

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA](#)

[PART IV](#)

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-K

(Mark
One)

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

For the fiscal year ended December 31, 2011

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 Number 001-32622

GLOBAL CASH ACCESS HOLDINGS, INC.

(Exact name of Registrant as specified in our charter)

Delaware

20-0723270

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

3525 East Post Road, Suite 120, Las Vegas, Nevada 89120

(Address of principal executive offices including Zip code)

(800) 833-7110

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$0.001 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES NO

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a
smaller reporting company)

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 June 30, 2011, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$205.7 million.

There were 65,106,029 shares of the registrant's common stock issued and outstanding as of the close of business on February 29, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2012 Annual Meeting of Stockholders to be held on April 26, 2012 are incorporated by reference into this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13, and 14. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be a part of this Annual Report on Form 10-K.

GLOBAL CASH ACCESS HOLDINGS, INC.
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2011

TABLE OF CONTENTS

Part I

Item 1: Business	4
Item 1A: Risk Factors	18
Item 1B: Unresolved Staff Comments	36
Item 2: Properties	37
Item 3: Legal Proceedings	37
Item 4: Mine Safety Disclosures	37

Part II

Item 5: Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	38
Item 6: Selected Financial Data	41
Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations	42
Item 7A: Quantitative and Qualitative Disclosures about Market Risk	59
Item 8: Financial Statements and Supplementary Data	61
Item 9: Changes in Disagreements with Accountants on Accounting and Financial Disclosures	96
Item 9A: Controls and Procedures	96
Item 9B: Other Information	98

<u>Part III</u> See Annual Proxy Statement	98
---	--------------------

Part IV

Item 15: Exhibits and Financial Statement Schedules	99
---	--------------------

<u>Signatures</u>	105
--------------------------	---------------------

[Exhibit 10.57](#)

[Exhibit 21.1](#)

[Exhibit 23.1](#)

[Exhibit 31.1](#)

[Exhibit 31.2](#)

[Exhibit 32.1](#)

[Exhibit 32.2](#)

PART I

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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," "we," "us" and "our" refer to Global Cash Access Holdings, Inc. together with its consolidated subsidiaries and the term "Holdings" refers to Global Cash Access Holdings, Inc. individually.

We believe that it is important to communicate our plans and expectations about the future to our stockholders and to the public. Some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements concerning our business operations, economic performance and financial condition, including in particular: our business strategy and means to implement the strategy; the amount of future results of operations, such as revenue, certain expenses, operating margins, income tax rates, shares outstanding, capital expenditures, operating metrics, and earnings per share; our success and our timing in developing and introducing new products or services and expanding our business; and the successful integration of future acquisitions. You can sometimes identify forward looking-statements by our use of the words "believes," "anticipates," "expects," "intends," "plan," "forecast," "guidance" and similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include, but are not limited to, statements regarding the following matters: trends in gaming establishment and patron usage of our products; benefits realized by using our products; product development and regulatory approval; gaming regulatory, card association and statutory compliance; the implementation of the Durbin Amendment, the implementation of new or amended card association and payment network rules; consumer collection activities; future competition; future tax liabilities; international expansion; resolution of litigation; dividend policy; new customer contracts and contract renewals; future results of operations (including revenue, expenses, margins, earnings, cash flow and capital expenditures); future interest rates and interest expense; future borrowings; and future equity incentive activity and compensation expense.

These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected or assumed, including but not limited to the following: the timing and the extent of a recovery in the gaming industry, if any; gaming establishment and patron preferences; national and international economic conditions; changes in gaming regulatory, card association and statutory requirements; regulatory and licensing difficulties; competitive pressures; operational limitations; gaming market contraction; changes to tax laws; uncertainty of litigation outcomes; interest rate fluctuations; inaccuracies in underlying operating assumptions; unanticipated expenses or capital needs; technological obsolescence; and employee turnover. In addition, our belief that our projected results of operations for calendar year 2012 will begin to improve are based on many assumptions, including, without limitation, the following: the anticipated positive impact on our results of operations from the recent implementation of the Durbin Amendment in October 2011; the anticipated opening of several new casinos in 2012 in new gaming jurisdictions; and our belief that the overall gaming market in the United States, in general, has stabilized and may improve modestly in 2012. If any of these assumptions prove to be incorrect, the results contemplated by the forward-looking statements regarding our future results of operations are unlikely to be realized. Additional factors that could cause actual results to differ materially are included under the heading "Risk Factors." These factors include, but are not limited to, those set forth in Item 1A—Risk Factors of this report, those set forth elsewhere in this report and those set forth in our press releases, reports and other filings made with the United States Securities and Exchange Commission ("SEC"). These cautionary statements qualify all of our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements.

[Table of Contents](#)

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. While we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to publicly release the results of any revisions to our forward-looking statements.

ITEM 1. BUSINESS

Overview

We are a global provider of innovative cash access and data intelligence services and solutions to the gaming industry. Our services and solutions provide gaming establishment patrons access to cash through a variety of methods, including Automated Teller Machine ("ATM") cash withdrawals, credit card cash access transactions, point-of-sale ("POS") debit card transactions, check verification and warranty services and money transfers. 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 also sell and service cash access devices such as slot machine ticket redemption and jackpot kiosks to the gaming industry.

In 2011, we processed over 90.0 million transactions, which resulted in approximately \$19.1 billion in cash being distributed to gaming patrons. A summary of our financial information is contained in Note 13 Quarterly Results of Operations to our consolidated financial statements.

We began our operations in July 1998 as a joint venture limited liability company among M&C International, entities affiliated with Bank of America, N.A. ("Bank of America") and First Data Corporation ("First Data"). In September 2000, Bank of America sold its entire ownership interest in us to M&C International and First Data. In March 2004, all of our outstanding ownership interests were contributed to a holding company and all of First Data's ownership interest in us was redeemed. Simultaneously, Bank of America reacquired an ownership interest in us (the "Recapitalization"). In May 2004, M&C International sold a portion of its ownership interest to a number of private equity investors, including entities affiliated with Summit Partners, and we converted from a limited liability company to a corporation (the "Private Equity Restructuring"). In September 2005, we completed an initial public offering of our common stock. In 2007, M&C International distributed its holdings of our common stock to its two principals, Karim Maskatiya and Robert Cucinotta. As of December 31, 2009, we believe both Messrs. Maskatiya and Cucinotta had disposed of all of their holdings of our common stock.

Our principal executive offices are located at 3525 East Post Road, Suite 120, Las Vegas, Nevada 89120. Our telephone number is (800) 833-7110. Our Internet website address is <http://www.gcainc.com>. The information on our website is not part of this Annual Report on Form 10-K or our other filings with the SEC.

Our Business

Our cash access products and services enable three primary types of electronic payment transactions: ATM cash withdrawals, credit card cash access transactions and POS debit card transactions. As of December 31, 2011, patrons could perform any of these three transactions at many of the Casino Cash Plus 3-in-1 ATMs and full service kiosks we operate. In addition, patrons can perform credit card cash access transactions and POS debit card transactions at any of our QuikCash kiosks, all of which we own. We also provide check verification and warranty services to gaming establishments that cash patron checks and provide various marketing services and casino patron data services to many of our gaming establishment customers. At some of our gaming establishment customers, we provide satellite cage and booth staffing services at which GCA employees cash patron checks and complete our cash access transactions; at all other gaming establishments, our cash access transactions are completed at the casino cage by the gaming establishment's employees or representatives. In addition we manufacture, sell and service cash access devices such as slot machine ticket redemption and jackpot kiosks to the gaming industry. These devices

[Table of Contents](#)

also may be enabled to provide our cash access products and services. In general, our contracts with gaming establishments have an average term life of three years.

