entities to provide us with the services they provide today or that reduce the importance of us to them in the future. M&C International's principals could dispose of their interests in these entities at any time and the successor owner or owners of such interests may not cause such entities to treat us with the same importance as they treat us today. Any loss of the services of these entities could adversely impact our business. During the six months ended June 30, 2007 and the year ended December 31, 2006, we incurred costs and expenses from USA Payments and USA Payment Systems of an aggregate of \$2.5 million and \$4.2 million, respectively. We also depend on services provided by Infonox, which is controlled by family members of our director Karim Maskatiya. These familial relationships may provide Mr. Maskatiya with influence over Infonox, presenting the same risks with respect to Infonox as those described above with respect to USA Payments and USA Payment Systems.

Our business depends on our ability to introduce new, commercially viable products and services in a timely manner .

Our ability to maintain and grow our business will depend upon our ability to introduce successful new products and services in a timely manner. Our product development efforts are based upon a number of complex assumptions, including assumptions relating to gaming patron habits, changes in the popularity and prevalence of certain types of payment methods, anticipated transaction volumes, the costs and time required to bring new products and services to market, and the willingness and ability of both patrons and gaming establishment personnel to use new products and services and bear the economic costs of doing so. Our new products and services may not achieve market acceptance if any of our assumptions are wrong, or for other reasons.

Our ability to introduce new products and services may also require regulatory approvals, which may significantly increase the costs associated with developing a new product or service and the time required to introduce a new product or service into the marketplace. In order to obtain these regulatory approvals we may need to modify our products and services which would increase our costs of development and may make our products or services less likely to achieve market acceptance.

For example, the commercial success of our TODD cashless gaming product and EDITH depends upon the continued viability of the cashless gaming market segment. A curtailment in the prevalence of cashless gaming opportunities as a result of legislative action, responsible gaming pressures or other factors beyond our control would threaten the commercial success of our cashless gaming products and services. TODD required extensive laboratory testing and certification and to date has only been approved for use in one gaming establishment, and EDITH has been approved by only one regulatory authority.

Our ability to grow our business through the introduction of new products and services depends in part on our joint development activities with third parties over whom we have little or no control. We have engaged in joint development projects with third parties in the past and we expect to continue doing so in the future. Joint development can magnify several risks for us, including the loss of control over development of aspects of the jointly developed products and disputes with our joint venture partners.

We may not be successful in our entry into the consumer credit business through the Arriva Card.

Through our wholly-owned subsidiary, Arriva, and together with CIT, a licensed banking institution, and Fiserv, a credit processing service organization, we have entered the consumer credit business through the issuance of the Arriva Card, a private label credit card. We have entered into an agreement with CIT whereby it issues the card, extends the credit to the cardholder, and maintains a revolving credit account for the cardholder. When a customer uses the Arriva Card for a transaction, CIT extends credit to the patron for the face amount of transaction and the fee charged by the gaming establishment and acquires the receivable from the customer. Arriva has the option to purchase the originated receivable from CIT at any time between three and 180 days from the date the customer first borrows using the Arriva Card. CIT has the right to require Arriva to purchase any receivables that have a first payment default, cardholder death or bankruptcy during the first 180 days from acquisition, and CIT will require Arriva to purchase the net amount of all such receivables 180 days after acquisition. This means that we will bear the credit risk of any cardholders' non-payment.

The provision of the Arriva Card is a different business from the processing of credit card transactions. In our current credit card cash advance business, we assume no consumer credit risk other than chargeback risk, which we are exposed to in only an indirect way. Under the terms of our agreement with CIT, we will effectively bear the credit risk of providing credit to the consumer. We will bear the risk of making payment to merchants for all transactions using the card within a very short time of the transaction, and we will generally be able to recover those funds from the consumer no sooner than the end of the current monthly statement cycle.

The rate of defaults in consumer credit is influenced by many factors, most of which are beyond our ability to control and some of which are beyond our ability to forecast. Changes in economic measures, including but not limited to unemployment rates, interest rates, exchange rates, real estate market performance, consumer confidence, and inflation may affect cardholders' ability and willingness to repay amounts borrowed using the card. The fact that a consumer is or has been a creditworthy borrower in the past does not guarantee that he or she will continue to be so in the future.

By providing the Arriva Card to consumers, we are subject to a variety of regulations that have not affected us in the past. While we have initially contracted with CIT for purposes of card issuance and receivables acceptance, such relationship may be discontinued at any time in accordance with the terms of our contract. If that were to happen, we would be required find another licensed banking institution or to become licensed in those jurisdictions in which we wanted the Arriva Card to be issued. We may not receive such licenses and, even if we do, we may be required to provide letters of credit or surety bonds to support our obligations in those markets and those letters of credit and surety bonds may reduce our overall borrowing capacity. By providing the Arriva Card to consumers, we also have become subject to a variety of state and federal laws governing collection practices, and such collection regulations may impede or even prevent our ability to collect amounts owed to us. These regulations include, but are not limited to, the Federal Truth in Lending Act and Regulation Z and the Equal Credit Opportunity Act and Regulation B. In addition, by providing the Arriva Card to consumers, we have become subject to an extensive array of federal and state statutes and regulations applicable to consumer lending including, but not limited to, the Fair Debt Collection Practices Act, the Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act.

The credit card business is very complex from an operational perspective in that it involves the mailing of statements and the receipt and posting of credits for many cardholders. We have little experience in the management of credit accounts. The credit card business also involves resolving inquiries from and providing customer service to cardholders. Our experience in doing these functions is on a scale much smaller than we may be exposed to if use of the Arriva Card grows. We have contracted with Fiserv, a company that has experience in managing large-scale credit card operations, but we may not be able to sustain such a relationship.

The credit card business may be perceived differently by investors from the business we currently perform and, even if we are successful in earning significant profits in the credit card business, investors may assign a lower valuation multiple to the credit card operations than to our historical business. This may result in a decrease in valuation of the Company, which may lead to a decline in the price of our common stock.

We may experience increased delinquencies and credit losses from Arriva Card cardholders whose accounts we have purchased.

Because CIT has the right to require Arriva to purchase any receivables that have a first payment default, cardholder death or bankruptcy during the first 180 days from acquisition, and CIT will require Arriva to purchase the net amount of all such receivables 180 days after acquisition, we face the risk that customers who carry a balance on the Arriva Card will not repay their balances. Rising losses or leading indicators of rising losses (higher delinquencies or bankruptcy rates) may require us to increase our liability to repurchase accounts from CIT and our allowance for bad debt on the accounts we have purchased and may increase our operating losses from Arriva if we are unable to raise revenue or reduce costs to compensate for these higher losses.

In particular, we face the following risks in this area:

- *Missed Payments* . We face the risk that customers will miss payments. Receivable charge-offs (including from bankruptcies) are generally preceded by missed payments or other indications of worsening financial condition. Customers may be more likely to miss payments in the event of an economic downturn. In addition, we face the risk that consumer behavior may change (i.e. an increased willingness to fail to repay debt), causing a long-term rise in delinquencies and charge-offs.
- *Estimates of future losses* . We face the risk that we may underestimate our future losses and fail to hold a bad debt allowance sufficient to account for these losses. Incorrect assumptions could lead to material underestimates of future losses and inadequate allowance for bad debt. In addition, our estimate of future losses impacts the amount of reserves we build to account for those losses. The build or release of reserves impacts our current financial results.
- *Underwriting* . We face the risk that our ability to assess the credit worthiness of our customers may diminish. If the models and approaches we use to select, manage, and underwrite our customers become less predictive of future charge-offs (due, for example, to changes in the competitive environment or in the economy), our credit losses and returns may deteriorate.
- *Industry practices* . We face the risk that our charge-off and delinquency rates may be impacted by industry developments.

We depend on the accuracy and completeness of information about customers and counterparties.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers, including credit reports and other financial information. We also may rely on representations of customers as to the accuracy and completeness of that information. For example, in deciding whether to extend credit to borrowers under the Arriva Card, we assume that the information provided by a customer and the various credit reporting agencies we utilize is accurate and complete and our process to verify this information may not uncover inaccuracies in the information that we utilize to make underwriting decisions. Our financial condition and results of operations could be negatively impacted to the extent we rely on customer or credit reporting agency information that is not complete or accurate.

Conflicts of interest may arise in connection with the issuance of the Arriva Card to our officers and directors .

We have amended our corporate governance guidelines and code of business conduct to permit our officers and directors and their immediate family members to hold the Arriva Card. The use of the Arriva Card by our officers and directors, or their immediate family members, may be viewed as personal loans made by us to such individuals. The failure of any officer or director to fully and timely pay the balance on an Arriva Card account may create a conflict between such individual's interest as a cardholder-debtor and such individual's interest as an officer or director of the card issuer-creditor.

Our products and services are complex, depend on a myriad of complex networks and technologies and may be subject to software or hardware errors or failures that could lead to an increase in our costs, reduce our revenues or damage our reputation.

Our products and services, and the networks and third-party services upon which our products and services are based, are complex and may contain undetected errors or may suffer unexpected failures. We are exposed to the risk of failure of our proprietary computer systems, many of which are deployed, operated, monitored and supported by Infonox, which we do not control. We rely on Infonox to detect and respond to errors and failures in our proprietary computer systems. We rely on NRT, Western Money Systems and Glory (U.S.A.) Inc. for software development and system support of the self-service slot ticket and player point redemption kiosks that incorporate our cash access services. We are exposed to the risk of failure of the computer systems that are owned, operated and managed by USA Payments Systems, which we do not control. USA Payment Systems owns the data centers through which most of our transactions are processed, and we rely on USA Payment Systems to maintain the security and integrity of our transaction data, including backups thereof. We also are exposed to the risk of failure of card association and electronic funds transfer networks that are used to process and settle our transactions. These networks, which are owned and operated by others, are subject to planned and unplanned outages and may suffer degradations in performance during peak processing times. Finally, we are subject to the risk of disruption to, or failure of, the telecommunications infrastructure upon which the interfaces among these systems are based. All of these systems and networks, upon which we rely to provide our services, are potentially vulnerable to computer viruses, physical or electronic break-ins, natural disasters and similar disruptions, which could lead to interruptions, delays, loss of data, public release of confidential data or the inability to complete patron transactions. The occurrence of these errors or failures, disruptions or unauthorized access could adversely affect our sales to customers, diminish the use of our cash access products and services by patrons, cause us to incur significant repair costs, result in our liability to gaming establishments or their patrons, divert the attention of our development personnel from product development efforts, and cause us to lose credibility with current or prospective customers or patrons.

We may not successfully enter new markets, which could lead to an increase in our costs .

If and as new and developing domestic markets develop, competition among providers of cash access products and services will intensify. If we attempt to enter these markets, we will have to expand our sales and marketing presence in these markets. In competitive bidding situations, we may not enjoy the advantage of being the incumbent provider of cash access products and services to gaming establishments in these new markets and developers and operators of gaming establishments in these new markets may have pre-existing relationships with our competitors. We may also face the uncertainty of compliance with new or developing regulatory regimes with which we are not currently familiar and oversight by regulators that are not familiar with us or our business. Each of these risks could materially impair our ability to successfully expand our operations into these new and developing domestic markets.

Attempting to enter international markets in which we have not previously operated may expose us to political, economic, tax and regulatory risks not faced by businesses that operate only in the United States. The legal and regulatory regimes of foreign markets and their ramifications on our business are less certain. Our international operations will be subject to a variety of risks, including different regulatory requirements, trade barriers, difficulties in staffing and managing foreign operations, higher rates of fraud, fluctuations in currency exchange rates, difficulty in enforcing contracts, political and economic instability and potentially adverse tax consequences. For example, our entry into Macau SAR was subject to our receipt of approvals, licenses or waivers by or from the Monetary Authority of Macau, the Macau Gaming Commission and the Macau Gaming Inspection and Coordination Bureau, as applicable or deemed necessary by such authorities. If we did not receive all of such approvals, licenses or waivers we would not be able to undertake all of our

operations in Macau SAR. Similar difficulties in obtaining approvals, licenses or waivers from the monetary and gaming authorities of other jurisdictions, in addition to other potential regulatory and quasi-regulatory issues that we have not yet ascertained, may arise in other international jurisdictions into which we attempt to enter. In these new markets, our operations will rely on an infrastructure of financial services and telecommunications facilities that may not be sufficient to support our business needs, such as the authorization and settlement services that are required to implement electronic payment transactions and the telecommunications facilities that would enable us to reliably connect our networks to our products at gaming establishments in these new markets. These risks, among others, could materially adversely affect our business and operating results. In connection with our expansion into new international markets, we may forge strategic relationships with business partners to assist us. The success of our expansion into these markets therefore may depend in part upon the success of the business partners with whom we forge these strategic relationships. If we do not successfully form strategic relationships with the right business partners or if we are not able to overcome cultural differences or differences in business practices, our ability to penetrate these new international markets will suffer.

We are also subject to the risk that the domestic or international markets that we attempt to enter or expand into may not develop as quickly as anticipated, or at all. The development of new gaming markets is subject to political, social, regulatory and economic forces beyond our control. The expansion of gaming activities in new markets can be very controversial and may depend heavily on the support and sponsorship of local government. Changes in government leadership, failure to obtain requisite voter support in referendums, failure of legislators to enact enabling legislation and limitations on the volume of gaming activity that is permitted in particular markets may inhibit the development of new markets.

Our estimates of the potential future transaction volumes in new markets are based on a variety of assumptions which may prove to be inaccurate. To the extent that we overestimate the potential of a new market, incorrectly gauge the timing of the development of a new market, or fail to anticipate the differences between a new market and our existing markets, we may fail in our strategy of growing our business by expanding into new markets. Moreover, if we are unable to meet the needs of our existing customers as they enter markets that we do not currently serve; our relationships with these customers could be harmed.

We may encounter difficulties managing our growth, which could adversely affect our operating results .