ATM Cash Withdrawals

ATM cash withdrawal transactions represent the largest category of electronic payment transactions that we process, as measured by dollar and transaction volume. In an ATM cash withdrawal, a patron directly accesses funds from a device enabled with our ATM service by either using an ATM or debit card to withdraw funds from his or her bank account or using a credit card to access his or her line of credit; in either event, the patron must use the Personal Identification Number ("PIN") associated with such card. Our processor then routes the transaction request through an electronic funds transfer ("EFT") network to the patron's bank or issuer. Depending upon a number of factors, including the patron's account balance or credit limit and daily withdrawal limit, the bank or issuer will either authorize or decline the transaction. If the transaction is authorized, then the ATM-enabled device dispenses the cash to the patron. For a transaction using an ATM or debit card, the patron's bank account is debited by the amount of cash disbursed plus a service fee that we assess the patron for the use of the ATM service. For a transaction using a credit card with a PIN, the patron's credit account is charged by the amount of the cash disbursed plus a service fee that we assess the patron for the use of the ATM service. The service fee is currently a fixed dollar amount and not a percentage of the transaction size. We also receive a fee, which we refer to as reverse interchange, from the patron's bank for accommodating the bank's customer. In most circumstances, we pay a percentage of the service fee that we receive from the patron, and in some circumstances, a portion of the reverse interchange fees we receive, as a commission to our gaming establishment customers for the right to operate on their premises.

Credit Card Cash Access and POS Debit Card Transactions

Patrons can also perform credit card cash access transactions and POS debit card transactions using many of our enabled devices. A patron's credit card cash access limit is usually a sub-limit of the total credit line and is set by the card-issuing bank. These limits vary significantly and can be larger or smaller than the POS debit limit. A credit card cash access transaction obligates the patron to repay the issuing bank over time on terms that are preset by the cardholder agreement. A patron's POS debit card allows him or her to make cash withdrawals at the point of sale in an amount equal to the lesser of the amount of funds in his or her account or a daily limit that is generally five to ten times as large as the patron's daily ATM limit.

When a patron requests a credit card cash access or POS debit card transaction, our processor routes the transaction request through one of the card associations (e.g., VISA USA (together with VISA International ("VISA") or MasterCard International ("MasterCard")) or EFT networks (e.g., Star, Interlink or Shazam) to the issuing bank. Depending upon several factors, such as the available credit or bank account balance, the transaction is either authorized or declined by the issuing bank. If authorized, the patron's bank account is debited or their credit card balance is increased, in both cases, by an amount equal to the funds requested plus a service fee that we charge the patron. The service fee is a fixed dollar amount, a percentage of the transaction size or a combination of a fixed dollar amount and percentage of the transaction size. If the transaction is authorized, the device informs the patron that the transaction has been approved. The device instructs the patron to proceed to the gaming establishment's cashier, or GCA-operated booth, to complete the transaction because credit card cash access and POS debit card transactions must, in most circumstances, be completed in face-to-face environments and a unique signature must be received in order to comply with rules of the card associations. Once at the cashier booth, the patron acknowledges acceptance of the fee. We reimburse the gaming establishment for the amount of cash that it provided to the patron by either issuing a negotiable instrument to the gaming establishment or paying the gaming establishment via wire transfer or other similar form of electronic payment. In addition, we generally pay the gaming establishment a portion of the service fee as a

[Table of Contents](#)

commission for the right to operate on their premises, although this payment as a percentage of the fee is generally smaller for credit card cash access and POS debit card transactions than for ATM withdrawals. In addition, we are obligated to pay interchange fees to the issuing bank and processing costs related to the electronic payment transaction.

Check Verification and Warranty Services

Patrons may be able to cash checks at gaming establishments to fund their gaming play. When a patron presents a check at the cashier, the gaming establishment can accept or deny the transaction based on its own customer information and at its own risk; obtain third-party verification information about the check writer and the check to manage its risk; or obtain a warranty on payment of the check which entitles the gaming establishment to reimbursement of the full face amount of the check if it is dishonored.

There are a number of check verification services. One such service we provide is through a subscription service to the database operated by our subsidiary, Central Credit, LLC ("Central Credit") which, as discussed below, is used by gaming establishments to make credit issuing decisions. Central Credit maintains information on the check cashing and credit history of many gaming establishment patrons.

If a gaming establishment chooses to have a check warranted, it sends a request to a check warranty service provider, asking whether it would be willing to accept the risk of cashing the check. If the check warranty provider accepts the risk and warrants the check, the gaming establishment negotiates the patron's check by providing cash for the face amount of the check. If the check is dishonored by the patron's bank upon presentment, the gaming establishment invokes the warranty, and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own.

We currently provide check warranty services on two platforms: TRS Recovery Services (formerly known as TeleCheck Recovery Services, Inc.) ("TeleCheck") and Central Credit Check Warranty. We use and pay certain third parties to assist us in the warranty decision and processing and the collection activities. In our Central Credit Check Warranty product and under our agreement with TeleCheck, we receive all of the check warranty revenue. We are exposed to risk for the losses associated with any warranted items that we cannot collect from patrons issuing the items. Warranty expenses are defined as any amounts paid by TeleCheck or Central Credit to gaming establishments to purchase dishonored checks that will not be collectible from patrons. Additionally, we pay a portion of TeleCheck's operating expenses and certain operating expenses associated with our third party partners related to the provision of these services.

Central Credit

In addition to cashing checks and performing the three primary types of payment transactions described above, a number of gaming establishment patrons choose to access funds through credit extended by the gaming establishment. Central Credit is a gaming patron credit bureau specifically designed for the gaming industry to allow gaming establishments to improve their credit-granting decisions. Our Central Credit database contains gaming patron credit history and transaction data on gaming patrons. Our gaming credit reports are comprised of information recorded from patron credit histories at hundreds of gaming establishments. We provide such information to gaming establishments that subscribe for the service, which use that data, among other things, to determine if or how much credit they will grant to a gaming patron. At a gaming establishment's request, we can augment the information provided in our gaming credit reports with traditional credit reports or bank ratings provided by third-party consumer credit bureaus and bank reporting agencies. We typically charge our customers for access to gaming patron credit reports on a monthly basis and our fees are generally comprised of a fixed minimum fee plus per-transaction charges for certain requests.

[Table of Contents](#)

Equipment Sales and Service

On May 5, 2010, we acquired all of the outstanding capital stock of Western Money Systems ("Western Money") for an aggregate purchase price of \$15.4 million. Western Money derives substantially all of its revenue from the sale of cash access devices such as slot machine ticket redemption and jackpot kiosks, which may be enabled with our cash access services, and derives the balance of its revenue from the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale of, installation and maintenance of those devices.

Other

We also market money transfer services that allow patrons to receive money transfers at gaming establishments and provide other information services that assist in automating cashier operations and enhancing patron marketing activities.

Our Products and Services

Our customer solutions consist of cash access products and services, information services and cashless gaming products.

<u>Cash Access Products and Services</u>	<u>Information Services</u>	<u>Cashless Gaming Products</u>
<ul style="list-style-type: none">• Casino Cash Plus 3-in-1 ATM• Check verification and warranty• QuikCash Kiosk	<ul style="list-style-type: none">• Central Credit• QuikCash Plus Web• QuikReports• QuikMarketing• C a s i n o S h a r e Intelligence• Xchange Xplorer• Xchange Xplorer Plus• Xchange Watch	<ul style="list-style-type: none">• QuikTicket

Cash Handling and Access Equipment Sales and Services

- Full Service Kiosks
- Jackpot Kiosks

Cash Access Products and Services

We provide gaming establishments with the ability to enable their patrons to access cash through a variety of products and services.

Casino Cash Plus 3-in-1 ATM is an unmanned, cash-dispensing machine that offers patrons a quick way to access cash through ATM cash withdrawals, POS debit card transactions and credit card cash access transactions directly or using our patented "3-in-1 rollover" functionality. Most financial institutions that issue ATM cards impose daily ATM withdrawal limits, and, in many instances, aggregate and count Friday, Saturday, and Sunday as one day for purposes of calculating a cardholder's daily ATM withdrawal limit. If a patron attempts to access more than the applicable ATM daily withdrawal limit, the ATM transaction may be declined. Our patented "3-in-1 rollover" functionality allows a gaming patron to easily convert an unsuccessful ATM cash withdrawal transaction into a POS debit card transaction or a credit card cash access transaction. When a patron is denied a standard ATM transaction, our "3-in-1 rollover" functionality automatically provides the option of obtaining funds via a POS debit card transaction or a credit card cash access transaction. For authorized ATM transactions, the Casino Cash Plus 3-in-1 ATM dispenses cash to the patron. For successful POS debit card transactions and credit card cash access transactions, once the transaction is authorized, the Casino Cash Plus 3-in-1 ATM instructs the patron to proceed to the casino cashier or GCA-operated booth, where the transaction is completed and cash is

[Table of Contents](#)

dispensed to the patron. In addition to our own ATMs, we have strategic alliances with other financial institutions and third parties pursuant to which we have incorporated our "3-in-1 rollover" functionality into our strategic alliance partners' ATMs.

Check verification and warranty services allow gaming establishments to manage and reduce risk on patron checks that they cash. A gaming establishment can query our Central Credit database to review the check cashing history of a gaming establishment patron before deciding whether to cash the patron's check. If the gaming establishment desires additional protection against loss, it can seek a warranty on payment of the check. We have an exclusive relationship with TeleCheck to market check warranty services to gaming establishments. 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 database, our proprietary patron transaction database, third-party risk analytics and actuarial assumptions.

QuikCash is the brand name of our stand-alone, non-ATM cash access kiosks. Our QuikCash kiosks are customer-activated terminals that provide patrons with access to credit card cash access and POS debit card transactions. Once the transaction is authorized, the patron is instructed to proceed to the casino cashier or GCA-operated booth, at which certain procedures are undertaken in accordance with the rules of the major card associations and cash is provided to the patron.

Cash Access Equipment Sales and Services

We sell and service specialty equipment to gaming establishments that enable their patrons to efficiently access cash in a self-service environment.

Full Service Kiosk is a multi-function patron kiosk, which may incorporate our "3-in-1 rollover" functionality for cash access into a self-service kiosk for slot ticket redemption and bill breaking services provided by Western Money or other redemption device manufacturers. When a patron presses the cash out button on a cashless slot machine, the patron receives the value of the paper slot ticket dispensed from a printer embedded in the slot machine. The ticket can then be inserted into other slot machines or exchanged for cash at a redemption device. The availability of our cash access services on these slot ticket redemption devices provides us with additional points of contact with gaming patrons at locations that are closer to the slot machines than traditional cash access devices that are typically located on the periphery of the gaming area within the gaming establishment. These additional points of contact provide gaming patrons with more opportunities to access their cash with less cashier involvement, thereby creating labor cost savings for gaming establishments. In addition, by incorporating our cash access services into a redemption device, we enjoy the benefit of the redemption device manufacturer's existing relationships with gaming establishments and its sales and marketing efforts directed towards additional gaming establishments.

Information Services

We market our information services to gaming establishments to assist in improving credit decision-making, automating cashier operations and enhancing patron marketing activities.

Improve Credit Decision-Making

Central Credit is the leading gaming patron credit bureau that allows gaming establishments to improve their credit-granting decisions. Our Central Credit database contains decades of gaming patron credit history and transaction data on millions of gaming patrons. Our gaming credit reports are comprised of information recorded from patron experiences at hundreds of gaming establishments. We provide such information to gaming establishments, who use that data, for among other things, to determine if or how much credit they will grant to a patron. To allow gaming establishments to improve their credit-granting decisions, Central Credit offers a variety of tools to assist our customers in the underwriting of gaming patron credit requests. At a gaming establishment's request, we can augment the information provided in

[Table of Contents](#)

our gaming credit reports with traditional credit reports or bank ratings obtained from third-party consumer credit bureaus and bank reporting agencies.

Automated Cashier Operations

QuikCash Plus ("QCP") Web and QCPXpress are proprietary browser-based, full service cash access transaction processing systems for gaming establishment cashier operations that run on a gaming establishment's own computer hardware. Cashiers using QCP Web and QCPXpress can process credit card cash access transactions, POS debit card transactions, check verification and warranty services and money transfer services online through a single terminal. QCP Web and QCPXpress reduce cage operating complexity, improve transaction times, save space by eliminating multiple pieces of hardware and reduce training requirements for cage operators, potentially lowering operating costs for gaming establishments. QCP Web and QCPXpress are delivered as application services with customizable user interfaces that allow gaming establishments to add additional workstations by simply connecting them to the application server. In addition, QCP Web and QCPXpress can assist gaming establishments in satisfying legal reporting requirements by providing information that may assist gaming establishments in completing required regulatory reports such as Currency Transaction Reports ("CTRs") and Suspicious Activity Reports ("SARs").

Enhance Patron Marketing

Gaming establishment marketing professionals can use our patron marketing service to develop, implement and refine their customer loyalty programs. Because we have data on patron cash access activity across multiple gaming establishments, we are uniquely able to help an operator understand how much of a patron's cash access activity, in aggregate, is being completed in other gaming establishments in order to gauge the patron's loyalty to the gaming establishment.

QuikReports is a browser-based reporting tool that provides marketing professionals with real-time access to, and analysis of, information on patron cash access activity. We provide this information through a secure Internet connection at user-specified levels of detail ranging from aggregated summary information to individual cash access transactions. For example, an operator may use QuikReports to focus its marketing efforts on target patrons by generating a report of the patrons who accessed the greatest amounts of cash at the operator's gaming establishment during a specified period and comparing the amounts of cash accessed at the operator's gaming establishments with the aggregate amounts of cash accessed at other gaming establishments that are part of our network. A gaming establishment may also use QuikReports to monitor or analyze the cash access activities of its patrons to determine peak periods, the relative popularity of various cash access methods, or the traffic volumes, at particular cash access devices in particular locations.

QuikMarketing/Casino Share Intelligence are database services that allow us to query our proprietary patron transaction database using criteria supplied by the gaming establishment. This database can be used for direct marketing, market share analysis and a variety of other patron promotional uses. Our proprietary patron transaction database includes information that is captured from transactions we process in which personal information is available; ATM transactions are not included. Patrons may "opt out" of having their names included in QuikMarketing mailing lists.

Cashless Gaming Products

QuikTicket. The gaming industry has been increasingly moving towards cashless gaming as a more efficient means for gaming operators to manage their slot machine operations. Cashless gaming, also known as "ticket-in-ticket-out" ("TITO"), reduces the amount of cash utilized in slot machines by dispensing bar-coded tickets instead of cash for jackpots and cash-outs. QuikTicket is a product that allows a cash access transaction to be completed with a bar coded ticket in lieu of cash. To capitalize on the

[Table of Contents](#)

movement towards cashless gaming initiatives, we have developed, together with our strategic partners, products and services that facilitate an efficient means of accessing funds in a cashless gaming environment and are exploring new potential cashless gaming products and services. Our cash access services are platform independent and our existing infrastructure has been designed to be adaptable to new platforms and/or operating environments. We are currently in the process of obtaining regulatory and card association approvals for QuikTicket.

Customer Service

We operate a customer service call center from our facility in Las Vegas, Nevada that is accessible 24 hours a day, 365 days a year. Our customer service representatives assist cashier personnel and gaming patrons in their use of our products and services. Through our use of third-party translation services, our customer service representatives can serve gaming establishment customers and patrons in approximately 150 different languages.