We will need to effectively manage the expansion of our operations in order to execute our growth strategy of entering into new markets, expanding in existing markets and introducing new products and services. Growth will strain our existing resources. It is possible that our management, employees, systems and facilities currently in place may not be adequate to accommodate future growth. In this situation, we will have to improve our operational, financial and management controls, reporting systems and procedures. If we are unable to effectively manage our growth, our operations, financial results and liquidity may be adversely affected.

An unexpectedly high level of chargebacks, as the result of fraud or otherwise, could adversely affect our cash advance business .

When patrons use our cash access services, we either dispense cash or produce a negotiable instrument that can be exchanged for cash. If a completed cash access transaction is subsequently disputed and if we are unsuccessful in establishing the validity of the transaction, we may not be able to collect payment for such transaction and such transaction becomes a chargeback. One of the major credit card associations has allowed us to complete credit card cash advance transactions at our ACMs so long as we assume chargeback liability for any transaction in which we do not obtain a contemporaneous cardholder signature, which may result in increased chargeback liability. An increased level of chargebacks could have a material adverse effect on our business or results of operations. Moreover, in the event that we incur chargebacks in excess of specified levels, First Data will have the right to terminate its indemnification obligations to Bank of America Merchant Services, and we could lose our no-cost sponsorship into the card associations. In addition, in the event that we incur chargebacks in excess of specified levels, we could be censured by the card associations by way of fines or otherwise.

In certain foreign regions in which we currently operate or may operate in the future, new card security features have been developed as a fraud deterrent. An example of such feature is known as chip-and-pin, which requires merchant terminals to be capable of obtaining an authorization through a chip-and-pin entry mode in addition to traditional magnetic stripe and keyed entry modes. Currently, we are in the process of upgrading our devices to accept these new technologies. In the interim, we are exposed to potential additional chargeback risks arising from our inability to fully integrate these new card security features. Additionally, we intend to provide our services in international markets in which we have not previously operated and have no experience as to chargebacks. Accordingly, we may be exposed to higher than anticipated chargeback liability, which could have a material adverse effect upon our business or results of operations.

A material increase in market interest rates or changing regulations could adversely affect our ATM business.

We obtain a supply of cash for our ATMs from Bank of America. Pursuant to our contract with Bank of America, we are obligated to pay a monthly fee that is based upon the amount of cash used to supply our ATMs and a market interest rate. Assuming no change in the amount of cash used to supply our ATMs, an increase in market interest rates will result in an increase in the monthly fee that we must pay to obtain this supply of cash, thereby increasing our ATM operating costs. Any increase in the amount of cash required to supply our ATMs would magnify the impact of an increase in market interest rates. An increase in interest rates may result in a material adverse effect on our financial condition and operating results. For the six months ended June 30, 2007 and the year ended December 31, 2006, we incurred approximately \$8.0 million and \$15.7 million, respectively, in aggregate fees to Bank of America for this supply of cash.

Our ATM services are subject to the applicable state banking regulations in each jurisdiction in which we operate ATMs. Our ATM services may also be subject to local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs and our ability to surcharge cardholders who use our ATMs. These regulations may impose significant burdens on our ability to operate ATMs profitably in some locations, or at all. Moreover, because these regulations are subject to change, we may be forced to modify our ATM operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATM services at gaming establishments.

An unexpected increase in check warranty expenses could adversely affect our check warranty business .

We currently rely on TeleCheck to provide check warranty services to many of our customers. When a gaming establishment obtains an authorization from TeleCheck pursuant to its check warranty service, TeleCheck warrants payment on the patron's check. If the patron's check is subsequently dishonored upon presentment for payment, TeleCheck purchases the dishonored check from the gaming establishment for its face amount. Pursuant to the terms of our contract with TeleCheck, we share a portion of the loss associated with these dishonored checks. Although this contract limits the loss percentage of the dishonored checks to which we are exposed, there is no limit on the aggregate dollar amount to which we are exposed, which is a function of the face amount of checks warranted. TeleCheck manages and mitigates these dishonored checks through the use of risk analytics and collection efforts, including the additional fees that it is entitled to collect from check writers of dishonored checks. During the six months ended June 30, 2007 and the year ended December 31, 2006, our warranty expenses with respect to TeleCheck's check warranty service were \$3.5 million and \$8.4 million, respectively. We have no control over TeleCheck's decision to warrant payment on a particular check and we have limited visibility into TeleCheck's collection activities. As a result, we may incur an unexpectedly high level of check warranty expenses at any time, and if we do, we may suffer a material adverse effect to our business or results of operations.

As an alternative to TeleCheck's check warranty service, we have developed our own Central Credit check warranty service that is based upon our Central Credit gaming patron credit bureau database, our proprietary patron transaction database, third-party risk analytics and actuarial assumptions. If these risk analytics or actuarial assumptions are ineffective, we may incur an unexpectedly high level of check warranty expenses which may have a material adverse effect on our business or operating results.

We operate our business in regions subject to natural disasters, including hurricanes. We may suffer casualty losses as a result of a natural disaster, and any interruption to our business resulting from a natural disaster will adversely affect our revenues and results of operations .

We operate our business primarily through equipment, including CasinoCash Plus 3-in-1 ATMs, ACMs and QuikCash kiosks, which we install on the premises of gaming establishments and that patrons use to access cash for gaming. Accordingly, a substantial portion of our physical assets are located in locations beyond our direct control. Our business may be adversely affected by any damage to or loss of equipment that we install at gaming establishments or the cash contained therein resulting from theft, vandalism, terrorism, flood, fire or any other natural disaster. Any losses or damage that we suffer may not be subject to coverage under our insurance policies.

In addition to these casualty losses, our business is exclusive to gaming establishments and is dependent on consumer demand for gaming. In the event of a natural disaster, the operations of gaming establishments could be negatively impacted or consumer demand for gaming could decline, or both, and as a result, our business could be disrupted. For example, we believe that our revenues and results of operations in Louisiana and Mississippi were reduced in 2006 from what we would otherwise have expected as a result of Hurricanes Katrina and Rita, and that reduction may continue in the future. Any interruption to our business resulting from a natural disaster will adversely affect our revenues and results of operations. We do not carry any business interruption insurance.

Failure to maintain an effective system of internal control over financial reporting may lead to our inability to accurately report our financial results. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business, our reputation and the trading price of our stock .

Effective internal control over financial reporting is necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our business and operating results could be harmed. The Sarbanes-Oxley Act of 2002, as well as related rules and regulations implemented by the SEC, the New York Stock Exchange and the Public Company Accounting Oversight Board, have required changes in the corporate governance practices and financial reporting standards for public companies. These laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”), have increased our legal and financial compliance costs and made many activities more time-consuming and more burdensome.

In 2006, the Company was required for the first time to comply with Section 404. As a result of our review of our internal reviews in connection with Section 404, we identified material weaknesses in our internal control over financial reporting. The material weaknesses mean that there is more than remote risk that a material misstatement of our annual or interim financial statements would not be prevented or detected.

The material weaknesses, as described in Part II, Item 9A of our 2006 annual report filed on Form 10-K, could cause us to fail to meet our reporting obligations, cause investors to lose confidence in our reported financial information, cause a decline or volatility in our stock prices, cause a reduction in our credit ratings or tarnish our public perception. Also, increased expenses due to remediation costs and increased regulatory scrutiny are also possible. Moreover, we run the risk of further non-compliance by not successfully remediating the weaknesses in a timely manner, which could adversely affect our financial condition or results of operations. Inadequate internal control over financial reporting could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock and our reputation.

We may make acquisitions or strategic investments, which involve numerous risks that we may not be able to address without substantial expense, delay or other operational or financial problems.

In order to obtain new customers in existing markets, expand our operations into new markets, or grow our business through the introduction of new products and services, we may consider acquiring additional businesses, technologies, products and intellectual property. For example, we may consider acquiring or forming a bank or other financial services company for the purpose of, among other things, issuing our own credit cards and/or using that bank’s vault cash to supply cash to our ATMs.

Acquisitions and strategic investments involve various risks, such as:

- difficulty integrating the technologies, operations and personnel from the acquired business;
- overestimation of potential synergies or a delay in realizing those synergies;
- disruption to our ongoing business, including the diversion of management’s attention and of resources from our principal business;
- inability to obtain the desired financial and strategic benefits from the acquisition or investment;

- loss of customers of an acquired business;
- assumption of unanticipated liabilities;
- loss of key employees of an acquired business; and
- entering into new markets in which we have limited prior experience.

Acquisitions and strategic investments could also result in substantial cash expenditures, the dilutive issuance of our equity securities, the incurrence of additional debt and contingent liabilities, and amortization expenses related to other intangible assets that could adversely affect our business, operating results and financial condition. Acquisitions and strategic investments may also be highly dependent upon the retention and performance of existing management and employees of acquired businesses for the day-to-day management and future operating results of these businesses.

We may incur penalties in connection with the administration of our benefit plans .

Certain of the health, welfare and retirement plans that we maintain for the benefit of our employees obligate us to file certain reports with the Department of Labor, Internal Revenue Service and the Pension Benefit Guaranty Corporation. Although we have filed the required reports for some of our benefit plans, we have not filed the required reports for others. As a result, we may incur penalties.

Risks related to the industry

Economic downturns, a decline in the popularity of gaming or changes in the demographic profile of gaming patrons could reduce the number of patrons that use our services or the amounts of cash that they access using our services.

We provide our cash access products and related services exclusively to gaming establishments for the purpose of enabling their patrons to access cash. As a result, our business depends on consumer demand for gaming. Gaming is a discretionary leisure activity, and participation in discretionary leisure activities has in the past and may in the future decline during economic downturns because consumers have less disposable income. Therefore, during periods of economic contraction, our revenues may decrease while some of our costs remain fixed, resulting in decreased earnings. Gaming activity may also decline based on changes in consumer confidence related to general economic conditions or outlook, fears of war, future acts of terrorism, or other factors. A reduction in tourism could also result in a decline in gaming activity. Finally, a legislature or regulatory authority may prohibit or significantly restrict gaming activities in its jurisdiction. A decline in gaming activity as a result of these or any other factors would have a material adverse effect on our business and operating results. Changes in consumer preferences could also harm our business. Gaming competes with other leisure activities as a form of consumer entertainment and may lose popularity as new leisure activities arise or as other leisure activities become more popular. In addition, gaming in traditional gaming establishments competes with Internet-based gaming for gaming patrons, and due to regulatory concerns, we have elected not to participate in the Internet gaming market at this time. The popularity and acceptance of gaming is also influenced by the prevailing social mores and changes in social mores could result in reduced acceptance of gaming as a leisure activity. To the extent that the popularity of gaming in traditional gaming establishments declines as a result of either of these factors, the demand for our cash access services may decline and our business may be harmed.

Aside from the general popularity of gaming, the demographic profile of gaming patrons changes over time. The gaming habits and use of cash access services varies with the demographic profile of gaming patrons. For example, a local patron may visit a gaming establishment regularly but limit his or her play to the amount of cash that he or she brings to the gaming establishment. In contrast, a vacationing gaming patron that visits the gaming establishment infrequently may play much larger amounts and have a greater need to use cash access services. To the extent that the demographic profile of gaming patrons in the markets we serve either narrows or migrates towards patrons who use cash access services less frequently or for lesser amounts of cash, the demand for our cash access services may decline and our business may be harmed.

Changes in consumer willingness to pay a fee to access their funds could reduce the demand for our cash access products and services.

Our business depends upon the willingness of patrons to pay a fee to access their own funds on the premises of a gaming establishment. In most retail environments, consumers typically do not pay an additional fee for using non-cash payment methods such as credit cards, POS debit cards or checks. In order to access cash in a gaming establishment, however, patrons must pay service charges to access their funds. Gaming patrons could bring more cash with them to gaming establishments, or access cash outside of gaming establishments without paying a fee for the convenience of not having to leave the gaming establishment. To the extent that gaming patrons become unwilling to pay these fees for convenience or lower cost cash access alternatives become available, the demand for cash access services within gaming establishments will decline and our business could suffer.

The cash access industry is subject to change, and we must keep pace with the changes to successfully compete .

The demand for our products and services is affected by new and evolving technology and industry standards. Cash access services are based on existing financial services and payment methods, which are also continually evolving. Our future success will depend, in part, upon our ability to successfully anticipate, develop and introduce new cash access services based on emerging financial services and payment methods. Stored value cards, Internet-based payment methods and the use of portable consumer devices such as personal digital assistants and mobile telephones are examples of evolving payment technologies that could impact our business. Our future success will depend, in part, upon our ability to successfully develop and introduce new cash access products and services and to enhance our existing products and services to respond to changes in technology and industry standards on a timely basis. The products or services that we choose to develop may not achieve market acceptance or obtain any necessary regulatory approval. In addition, alternative products, services or technologies may replace our products and services or render them obsolete. If we are unable to develop new products or services or enhance existing products or services in a timely and cost-effective manner in response to technological or market changes, our business, financial condition and operating results may be materially adversely affected.

The cash access industry also changes based on changing consumer preferences. Our failure to recognize or keep pace with changing preferences could have a material adverse effect on our business, financial condition and operating results. For example, we have observed a decline in the volume of check cashing at gaming establishments over time as patron familiarity and comfort with credit card cash advances, POS debit card transactions and ATM cash withdrawal transactions has increased. To the extent that we continue to rely on check warranty services for a substantial portion of our business, a continued decline in check cashing volume could have a material adverse effect on our business, financial condition and operating results.

Growth of the gaming industry in any market is subject to political and regulatory developments that are difficult to anticipate .

We expect a substantial portion of our future growth to result from the general expansion of the gaming industry. The expansion of gaming activities in new markets can be very controversial and may depend heavily on the support of national and local governments. Changes in government leadership, failure to obtain requisite voter support in referenda, failure of legislators to enact enabling legislation and limitations on the volume of gaming activity that is permitted in particular markets may prevent us from expanding our operations into new markets. A failure by the gaming industry to expand at the rate that we expect could have a material adverse effect on our business, growth rates, financial condition, operating results and cash flows.