Intellectual Property

We believe that the ability to introduce and respond to technological innovation in the gaming industry will be an increasingly important qualification for the future success of any provider of cash access services. Our continued competitiveness will depend on the pace of our product development; our patent, copyright, trademark and trade secret protection; and our relationships with customers. Our business development personnel work with gaming establishments, our joint venture partners, our strategic partners and the suppliers of the financial services upon which our cash access services rely to design and develop innovative cash access products and services and to identify potential new solutions for the delivery and distribution of cash in gaming establishments.

We rely on a combination of patents, trademarks, copyrights, trade secrets and contractual restrictions to protect our intellectual property. We have several issued patents and have applied for patent protection with respect to various products and services and proprietary processes that are incorporated in our products and services. We also have several registered trademarks relating to the names of our products and services as well as a registered trademark relating to our name.

Customers

Our customers consist almost entirely of domestic and international gaming establishments. We have approximately 1,050 gaming establishment customers. Our customers include traditional land-based casinos, riverboats and cruise ships with gaming operations, gaming establishments operated on Native American lands, pari-mutuel wagering facilities and card rooms.

In general, most of our customers procure multiple products and services from us such as cash access services and other products and services offered by us. In certain limited circumstances, we provide our products and services to non-gaming establishments such as gas stations and other retail businesses associated with gaming establishment customers, but the revenue generated from these operations is not material to our operations and we do not actively market or target non-gaming establishment customers.

For the year ended December 31, 2011, no single customer accounted for more than 10.0% of the Company's revenues. For the years ended December 31, 2010 and 2009, the combined revenues from all segments for our largest customer, Caesars Entertainment and its subsidiaries and affiliates was approximately \$79.6 million and \$92.8 million, respectively, representing 13.3% and 14.1%, respectively, of the Company's total consolidated revenues. In August 2010, Caesars announced its intention not to renew its agreements with us for the provision of cash access services with the Company, which expired in November 2010. We reacquired a portion of the Caesars business in connection with the MCA Processing asset purchase acquisition in November 2011. Our five largest customers accounted for approximately 28.4%, 34.6% and 34.4% of our total revenue in 2011, 2010 and 2009, respectively.

Sales and Marketing

We sell and market our products and services to gaming establishments primarily through the use of a direct sales force. The target customers of our direct sales force are gaming establishments in the United States and in international markets where gaming is conducted. In 2011, 2010 and 2009, revenues from our operations outside the United States comprised 1.5%, 1.3% and 1.5%, respectively, of our revenues.

Our sales and marketing efforts are directed by a team of sales executives, each with business development responsibility for the gaming establishments in those regions. These sales executives target all levels of gaming establishment personnel, including senior executives, finance professionals, marketing staff and cashiers, and seek to educate them on the benefits of our cash access products and services.

The sales executives are supported by field account managers, who provide on-site customer service to most of our customers. These field account managers reside in the vicinity of the specific gaming establishments that they support to ensure that they respond to the customer service needs of those gaming establishments.

We also have joint sales efforts with a number of strategic partners, including independent sales organizations, which allow us to market our cash access services to gaming establishments through channels other than our direct sales force.

Competition

We compete with other providers of cash access services to the gaming industry. Our principal competitor in North America is Global Payments, Inc. We also compete with financial institutions, such as U.S. Bancorp and other regional and local banks that operate ATMs on the premises of gaming establishments. Some of these other providers and financial institutions have also established cooperative relationships with each other to expand their service offerings. 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 their own in-house cash access systems rather than outsource to us. In the past, some gaming establishments have operated their own in-house cash access systems. We believe that almost all gaming establishments, however, outsource their cash access service to third-party providers because providing these services is not a core competency of gaming establishment operators, and because gaming establishment operators are unable to achieve the same scale that can be obtained by third-party providers that deploy cash access services across multiple gaming establishments.

Recently, we have faced increased competition from smaller competitors who have entered the market. These are typically independent sales organizations ("ISOs") that tend to provide basic services and aggressive pricing. In addition, we may face competition in the future from gaming equipment manufacturers and system providers.

We also face competition from traditional transaction processors that may choose to enter the gaming patron cash access services market. In addition, we may in the future face potential competition from new entrants into the market for cash access products and related services. Some of these potential competitors may have a number of significant advantages over us, including greater name recognition and marketing power, longer operating histories, pre-existing relationships with current or potential customers and significantly greater financial, marketing and other resources and access to capital which allow them to respond more quickly to new or changing opportunities.

Regulation

Various aspects of our business are subject to gaming regulations and financial services regulations. Depending on the nature of the noncompliance, our failure to comply with these regulations may result in

[Table of Contents](#)

the suspension or revocation of any license or registration at issue, cessation of our service as well as the imposition of civil fines and criminal penalties.

Gaming Regulation

We are subject to a variety of gaming and other regulations in the jurisdictions in which we operate. As a general matter, we are regulated by gaming commissions or similar authorities at the state or tribal level, such as the New Jersey Casino Control Commission and New Jersey Division of Gaming Enforcement. In general, in those jurisdictions where we sell and service slot machine ticket redemption devices and jackpot kiosks, we are considered a supplier of "associated equipment" and could be required by the regulatory authorities, in their discretion, to file a license application. In such event, any of our officers, directors or beneficial owners of our securities could be required to apply for a license or a finding of suitability. Most of the jurisdictions in which we operate distinguish between gaming-related suppliers and vendors, such as manufacturers of slot machines or other gaming devices, and non-gaming suppliers and vendors, such as food and beverage purveyors, construction contractors and laundry and linen suppliers. In general, in those jurisdictions where we provide cash access and Central Credit services but do not sell or service slot machine ticket redemption devices or jackpot kiosks, we are typically characterized as a non-gaming supplier or vendor, and we typically must obtain a non-gaming supplier's or vendor's license, qualification or approval with respect to the provision of our cash access and Central Credit services. The licensure, qualification and approval requirements and the regulations imposed on non-gaming suppliers and vendors are generally less stringent than for gaming-related suppliers and vendors, and as such, we are often subject to a lesser degree of regulation than our customers that directly engage in gaming activities. However, some of the jurisdictions in which we do business do not distinguish between gaming-related and non-gaming related suppliers and vendors, and other jurisdictions categorize our services and/or products as gaming related, and we are subject to the same stringent licensing, qualification or approval requirements and regulations that are imposed upon vendors and suppliers that would be characterized as gaming-related in other jurisdictions. Most state and many tribal gaming regulators require us to obtain and maintain a permit or license to provide our services to gaming establishments. The process of obtaining such permits or licenses often involves substantial disclosure of information about us, our officers, directors and beneficial owners of our securities, and involves a determination by the regulators as to our suitability as a supplier or vendor to gaming establishments.

As a result of our acquisition of Western Money, we are now required to obtain and maintain a gaming-related supplier's license in those jurisdictions where we sell and service gaming-related devices. Although we have obtained the necessary gaming related supplier's license in a majority of those jurisdictions where we sell and service slot machine ticket redemption devices and jackpot kiosks, we are currently operating under temporary approvals in some of these jurisdictions. As discussed above, the initial and ongoing licensure requirements imposed on gaming-related suppliers as compared to non-gaming related vendors or suppliers are, in general, substantially more burdensome. Such licensure requirements may include, but are not limited to the following: requiring the licensure or finding of suitability of any of our officers, directors, key employees or beneficial owners of our securities as well as our key third party vendors, suppliers, customers and other companies with whom we conduct business; the termination or disassociation with such 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; the submission of reports of material loans, leases and financing; and, the regulatory approval of some commercial transactions, such as the transfer or pledge of equity interests in the Company. These regulatory burdens are imposed upon gaming-related suppliers or vendors on an ongoing basis and there is no guarantee that we will be successful in obtaining and maintaining all necessary licenses and permits and to continue to hold other necessary gaming licenses and permits to conduct our business as currently being conducted by us. In addition, the expansion of our business, the introduction of new cash access products or services, or changes to applicable rules and regulations may result in additional regulatory or licensing requirements being imposed upon us. In addition, we also may

[Table of Contents](#)

be required to submit software and other key technology components of our slot machine ticket redemption devices to government or third party gaming laboratories for testing and certification prior to deploying such devices in a particular gaming jurisdiction.