The United Kingdom (“UK”) Gambling Act 2005 (the “Gambling Act”) has received Royal Assent and awaits an order of the UK Secretary of State entering it into force as law. The UK Gambling Act may be interpreted as prohibiting our provision of credit card cash advance services in UK casinos. Such an interpretation would require us to cease processing credit card cash advance transactions in UK casinos commencing on September 7, 2007. Our inability to process credit card cash advance transactions in UK casinos would have a material adverse effect on our business, financial condition and operating results.

We interpret the Gambling Act differently and have taken the position that it does not prohibit our continuing provision of credit card cash advance services UK casinos. The UK Gambling Commission and its regulatory body, the DCMS, defer to the UK judiciary for the correct legal interpretation of the Gambling Act. Following further discussion with the UK Gambling Commission we may determine that seeking such legal interpretation is appropriate.

We and certain of our gaming establishment customers in the UK are consulting with the UK Gambling Commission regarding the interpretation of the Gambling Act and the nature of any secondary regulations to be enacted by the Secretary of State for Culture, Media and Sport or conditions that may be imposed upon operators' or premises' licenses with a view to ensuring that services such as ours continue to be available in UK gambling establishments. If these efforts are not successful, we may be prohibited from providing one or more of our services in UK gaming establishments upon implementation of the Gambling Act.

If the UK judiciary were to adopt an interpretation of the Gambling Act that prohibits our provision of credit card cash advance services, or if we are otherwise directed by the UK Gambling Commission or another regulatory body to cease providing credit card cash advance transactions in gaming establishments in the UK, we will suffer a loss of all revenue generated through the provision of such transactions in the UK. Our inability to provide such transactions may also expose us to breach of contract liability to our existing customers in the UK.

Finally, if we continue to provide credit card cash advance transactions in gaming establishments in the UK following a judicial interpretation or regulatory action that prohibits us from doing so, we could be subject to prosecution that results in harm to our reputation and the imposition of penalties or fines.

We are subject to extensive governmental gaming regulation, which may harm our business.

We are subject to a variety of regulations in the jurisdictions in which we operate. Most of the jurisdictions in which we operate distinguish between gaming-related suppliers and vendors, such as manufacturers of slot machine or other gaming devices, and non-gaming suppliers and vendors, such as food and beverage purveyors, construction contractors and laundry and linen suppliers. In these jurisdictions, we are generally characterized as a non-gaming supplier or vendor and we must obtain a non-gaming supplier's or vendor's license, qualification or approval. The obtaining of these licenses, qualifications or approvals and the regulations imposed on non-gaming suppliers and vendors are typically less stringent than for gaming related suppliers and vendors. However, a few of the jurisdictions in which we do business do not distinguish between gaming-related and non-gaming related suppliers and vendors, and in those jurisdictions we currently are subject to the same stringent licensing, qualification and approval requirements and regulations that are imposed upon vendors and suppliers that would be characterized as gaming-related in other jurisdictions. Such requirements include licensure or finding of suitability for some of our officers, directors and beneficial owners of our securities. If regulatory authorities were to find any such officer, director or beneficial owner unsuitable, or if any such officer, director, or beneficial owner fails to comply with any licensure requirements, we would be required to sever our relationship with that person. Some public issuances of securities and other transactions by us also require the approval of regulatory authorities.

If we must obtain a gaming-related supplier's or vendor's license, qualification or approval because of the introduction of new products (such as products related to cashless gaming) or services or because of a change in the laws or regulations, or interpretation thereof, our business could be materially adversely affected. This increased regulation over our business could include, but is not limited to: requiring the licensure or finding of suitability in many jurisdictions of any officer, director, key employee or beneficial owner of our securities; the termination or disassociation with any officer, director, key employee or beneficial owner of our securities that fails to file an application or to obtain a license or finding of suitability; the submission of detailed financial and operating reports; submission of reports of material loans, leases and financing; and, requiring regulatory approval of some commercial transactions such as the transfer or pledge of equity interests in us.

Prior changes in our ownership, management and corporate structure, including the recapitalization of our ownership and our conversion from a limited liability company to a corporation in 2004, required us to notify many of the state and tribal gaming regulators under whose jurisdiction we operate. In many cases, those regulators have asked us for further information and explanation of these changes. To date, we have satisfied some of these inquiries, and are continuing to cooperate with those that are ongoing. Given the magnitude of the changes in our ownership that resulted from recapitalization, we were required to reapply for new permits or licenses in many jurisdictions but we were not required to discontinue our operation during the period of re-application. Any new gaming license or related approval that may be required in the future may not be granted, and our existing licenses may be revoked, suspended, limited or may not be renewed. In some jurisdictions we are in the process of obtaining licenses and have yet to receive final approval of such licenses from the applicable regulatory authority. In these jurisdictions, we operate under temporary licenses or without a license. We may not be issued a license in these jurisdictions.

Regulatory authorities at the federal, state, local and tribal levels have broad powers with respect to the licensing of gaming-related activities and may revoke, suspend, condition or limit our licenses, impose substantial fines and take other actions against us or the gaming establishments that are our customers, any one of which could have a material adverse effect on our business, financial condition and operating results. Any new gaming license or related approval that may be required in the future may not be granted, and our existing licenses may not be renewed or may be revoked, suspended or limited. If additional gaming regulations are adopted in a jurisdiction in which we operate, such regulations could impose restrictions or costs that could have a material adverse effect on our business. From time to time, various proposals are introduced in the legislatures of some of the jurisdictions in which we have existing or planned operations that, if enacted, could adversely affect the tax, regulatory, operational or other aspects of the gaming industry or cash access in the gaming industry. Legislation of this type may be enacted in the future.

In addition, some of the new products and services that we may develop cannot be offered in the absence of regulatory approval of the product or service or licensing of us, or both. For example, our TODD cashless gaming product has to date only been approved for use at one gaming establishment and cannot be used at any other location until we receive approval from the appropriate authority in such additional location. These approvals could require that we and our officers, directors or ultimate beneficial owners obtain a license or be found suitable and that the product or service be approved after testing and review. We may fail to obtain any such approvals in the future.

When contracting with tribal owned or controlled gaming establishments, we become subject to tribal laws and regulations that may differ materially from the non-tribal laws and regulations under which we generally operate. In addition to tribal gaming regulations that may require us to provide disclosures or obtain licenses or permits to conduct our business on tribal lands, we may also become subject to tribal laws that govern our contracts. These tribal governing laws may not provide us with processes, procedures and remedies that enable us to enforce our rights as effectively and advantageously as the processes, procedures and remedies that would be afforded to us under non-tribal laws, or to enforce our rights at all. Many tribal laws permit redress to a tribal adjudicatory body to resolve disputes; however, such redress is largely untested in our experience. We may be precluded from enforcing our rights against a tribal body under the legal doctrine of sovereign immunity. A change in tribal laws and regulations or our inability to obtain required licenses or licenses to operate on tribal lands or enforce our contract rights under tribal law could have a material adverse effect on our business, financial condition and operating results.

A governmental shutdown of a gaming regulatory body in a jurisdiction where we operate may cause a disruption in our business and harm our operating results .

On July 5, 2006, Atlantic City casinos were forced to suspend their gaming operations due to the shutdown of the New Jersey Casino Control Commission. The New Jersey State government stopped non-essential governmental functions because the legislature had not adopted a new budget by the constitutional deadline. One such non-essential governmental function was the operation of the New Jersey Casino Control Commission, which regulates gaming in Atlantic City's casinos. New Jersey State law prohibits the operation of casinos without the supervision of New Jersey Casino Control Commission employees, so the casinos were forced to suspend their gaming operations. Another shutdown of the New Jersey Casino Control Commission or a similar shutdown of a regulatory gaming body in another jurisdiction where we do business may disrupt our ability to do business and adversely affect our revenue and results of operations.

Many of the financial services that we provide are subject to extensive rules and regulations, which may harm our business .

Our Central Credit gaming patron credit bureau services are subject to the Fair Credit Reporting Act, the Fair and Accurate Credit Transactions Act of 2003 and similar state laws. Our QuikCredit service and TeleCheck's and our collection practices in connection with dishonored checks with respect to which TeleCheck or Central Credit has issued authorizations pursuant to TeleCheck's or Central Credit's check warranty service, are subject to the Fair Debt Collections Practices Act and applicable state laws relating to debt collection. All of our cash access services and patron marketing services are subject to the privacy provisions of state and federal law, including the Gramm-Leach-Bliley Act. Our POS debit card transactions and ATM withdrawal services are subject to the Electronic Fund Transfer Act. Our ATM services are subject to the applicable state banking regulations in each jurisdiction in which we operate ATMs. Our ATM services may also be subject to local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs and our ability to surcharge cardholders who use our ATMs. The cash access services

we provide are subject to recordkeeping and reporting obligations under the Bank Secrecy Act and the USA PATRIOT Act of 2001. In most gaming establishments, our cash access services are provided through gaming establishment cashier personnel, in which case the gaming establishments are required to file CTRs and SARs. In a limited number of gaming establishments, we provide our cash access services directly to patrons at satellite cashiers or booths that we staff and operate, in which case we are required to file CTRs and SARs on a timely basis. Additionally, as of December 31, 2006, IPS commenced required notification of FINCen as to our agency relationship with IPS, which relationship was not previously reported to FINCen. As a result of such notification, we are required to commence the filing of SARs with respect to transactions completed at all gaming establishment at which our cash access services are provided and may be required to additionally file SARs with respect to transactions completed during the previous six month period at all such gaming establishments. If we are found to be noncompliant in any way with these laws, we could be subject to substantial civil and criminal penalties. In jurisdictions in which we serve as a check casher or offer our QuikCredit service, we are subject to the applicable state licensing requirements and regulations governing check cashing activities and deferred deposit service providers. Our entry into the consumer credit business through the provision of the Arriva Card requires us to maintain a relationship with a licensed banking institution to issue Arriva Cards and subjects us to compliance with numerous state and federal laws governing consumer lending, debt collection practices and credit reporting. In addition, our relationship with IPS expires on December 31, 2009. On February 22, 2007, IPS' parent company, First Data, announced that it will be exiting the official check and money order business over the course of the next two to three years. We are considering obtaining money transmitter licenses in many states, which would cause us to become subject to state licensing requirements and regulations governing money transmitters.

In the event that any regulatory authority determines that the manner in which we provide cash access services, patron marketing services, gaming patron credit bureau services or private label credit cards is not in compliance with existing rules and regulations, or the regulatory authorities adopt new rules or regulations that prohibit or restrict the manner in which we provide cash access services, patron marketing services, gaming patron credit bureau services or private label credit cards, we may be forced to modify the manner in which we operate, or stop processing certain types of cash access transactions, providing patron marketing services, gaming patron credit bureau services or private label credit cards altogether. We may also be required to pay substantial penalties and fines if we fail to comply with applicable rules and regulations. For example, if we fail to file CTRs or SARs on a timely basis or if we are found to be noncompliant in any way with either the Bank Secrecy Act or the USA PATRIOT Act of 2001, we could be subject to substantial civil and criminal penalties. In addition, our failure to comply with applicable rules and regulations could subject us to private litigation. Any such actions could have a material adverse effect on our business, financial condition and operating results.

Following the events of September 11, 2001, the United States and other governments have imposed and are considering a variety of new regulations focused on the detection and prevention of money laundering and money transmitting to or from terrorists and other criminals. Compliance with these new regulations may impact our business operations or increase our costs .

As we develop new products and services, we may become subject to additional regulations. For example, in the event that we form or acquire a bank or industrial loan company, we would become subject to a number of additional banking and financial institution regulations, which may include the Bank Holding Company Act. These additional regulations could substantially restrict the nature of the business in which we may engage and the nature of the businesses in which we may invest. In addition, changes in current laws or regulations and future laws or regulations may restrict our ability to continue our current methods or operation or expand our operations and may have a material adverse effect on our business, results of operations and financial condition.

Finally, The UK Gambling Act has received Royal Assent and awaits an order of the UK Secretary of State entering it into force as law. As enacted, the Gambling Act could be interpreted to prohibit our provision of credit card cash advances and POS debit card transactions to patrons of gaming establishments located in the UK as early as September 2007. Such an interpretation would have a material adverse effect on our business, financial condition and operating results. We and certain of our gaming establishment customers in the UK are consulting with the UK Gambling Commission and the UK Department for Culture Media and Sport regarding the interpretation of the Gambling Act and the nature of any secondary regulations to be enacted by the Secretary of State for Culture, Media and Sport or conditions that may be imposed upon operators' or premises' licenses with a view to ensuring that services such as ours continue to be available in UK gambling establishments. If these efforts are not successful, we may be prohibited from providing one or more of our services in UK gaming establishments upon implementation of the Gambling Act.

If consumer privacy laws change, or if we are required to change our business practices, the value of our patron marketing services may be hampered .

Our patron marketing services depend on our ability to collect and use non-public personal information relating to patrons who use our products and services and the transactions they consummate using our services. We are required by applicable privacy legislation to safeguard and protect the privacy of such information, to make disclosures to patrons regarding our privacy and information sharing policies and, in some cases, to provide patrons an opportunity to “opt out” of the use of their information for certain purposes. The failure or circumvention of the means by which we safeguard and protect the privacy of information we gather may result in the dissemination of non-public personal information, which may harm our reputation and may expose us to liability to the affected individuals and regulatory enforcement proceedings or fines. Regulators reviewing our policies and practices may require us to modify our practices in a material or immaterial manner or impose fines or other penalties if they believe that our policies and practices do not meet the necessary standard. To the extent that our patron marketing services have in the past failed or now or in the future fail to comply with applicable law, our privacy policies or the notices that we provide to patrons, we may become subject to actions by a regulatory authority or patrons which cause us to pay monetary penalties or require us to modify the manner in which we provide patron marketing services. To the extent that patrons exercise their right to “opt out,” our ability to leverage existing and future databases of information would be curtailed. Consumer and data privacy laws are evolving, and due to recent high profile thefts and losses of sensitive consumer information from protected databases, we anticipate that such laws will be broadened in their scope and application, impose additional requirements and restrictions on gathering and using patron information or narrow the types of information that may be collected or used for marketing or other purposes or require patrons to “opt-in” to the use of their information for specific purposes, which will hamper the value of our patron marketing services.