The State of Nevada recently adopted amendments to the Nevada Gaming Control Act with respect to the licensure of cash access providers. In general, these amendments require companies that provide cash access services to gaming establishments within the State of Nevada to obtain and maintain a cash access service provider license from the Nevada Gaming Commission. In general, the licensure requirements for a cash access service provider are substantially similar to those imposed upon applicants for non-restricted gaming licenses. In Nevada, we have applied for a cash access service provider license as well as a finding of suitability as a manufacturer and distributor of associated equipment. Our applications for licensure and a finding of suitability remain pending with the Nevada Gaming Control Board and we expect to receive approvals for licensure and a finding of suitability in March 2012.

Gaming regulatory authorities have broad discretion and can require any beneficial holder of our securities, regardless of the number of shares of common stock or amount of debt securities owned, to file an application, be investigated, and be subject to a determination of suitability. If the beneficial holder of our securities who must be found suitable is a corporation, partnership, or trust, such entity must submit detailed business and financial information, which may include information regarding its officers, directors, partners and beneficial owners. Further disclosure by those officers, directors, partners and beneficial owners may be required. Under some circumstances and in some jurisdictions, an institutional investor, as defined in the applicable gaming regulations, that acquires a specified amount of our securities may apply to the regulatory authority for a waiver of these licensure, qualification or finding of suitability requirements, provided the institutional investor holds the voting securities for investment purposes only. An institutional investor will not be deemed to hold voting securities for investment purposes unless the securities were acquired and are held in the ordinary course of its business.

The following table provides an overview of our licensing status in jurisdictions located within the United States together with the percentage of total U.S.-based revenue derived in each such jurisdiction (inclusive of revenue derived from Native American gaming establishments):

Table of Geographic Concentration and Licensing Status

Location	Revenue		Gaming License		Status	
	Percentage(1)(2)		Required(3)(4)		Western Money	GCA or Holdings
	2011	2010	Western Money	GCA or Holdings		
California	10%	12%	Yes	Yes	Pending	Pending
Connecticut	6%	5%	Yes	No	Pending	N/A
Florida	9%	8%	Yes	No	Granted	N/A
Nevada	22%	22%	Yes	Yes	Pending	Pending
Oklahoma	5%	4%	No	No	N/A	N/A
Pennsylvania	7%	6%	Yes	Yes	Granted	Granted
Michigan	5%	4%	Yes	Yes	Pending	Granted
All other	36%	39%	N/A	N/A	N/A	N/A

- (1) All other represents jurisdictions with less than 5% of the Company's revenue based on the 2011 results.
- (2) Foreign jurisdictions are excluded from this table.
- (3) In certain jurisdictions in which gaming is undertaken by tribal gaming authorities pursuant to contracts between such tribal gaming authority and the federal and state governments, the Company may be required to obtain a license, approval or waiver from such tribal gaming authority in order to provide services to such tribal casino. The regulations governing such licensure, approval or waiver are

[Table of Contents](#)

distinct and separate from any licensure, approval or waiver that may be required by any state authority.

- (4) In certain jurisdictions, the applicable gaming regulations provide that entities which meet certain qualifications are exempt from obtaining otherwise required licensure. Such qualifications include, but are not limited to, such entity being currently licensed in another enumerated jurisdiction or the shares of stock of such entity being publicly traded on a recognized exchange.

Financial Services Regulation

Durbin Amendment. On June 29, 2011, the Federal Reserve Board issued a final rule establishing standards for debit card interchange fees, among other things, which took effect on October 1, 2011. This rule, Regulation II (Debit Card Interchange Fees and Routing) was promulgated pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (as modified by the Durbin Amendment) and establishes standards for assessing whether debit card interchange fees received by certain debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Debit card interchange fees are established by payment card networks and ultimately paid by merchants to debit card issuers for each debit transaction.

Anti-Money Laundering. The USA PATRIOT Act of 2001 and its implementing federal regulations require us to establish and maintain an anti-money laundering program. Our anti-money laundering program includes: internal policies, procedures, and controls designed to identify and report money laundering; a designated compliance officer; an ongoing employee training program; and an independent audit function to test the program.

In addition, the cash access services that we provide are subject to recordkeeping and reporting obligations under the Bank Secrecy Act. Our gaming establishment customers and we are required to file a SAR with the U.S. Treasury Department's Financial Crimes Enforcement Network to report any suspicious transactions relevant to a possible violation of law or regulation. To be reportable, such a transaction must meet criteria that are designed to identify the hiding or disguising of funds derived from illegal activities. Our gaming establishment customers, in situations where our cash access services are provided through gaming establishment cashier personnel, and we, in situations where we provide our cash access services directly to patrons through satellite cages or booths that we staff and operate, are required to file a CTR of each deposit, withdrawal, exchange of currency or other payment or transfer by, through, or to us which involves a transaction in currency of more than \$10,000 in a single day. Our QCP Web product can assist in identifying transactions that give rise to reporting obligations. When we issue or sell drafts for currency in amounts between \$3,000 and \$10,000, we maintain a record of information about the purchaser, such as the purchaser's address, Social Security Number and date of birth.

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.

Fund Transfers. Our POS debit card transactions and ATM services are subject to the Electronic Fund Transfer Act, which provides cardholders with rights with respect to electronic fund transfers, including the right to dispute unauthorized charges, charges that list the wrong date or amount, charges for goods and services that are not accepted or delivered as agreed, math errors and charges for which a cardholder asks for an explanation or written proof of transaction along with a claimed error or request for clarification. We believe we have implemented the necessary policies and procedures in order to comply with the regulatory requirements for fund transfers.

[Table of Contents](#)

Money Transmitter. Most states require a money transmitter license in order to issue the negotiable instruments that are used to complete credit card cash access and POS debit card transactions. We are currently licensed as a money transmitter in a substantial majority of jurisdictions where we provide credit card and POS debit card cash access services. In those jurisdictions where we have not yet obtained a money transmitter license, we have entered into an arrangement with a third party to enable us to provide these negotiable instruments in connection with the provision of cash access services.

Credit Reporting. Our Central Credit gaming patron credit bureau services and check verification and warranty services are subject to the Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act of 2003 and their implementing rules, which require consumer credit bureaus, such as Central Credit, to provide credit report information to businesses only for certain purposes and to otherwise safeguard credit report information; to disclose to consumers their credit report on request; and to permit consumers to dispute and correct inaccurate or incomplete information in their credit report. These laws and rules also govern the information that may be contained in a consumer credit report. We continue to implement policies and procedures as well as adapt our business practices in order to comply with these laws and regulations. In addition to federal regulation, our Central Credit gaming patron credit bureau services are subject to the state credit reporting regulations that impose similar requirements to the Fair Credit Reporting Act and the Fair and Accurate Credit Transactions Act of 2003. Our credit granting programs such as QuikCredit also are subject to federal and state credit reporting laws and rules, requiring, among other things, that we notify consumers when we deny credit based on credit report information.

Debt Collection. We currently outsource most of our debt collection efforts to third parties, however, in some circumstances, we engage in debt collection to collect on our dishonored checks purchased by Central Credit pursuant to our check warranty services, returns from customer payments on their account with the Arriva Card, chargebacks on our cash access products and unpaid balances for services performed for our check services, Central Credit services, receivables relating to the sale and service of slot machine ticket redemption devices and jackpot kiosks and other amounts owing to us in connection with performing various services for our customers. All such collection practices may be subject to the Fair Debt Collections Practices Act, which prohibits unfair, deceptive or abusive debt collection practices, as well as consumer-debt-collection laws and regulation adopted by the various states.

Privacy Regulations. Our collection of information from patrons who use our financial products and services, such as our cash access services, are subject to the financial information privacy protection provisions of the Gramm-Leach-Bliley Act and its implementing federal regulations. We gather, as permitted by law, non-public, personally-identifiable financial information from patrons who use our cash access services, such as names, addresses, telephone numbers, bank and credit card account numbers and transaction information. The Gramm-Leach-Bliley Act requires us to safeguard and protect the privacy of such non-public personal information. Also, the Gramm-Leach-Bliley Act requires us to make disclosures to patrons regarding our privacy and information sharing policies and give patrons the opportunity to direct us not to disclose information about them to unaffiliated third parties in certain situations. In this regard, we provide patrons with a privacy notice, an opportunity to review our privacy policy, and an opportunity to opt out of specified types of disclosures. In addition to the federal Gramm-Leach-Bliley Act privacy regulations, we are subject to state privacy regulations. Some state privacy regulations impose more stringent limitations on access and use of personal information. We continue to implement policies and programs as well as adapt our business practices in order to comply with federal and state privacy laws and regulations.

ATM Operations. The Electronic Fund Transfer Act also requires us to post certain notices on the ATMs that we operate regarding the fees that we charge for performing an ATM transaction as well as incorporating such notices on the ATM screens to notify patrons of such fees prior to completing an ATM transaction. Our ATM services are subject to applicable state banking regulations in each jurisdiction in

[Table of Contents](#)

which we operate ATMs. These regulations require, among other things, that we register with the state banking regulators as an operator of ATMs, that we provide gaming patrons with notices of the transaction fees assessed upon use of our ATMs, that our transaction fees do not exceed designated maximums, that we offer gaming patrons a means of resolving disputes with us, and that we comply with prescribed safety and security requirements. In addition, the ATMs that we operate are subject to requirements of the Americans with Disabilities Act which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons. New and stricter regulations under the Americans with Disabilities Act regarding accessibility to ATMs will go into effect in March 2012.

Check Cashing. In jurisdictions in which we serve as a check casher or agree to defer deposit of gaming patrons' checks under our QuikCredit services, we are subject to the state licensing requirements and regulations governing check cashing activities. Generally, these regulations require us to obtain a license from the state's banking regulators to operate as a check casher. Some states also impose restrictions on this activity such as restrictions on the amounts of service fees that may be imposed on the cashing of certain types of checks, requirements as to records that must be kept with respect to dishonored checks, and requirements as to the contents of receipts that must be delivered to gaming patrons at the time a check is cashed.

Network and Card Association Regulation. In addition to the governmental regulation described above, some of our services are also subject to rules promulgated by various payment networks, EFT networks and card associations. For example, we must comply with the Payment Card Industry ("PCI") Data Security Standard. Since June 30, 2006 we have been designated as a compliant service provider under the PCI Data Security Standard. We must be certified to maintain our status as a compliant service provider on an annual basis.

Other Regulation

When contracting with gaming establishments that are owned or operated by Native American tribes, 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 laws and 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 or regulations that govern our contracts. These tribal governing laws and regulations 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, and may expose us to an increased risk of contract repudiation as compared to that inherent in dealing with non-tribal customers. 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.

We are also subject to a variety of gaming regulations and other laws in the international markets in which we operate. We expect to become subject to additional gaming regulations and other laws in the jurisdictions into which we expand our operations. Our expansion into new markets is dependent upon our ability to comply with the regulatory regimes adopted by such jurisdictions. For example, our entry into Macau was subject to 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. Difficulties in obtaining approvals, licenses or waivers from the monetary and gaming authorities, 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 wish to enter.

As we develop new services and new products, we may become subject to additional federal and state 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

[Table of Contents](#)

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.

Employees

As of December 31, 2011, we had 416 employees. We are not subject to any collective bargaining agreements and have never been subject to a work stoppage. We believe that we have maintained good relationships with our employees.

Available Information

Our Internet address is <http://www.gcainc.com>. We make available free of charge in the "Investor Relations" portion of our website under "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding our filings at <http://www.sec.gov>.

ITEM 1A. RISK FACTORS

Risks Related to Our Business

Our business is dependent upon consumer demand for gaming and current economic trends specific to the gaming industry and the cash access industry continue to remain uncertain.

Our customers consist almost entirely of casinos and other gaming establishments. As a result, our business is dependent upon consumer demand for gaming. Gaming is a discretionary leisure activity and the gaming industry in general has contracted during 2011 and 2010 as a result of the decreased consumer demand and spending relating to gaming activities and services.

In addition, the quantity and dollar amount of credit card cash access transactions performed by patrons has declined in 2011 and 2010, and we believe this trend is primarily attributable to patrons' reduced access to credit as well as patrons' attempts to manage their overall spending patterns. Patrons also are performing a higher percentage of ATM transactions as compared to credit card cash access transactions. These trends have had an adverse impact on our results of operations for 2011 and 2010 because we charge higher fees for credit card cash access transactions than ATM transactions.

The volume indicators for the industry appear to have stabilized. We expect consumer demand for gaming activity to be modestly higher over the next year, however, an unanticipated downturn in demand for gaming activity and the patron's desire for performing credit card cash access transactions may have a material adverse effect on 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. Our contracts typically have an average term of three years in duration, but some are terminable upon 30 days advance notice or are terminable by our gaming establishment customers in the event that we fail to satisfy specific covenants set forth in the contracts, including gaming regulatory compliance covenants. 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 negatively impact 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. 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 Global Payments, 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 also face competition from gaming establishments that choose to operate cash access systems on their own behalf rather than outsource to us. We face competition from

[Table of Contents](#)

traditional transaction processors that may choose to enter the gaming patron cash services market. In addition, we may in the future face potential competition from new entrants into the market for cash access products and related services, such as 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 including pre-existing relationships relating to other financial services, significantly greater financial, marketing, technological and other resources and more ready access to capital which allow them to respond more quickly to new or changing opportunities.

Recently, we have faced increased competition from smaller companies who have entered the market. These organizations tend to provide basic services and aggressive pricing. In addition, we may face competition in the future from gaming equipment manufacturers and system providers.

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.

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.

Although no single customer accounted for more than ten percent of our revenues for the year ended December 31, 2011, 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. For the years ended December 31, 2010 and 2009, the combined revenues from all segments for our largest customer, Caesars Entertainment and its subsidiaries and affiliates was approximately \$79.6 million and \$92.8 million, respectively, representing 13.3% and 14.1%, respectively, of the Company's total consolidated revenues. In August 2010, Caesars announced its intention not to renew its agreements with us for the provision of cash access services with the Company, which expired in November 2010. We reacquired a portion of the Caesars business in connection with the MCA Processing asset purchase acquisition in November 2011. Our five largest customers accounted for approximately 28.4%, 34.6% and 34.4% of our total revenue in 2011, 2010 and 2009, respectively.

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. 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.

Card associations and EFT networks may change interchange reimbursement rates or network operating fees or assess new fees associated with the processing and settlement of our cash access transactions or otherwise change their operating rules and regulations without our consent and such changes may affect our revenues, cost of revenues (exclusive of depreciation and amortization), net income and our business generally.

We receive income from issuers of ATM, credit and debit cards for certain transactions performed on our ATMs related to cash dispensing or certain other non-financial transactions such as balance inquiries. The EFT networks may also charge certain fees related to the performance of these transactions. We refer to the net of this income and fees as reverse interchange. The amount of this reverse interchange income is determined by the electronic funds transfer networks, and are subject to decrease in their discretion at any time.

Several EFT networks that support ATM transactions, including Visa, MasterCard and Star, have recently announced changes in their interchange reimbursement structure for ATM transactions that will become effective beginning in January 2012 through April 2012. These changes will materially reduce the

[Table of Contents](#)

net reimbursement that the Company receives from ATM transactions processed on the respective networks. We anticipate other regional networks may make similar changes. Although we believe that we will be able to pass through these changes to most of our customers, certain of our contracts with gaming operators do not enable us to pass through such amounts. To the extent our transaction volumes remain constant and the net reimbursement for ATM transactions is reduced, our net income would decrease, which may result in a material adverse impact on our revenues and operating results.