Responsible gaming pressures could result in a material adverse effect on our business and operating results .

Responsible gaming pressures can have a similar effect on us as governmental gaming regulation. Our ability to expand our business and introduce new products and services depends in part on the support of, or lack of opposition from, social responsibility organizations that are dedicated to addressing problem gaming. If we are unable to garner the support of responsible gaming organizations or if we face substantial opposition from responsible gaming organizations, we may face additional difficulties in sustaining our existing customer relationships, establishing new customer relationships, obtaining required regulatory approvals for new products or services, or providing our services into new markets each of which could have a material adverse effect on our business, financial condition and operating results.

Lawsuits could be filed against gaming establishments and other gaming related product and service providers on behalf of problem gamblers. We may be named in such litigation because we provide patrons the ability to access their cash in gaming establishments. This litigation could develop as individual complaints or as mass tort or class action claims. We would vigorously defend ourselves in any such litigation, and this defense could result in substantial expense to us and distraction of our management. The outcome of any such litigation would be substantially uncertain, and it is possible that our business, financial condition and operating results could be materially affected by an unfavorable outcome against either us or our gaming establishment customers.

Risk related to our capital structure

Our common stock has only been publicly traded since September 22, 2005 and we expect that the price of our common stock will fluctuate substantially .

There has only been a public market for our common stock since September 22, 2005. The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control, including those described above under “— Risks related to our business,” “— Risks related to the industry” and the following:

Table of Contents

- our failure to maintain our current customers, including because of consolidation in the gaming industry;
- increases in commissions paid to gaming establishments as a result of competition;
- increases in interchange rates or processing or other fees paid by us or decreases in reverse interchange rates;
- actual or anticipated fluctuations in our or our competitors' revenue, operating results or growth rate;
- our inability to adequately protect or enforce our intellectual property rights;
- any adverse results in litigation initiated by us or by others against us;
- our inability to make payments on our outstanding indebtedness as they become due or our inability to undertake actions that might otherwise benefit us based on the financial and other restrictive covenants contained in our senior secured credit facilities and the indenture for our senior subordinated notes;
- the loss of a significant supplier or strategic partner, or the failure of a significant supplier or strategic partner to provide the goods or services that we rely on them for;
- our inability to introduce successful, new products and services in a timely manner or the introduction of new products or services by our competitors that reduce the demand for our products and services;
- our failure to successfully enter new markets or the failure of new markets to develop in the time and manner that we anticipate;
- announcements by our competitors of significant new contracts or contract renewals or of new products or services;
- changes in general economic conditions, financial markets, the gaming industry or the payments processing industry;
- the trading volume of our common stock;
- sales of common stock or other actions by our current officers, directors and stockholders;
- acquisitions, strategic alliances or joint ventures involving us or our competitors;
- future sales of our common stock or other securities;
- the failure of securities analysts to cover our common stock or changes in financial estimates or recommendations by analysts;
- our failure to meet the revenue, net income or earnings per share estimates of securities analysts or investors;
- additions or departures of key personnel;
- terrorist acts, theft, vandalism, fires, floods or other natural disasters; and
- rumors or speculation as to any of the above which we may be unable to confirm or deny due to disclosure restrictions imposed on us by law or which we otherwise deem imprudent to comment upon.

In addition, the stock market in general has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of particular businesses. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance.

Securities class action litigation is often brought against a company following a decline in the market price of its securities. The risk is especially acute for us because companies such as ours have experienced significant share price volatility in the past. As a result, we may in the future be a target of similar litigation. Securities litigation could result in substantial costs defending the lawsuit and divert management's attention and resources, and could seriously harm our business and negatively impact our stock price.

Future sales of our common stock may cause the market price of our common stock to drop significantly, even if our business is doing well .

The market price of our common stock could decline as a result of sales of additional shares of our common stock by us or our stockholders or the perception that these sales could occur. Certain stockholders have the right to require us to register their shares of our common stock. If we propose to register any of our securities under the Securities Act of 1933 either for our own account or for the accounts of other stockholders, subject to some conditions and limitations, the holders of registration rights will be entitled to include their shares of common stock in the registered offering. In addition, holders of registration rights may require us on not more than five occasions to file a registration statement under the Securities Act of 1933 with respect to their shares of common stock. Further, the holders of registration rights may require us to register their shares on Form S-3 if and when we are eligible to use this form. We are required to pay the costs and expenses of the registration (other than underwriting discounts and commissions and fees) and sale of all such shares of common stock.

In the future, we will also issue additional shares or options to purchase additional shares to our employees, directors and consultants, in connection with corporate alliances or acquisitions, and in follow-on offerings to raise additional capital. Based on all of these factors, sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales could reduce the market price of our common stock. In addition, future sales of our common stock by our stockholders could make it more difficult for us to sell additional shares of our common stock or other securities in the future.

M&C International and entities affiliated with Summit Partners possess significant voting power and may take actions that are not in the best interests of our other stockholders.

As of June 30, 2007, M&C International and entities affiliated with Summit Partners owned or controlled shares representing, in the aggregate, approximately 43.4% of the outstanding shares of our common stock. Accordingly, M&C International and these entities affiliated with Summit Partners will exert substantial influence over all matters requiring approval of our stockholders, including the election and removal of directors and the approval of mergers or other business combinations. M&C International's and these entities' ownership may have the effect of delaying or preventing a change of control of our company or discouraging others from making tender offers for our shares, which could prevent stockholders from receiving a premium for their shares. These actions may be taken even if other stockholders oppose them and even if they are not in the interests of other stockholders.

Conflicts of interest may arise because some of our directors are also principals or partners of our controlling stockholders .

Two of our directors are principals of M&C International and two of our other directors are partners and members of various entities affiliated with Summit Partners. We depend on services provided by entities affiliated with M&C International or its principals to provide many of the financial services that we offer to patrons. Summit Partners and its affiliates may invest in entities that directly or indirectly compete with us or companies in which they currently invest may begin competing with us. As a result of these relationships, when conflicts between the interests of M&C International or Summit Partners, on the one hand, and the interests of our other stockholders, on the other hand, arise, these directors may not be disinterested.

Some provisions of our certificate of incorporation and bylaws may delay or prevent transactions that many stockholders may favor.