In addition, through the credit card associations and EFT networks we pay interchange and other network fees for services they provide in settling transactions routed through their networks. Collectively we call these fees interchange fees. Subject to the limitations imposed by Federal regulations such as the Durbin Amendment or other regulations that may be enacted, the amounts of these interchange fees are determined based upon the sole discretion of the card associations and EFT networks, and are subject to increase at any time. Although certain of our contracts enable us to pass through increases in interchange or other network processing fees to our customers, 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 other network 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.

The card associations and EFT networks may also elect to impose new membership fees, or other fees, or implement new rules and regulations with respect to processing transactions through their networks, and any such new fees, rules or regulations could have a material adverse effect on our business and operating results.

Our belief that the Durbin Amendment and its implementing rules and regulations will have a material positive impact on our financial performance is based on many assumptions which may prove to be inaccurate.

On June 29, 2011, the Federal Reserve Board issued a final rule establishing standards for debit card interchange fees, among other things, which took effect on October 1, 2011. This rule, Regulation II (Debit Card Interchange Fees and Routing) was promulgated pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (as modified by the Durbin Amendment) and establishes standards for assessing whether debit card interchange fees received by certain debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Debit card interchange fees are established by payment card networks and ultimately paid by merchants to debit card issuers for each debit transaction.

Beginning in the fourth quarter of 2011 we began to experience significantly reduced interchange fees as a result of this legislation. We believe that this cap on debit interchange fees will continue to have a material positive impact on our financial performance in subsequent periods. Our belief, however, regarding the size and impact of our anticipated interchange cost reductions is subject to several assumptions which may prove to be inaccurate and factors beyond our control. We may not retain all of the anticipated financial benefits due to competitive factors that may require us to pass on a portion or all of the anticipated cost savings to our customers. Additionally, our anticipated interchange cost reductions could be offset in whole or in part by corresponding increases in other items of expense, such as additional fees, surcharges or expenses charged by card associations and/or payment networks or other costs that we must incur to complete transactions following the effectiveness of the rule. If any of our assumptions regarding the implementation or interpretation of the Durbin Amendment prove to be inaccurate, we may not retain all of the anticipated cost savings described herein.

Our ability to effectively operate in Native American gaming markets is vulnerable to legal and regulatory uncertainties, including the ability to enforce contractual rights on Native American land.

Historically, we have derived a significant percentage of our revenue from the provision of cash access and related services on Native American lands. Because federally recognized Native American tribes are independent governments with sovereign powers, Native American tribes can enact their own laws and regulate gaming operations and contracts. Native American tribes maintain their own governmental systems and often their own judicial systems and have the right to tax persons and enterprises conducting business on Native American lands, and also have the right to require licenses and to impose other forms of regulation and regulatory fees on persons and businesses operating on their lands. In the absence of a specific grant of authority by Congress, states may regulate activities taking place on Native American lands only if the Native American tribe has a specific agreement or compact with the state. Our contracts with Native American tribal customers with respect to governing law and venue provisions vary widely. In addition, these choice-of-law and venue clauses may not be enforceable.

Native American tribes generally enjoy sovereign immunity from lawsuits similar to that of the individual states and the United States. Before we can sue or enforce contract rights with a Native American tribe, or an agency or instrumentality of a Native American tribe, the Native American tribe must effectively waive its sovereign immunity with respect to the matter in dispute, which we are not always able to obtain. Without a limited waiver of sovereign immunity, or if such waiver is held to be ineffective, we could be precluded from judicially enforcing any rights or remedies against a Native American tribe, including the right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract. Even if the waiver of sovereign immunity by a Native American tribe is deemed effective, there will be an issue as to the forum in which a lawsuit can be brought against the Native American tribe. Federal courts are courts of limited jurisdiction and generally do not have jurisdiction to hear civil cases relating to Native American tribes and we may be unable to enforce any arbitration decision effectively.

Additionally, certain Native American tribes require us to contract with entities that are owned, controlled or managed by tribal members to provide a portion of our services. In some instances, these entities are subcontractors of us in connection with providing our services while in other instances we are a subcontractor to these entities who contract with the applicable tribal gaming casino or tribe directly to provide cash access services. Our ability to provide our services is dependent upon our relationship with these third parties and their ability to provide services in accordance with the terms of our contractual arrangement with these third parties and, in some instances, the third parties' relationship or contractual arrangement with the applicable tribal gaming casino or tribe.

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

As of December 31, 2011, we had total indebtedness of \$174.0 million in principal amount (of which \$174.0 million consisted of the term loan and no amounts were drawn against the revolving credit facility). On March 1, 2011, we entered into a new \$245.0 million senior secured credit facility, consisting of a \$210.0 million term loan and a \$35.0 million revolving credit facility (the "New Senior Credit Facility"). Our substantial indebtedness could have important consequences. For example, it:

- increases our vulnerability to general adverse economic and industry conditions;
- requires 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 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;

[Table of Contents](#)

- 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 creates liens or guarantees; and
- limits among other things, our ability to borrow additional funds.

In addition, the New Senior Credit Facility contains restrictive and financial covenants that may limit our ability to engage in activities that we may believe to be in our long-term best interests. Specifically, the New Senior Credit Facility contains affirmative and negative covenants customary for financings of this type, including, among other things, limits on the creation of liens, limits on the incurrence of indebtedness, restrictions on investments, acquisitions and dispositions, and the payment of dividends and other restricted payments. In addition, the New Senior Credit Facility contains financial covenants requiring us to have a maximum leverage ratio and a minimum interest coverage ratio which are discussed in more detail in the section entitled "*Borrowings under the New Senior Credit Facility*" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. Our failure to comply with these covenants could result in an event of default, which if not cured or waived, could result in the acceleration of all of our debt under the New Senior Credit Facility.

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 effect 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 New Senior Credit Facility requires 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.

We may encounter difficulties managing our growth, including growth through acquisitions or strategic investments, or the change of any of our providers, which could adversely affect our operating results.

Growth, including growth through acquisitions or strategic investments, or the change of any of our service providers, involve various risks, such as:

- difficulty integrating the technologies, operations and personnel from the acquired business or a new service provider;
- 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;

[Table of Contents](#)

- inability to obtain the desired financial and strategic benefits from the acquisition or investment;
- reduced ability to control maintenance schedules, system availability, functionality or customer service levels of a new service provider;
- 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. Our ability to consummate acquisitions may be impaired by a number of factors, including decreases in the trading price of our common stock, our inability to comply with covenants relating to our existing debt or our inability to incur additional debt that is required to consummate acquisitions or finance the post closing operation of acquired businesses.

A material increase in market interest rates could adversely affect our business.

We currently rely upon Wells Fargo Bank, N.A. ("Wells Fargo") to supply us with cash for substantially all of our ATMs. We are obligated to pay a monthly cash usage equal to the average daily balance of funds realized multiplied by the three-month LIBOR plus a mutually agreed upon margin. Assuming no change in the amount of cash used to supply our ATMs, an increase in LIBOR 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 LIBOR and our business could be adversely affected. For the years ended December 31, 2011 and 2010, we incurred approximately \$2.8 million and \$1.9 million, respectively, in aggregate fees for this supply of cash.

As of March 11, 2011, all of our indebtedness under our New Senior Credit Facility was at a variable interest rate tied to LIBOR.

Any material increases to LIBOR could increase the amount of fees we are required to pay to Wells Fargo to supply us with our vault cash for our ATMs and the amount of interest we are required to pay under the New Senior Credit Facility and adversely affect our business. In January 2012, we entered into a three year \$150.0 million interest rate cap agreement pursuant to the terms and conditions of the New Senior Credit Facility which mitigates our exposure to any increases to LIBOR to the extent LIBOR rises above 1.5% during the term of the interest rate cap agreement.