Some provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying, discouraging, or preventing a merger or acquisition that our stockholders may consider favorable or a change in our management or our Board of Directors. These provisions:

- divide our Board of Directors into three separate classes serving staggered three-year terms, which will have the effect of requiring at least two annual stockholder meetings instead of one, to replace a majority of our directors, which could have the effect of delaying or preventing a change in our control or management;
- provide that special meetings of stockholders can only be called by our Board of Directors, Chairman of the Board or Chief Executive Officer. In addition, the business permitted to be conducted at any special meeting of stockholders is limited to the business specified in the notice of such meeting to the stockholders;
- provide for an advance notice procedure with regard to business to be brought before a meeting of stockholders which may delay or preclude stockholders from bringing matters before a meeting of stockholders or from making nominations for directors at a meeting of stockholders, which could delay or deter takeover attempts or changes in management;
- eliminate the right of stockholders to act by written consent so that all stockholder actions must be effected at a duly called meeting;
- provide that directors may only be removed for cause with the approval of stockholders holding a majority of our outstanding voting stock;
- provide that vacancies on our Board of Directors may be filled by a majority, although less than a quorum, of directors in office and that our Board of Directors may fix the number of directors by resolution;
- allow our Board of Directors to issue shares of preferred stock with rights senior to those of the common stock and that otherwise could adversely affect the rights and powers, including voting rights and the right to approve or not to approve an acquisition or other change in control, of the holders of common stock, without any further vote or action by the stockholders; and
- do not provide for cumulative voting for our directors, which may make it more difficult for stockholders owning less than a majority of our stock to elect any directors to our Board of Directors. In addition, we are also subject to Section 203 of the Delaware General Corporation Law, which provides, subject to enumerated exceptions, that if a person acquires 15% or more of our voting stock, the person is an “interested stockholder” and may not engage in “business combinations” with us for a period of three years from the time the person acquired 15% or more of our voting stock.

These provisions may have the effect of entrenching our management team and may deprive our stockholders of the opportunity to sell shares to potential acquirers at a premium over prevailing prices. This potential inability to obtain a premium could reduce the price of our common stock.

If we fail to attract or retain independent directors, we may face unfavorable public disclosure, a halt in the trading of our common stock and delisting from the New York Stock Exchange .

Under the Sarbanes-Oxley Act of 2002 and the rules and regulations of the New York Stock Exchange, we are required to establish and maintain a board of directors consisting of a majority of independent directors and an audit committee consisting entirely of independent directors. A majority of our directors satisfy the applicable independence requirements. In the future, if we fail to maintain a board of directors consisting of a majority of independent directors, or fail to maintain independent audit committee members, we will fail to comply with the corporate governance listing requirements of the New York Stock Exchange and the SEC, which we would be required to publicly disclose, which may in turn cause a reduction in the trading price of our common stock. In addition, our failure to comply with these corporate governance listing requirements may also result in a halt in the trading of our common stock and the delisting of our common stock from the New York Stock Exchange, which may result in there being no public market for shares of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES AND WITHHOLDING OF EQUITY SECURITIES

	<u>Total Number of Shares Purchased or Withheld</u>	<u>Average Price per Share Purchased or Withheld</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs</u>
4/1/07 — 4/30/07	20,500(1) 3,639(2)	\$16.14(3) \$16.12(4)	20,500(1) 3,639(2)	\$ 7,517,112(5)
5/1/07 — 5/31/07	42,000(1) 3,644(2)	\$15.85(3) \$15.99(4)	42,000(1) 3,644(2)	\$46,793,192(5)
6/1/07 — 6/30/07	22,500(1) 3,895(2)	\$16.29(3) \$16.26(4)	22,500(1) 3,895(2)	\$46,363,392(5)
Subtotals	85,000(1) <u>11,178(2)</u>	\$16.04(3) <u>\$16.13(4)</u>	85,000(1) <u>11,178(2)</u>	
Total	<u>96,178</u>	<u>\$16.05</u>	<u>96,178</u>	

- (1) Represents shares of common stock that we repurchased in open market transactions pursuant to the Rule 10b-18 share buyback program that we publicly announced on February 8, 2007. Our board of directors authorized the repurchase up to \$50 million worth of common stock. The share buyback program does not obligate us to repurchase any specific number of shares and may be suspended or terminated at any time. No time frame for the completion of the program was specified in the board of directors' authorization.
- (2) Represents shares of common stock that were withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards.
- (3) Represents the average price per share of shares repurchased pursuant to the Rule 10b-18 share buyback program.
- (4) Represents the average price per share of shares withheld from restricted stock awards on the date of withholding.
- (5) Represents the maximum approximate dollar value of shares that may yet be purchased pursuant to the Rule 10b-18 share buyback program at the end of the stated period. There is no limitation on the number of shares of common stock that may be withheld from restricted stock awards to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

We held our annual meeting of stockholders at on May 4, 2007. Of the 82,968,078 shares outstanding as of the record date, 81,008,374 shares were present or represented by proxy at the meeting. At the meeting, the following persons were elected by the following vote as Class II directors to serve until the 2010 annual meeting of stockholders or until their successors are duly elected or appointed:

	Votes For	Votes Withheld
Robert Cucinotta	54,595,789	26,412,585
Charles J. Fitzgerald	80,830,249	178,125
Geoff Judge	80,830,601	177,773

In addition, at the meeting, the stockholders ratified by the following vote the appointment of Deloitte & Touche LLP as our independent auditors for the fiscal year ending December 31, 2007:

	Votes
For	80,724,980
Against	280,677
Abstain	2,717

ITEM 6. EXHIBITS

Exhibit No.	Description.
10.1(1)	Amendment No. 1 to Second Amended and Restated Credit Agreement dated as of June 22, 2007, by and among Global Cash Access Holdings, Inc., Global Cash Access, Inc., and Bank of America, N.A., as Administrative Agent.
31.1*	Certification of Kirk E. Sanford, Chief Executive Officer and Chief Financial Officer of Global Cash Access Holdings, Inc. dated August 14, 2007 in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Kirk E. Sanford, Chief Executive Officer and Chief Financial Officer of Global Cash Access Holdings, Inc. dated August 14, 2007 in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed June 26, 2007.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 14, 2007
(Date)

GLOBAL CASH ACCESS HOLDINGS, INC.
(Registrant)

/s/ Kirk E. Sanford

Kirk E. Sanford
Chief Executive Officer
and Chief Financial Officer
(For the Registrant and as
Principal Financial Officer
and as Chief Accounting Officer)

EXHIBIT INDEX

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* Filed herewith

GLOBAL CASH ACCESS HOLDINGS, INC.
CERTIFICATION

I, Kirk E. Sanford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Cash Access Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2007

By: /s/ Kirk E. Sanford
Kirk E. Sanford
Chief Executive Officer
and Chief Financial Officer

GLOBAL CASH ACCESS HOLDINGS, INC.

CERTIFICATION

In connection with the periodic report of Global Cash Access Holdings, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007 as filed with the Securities and Exchange Commission (the "Report"), I, Kirk E. Sanford, Chief Executive Officer of the Company, hereby certify as of the date hereof, solely for purposes of Title 18, Chapter 63, Section 1350 of the United States Code, that to the best of my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Dated: August 14, 2007

By: /s/ Kirk E. Sanford
Kirk E. Sanford
Chief Executive Officer
and Chief Financial Officer