An unexpectedly high level of chargebacks, as the result of fraud or otherwise, could adversely affect our cash access 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. In the event that we incur chargebacks in excess of specified levels, we could lose our 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

[Table of Contents](#)

card associations by way of fines or otherwise. Our failure to adequately manage our check warranty expenses could have a material adverse effect on our business.

In certain foreign regions in which we currently operate or may operate in the future, new card security features, such as the chip-and-pin feature, have been developed as a fraud deterrent. We must upgrade our devices in certain international jurisdictions to accept these new technologies. Until we comply with these security features, we will bear the chargeback risk on transactions completed without the use of these new technologies or may not be able to operate in such jurisdiction at all.

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

We currently rely on TeleCheck and Central Credit to provide check warranty services to many of our customers. When a gaming establishment obtains an authorization from either TeleCheck or Central Credit pursuant to their check warranty service, the respective provider warrants payment on the patron's check. If the patron's check is subsequently dishonored upon presentment for payment, TeleCheck or Central Credit must purchase the dishonored check from the gaming establishment for its face amount. Pursuant to the terms of our contract with TeleCheck and as a part of Central Credit's service, we are responsible for all of the losses associated with these dishonored checks. 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. We manage and mitigate the risks associated with these dishonored checks through the use of risk analytics, data from third party databases, proprietary information from our own systems and collection efforts, including the additional fees that we are entitled to collect from check writers of dishonored checks. During the years ended December 31, 2011 and 2010, our warranty expenses with respect to warranty service were \$10.4 million and \$10.1 million, respectively. We have full control over the decision to warrant payment on a particular check under both platforms. If we fail to make sound risk assessment decisions or our risk analytics are ineffective in the approval of checks to be warranted, we may incur an unexpectedly high level of check warranty expenses at any time.

The provision of our credit card access, POS debit and ATM services are dependent upon our continued sponsorship into the VISA and MasterCard card associations, and the suspension or termination of our sponsorship would result in a material adverse effect on our business.

We process virtually all of our credit card cash access, POS debit and ATM service transactions through the VISA and MasterCard card associations both domestically and internationally, and virtually all of the revenue that we derive from our credit card cash access, POS debit and ATM services is dependent upon our continued sponsorship into the VISA and MasterCard associations. We cannot provide these services without sponsorship into the VISA and MasterCard associations by a member financial institution. Our failure to maintain our current sponsorship arrangements or secure alternative sponsorship arrangements into the VISA and MasterCard associations would have a material adverse effect on our business.

We are subject to extensive rules and regulations of card associations, including MasterCard, VISA, and electronic payment networks that are always subject to change, which may harm our business.

A substantial portion of our revenues during the period covered by this report were derived from transactions subject to the extensive rules and regulations of the leading card associations, VISA, and MasterCard. 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. As an example, we and certain of our providers must comply with the PCI Data Security Standard. The failure by any of such providers to comply with such standards could result in our being fined or being prohibited from processing transactions through MasterCard, VISA and other card and payment networks.

[Table of Contents](#)

The card associations' and payment networks rules and regulations are always subject to change, and the card associations or payment networks may modify their rules and regulations from time to time. 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, payment networks 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 or payment networks 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.

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 cards issued 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 and payment networks.

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 and security breaches that could lead to an increase in our costs, a reduction of our revenues or damage to 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, which may cause us to suffer unexpected failures and security breaches. We are exposed to the risk of failure or security breaches of the computer systems that are owned, operated and managed by TSYS Acquiring Solutions, LLC ("TSYS") and other third party service providers, which we do not control. TSYS and certain other providers own the data centers through which most of our transactions are processed, and we rely on TSYS and these other providers to maintain the security and integrity of our transaction data, including confidential consumer data. In addition, we are exposed to the risk of failure and security breaches of our proprietary computer systems, many of which are deployed, operated, monitored and supported by TSYS. We rely on TSYS to detect and respond to errors and failures in our proprietary computer systems. We also rely on several other third party vendors for hosting services, software development and system support of the self-service slot ticket and player point redemption kiosks that incorporate our cash access services. 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 security breaches, 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 collection, storage, transmission, use and distribution of data regarding gaming patrons that use our services could give rise to liabilities or additional costs as a result of laws, governmental regulations or differing views of personal privacy rights.

We collect, store and transmit large volumes of data regarding gaming patrons that utilize our cash access and Central Credit services. This data includes personally identifiable information, transaction behavioral data and credit history data. In some instances, we also utilize this data in connection with providing marketing services and data intelligence services to gaming establishments. This information is increasingly subject to federal, state and card association laws and regulations as well as laws and

[Table of Contents](#)

regulations in numerous jurisdictions around the world. Governmental regulations are typically intended to protect the privacy and security of such data and information as well as to regulate the collection, storage, transmission, transfer, use and distribution of such data and information.

We could be adversely affected if domestic or international laws or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their laws or regulations in ways that negatively affect our business or even prohibit us from offering certain marketing data intelligence or other services. Similarly, if we are required to allocate significant resources to modify our internal operating systems and procedures to enable enhanced protection of patron data that we transmit store and use, our business results could be adversely affected.

In addition, because various foreign jurisdictions have different laws and regulations concerning the storage, transmission and use of gaming patron data, we may face requirements that pose compliance challenges in new international markets that we seek to enter. Such variation could subject us to costs, liabilities or negative publicity that could impair our ability to expand our operations into some countries and therefore limit our future growth.

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

Certain of our material third party providers may be subject to gaming and other licensing requirements. If our third party providers are unable to obtain or maintain a license, we may be required to find a replacement provider for such services, which could have a material adverse impact on our business.

Negotiable Instruments. We are currently licensed as a money transmitter in a substantial majority of jurisdictions where we provide credit card and POS debit card cash access services. In those jurisdictions where we have not yet obtained a money transmitter license, we have entered into an arrangement with a third party to enable us to provide these negotiable instruments in connection with the provision of cash access services. If our arrangement with this financial institution is terminated and we are unable to either become licensed or to find a replacement provider, we may be unable to provide our credit card cash access and POS debit card transactions, which would have a material adverse effect on our business and financial performance.

Check Warranty Services. We rely on TeleCheck to provide many of the check warranty services that our gaming establishment customers contract with us to use when cashing patron checks.

Authorizations and Settlement. We rely on TSYS to provide processing services for the majority of our transactions by obtaining authorizations for credit card cash access transactions, POS debit card transactions, ATM cash withdrawal transactions and to provide settlement transaction files to card associations for some of these transactions. In addition, TSYS may in some cases be dependent upon a single access point to connect to the various transaction processing networks.

Software Development, Hosting and System Support. We rely on TSYS and other third party vendors for software development, hosting and system support services.

Card Association and Network Sponsorship. We rely on third party financial institutions in both domestic and foreign markets for sponsorship into the VISA, MasterCard and other card associations and electronic payment networks for domestic and foreign transactions.

[Table of Contents](#)

Our sponsorship agreements allow our sponsor bank to terminate our sponsorship agreement in certain situations such as if we fail to comply with various card association rules and regulations.

ATM Cash Supply. We have entered into a Contract Cash Solutions Agreement with Wells Fargo to provide cash for substantially all of our ATMs. This agreement calls for up to \$400.0 million in available cash with the ability to obtain an additional \$50.0 million in certain circumstances. The current agreement expires in November 2013. If our business demand for cash exceeds this limit or we default or cannot renew this limit we may have an inadequate supply of cash for our ATMs.

Product Development. We rely on our joint venture partner and strategic partners for some of our product development. 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.

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 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 TSYS. 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.

We may have to rely on costly litigation to enforce our intellectual property rights and contractual rights. By pursuing this type of litigation, we become exposed to the risk of counterclaims and the risk that defendants will attempt to invalidate our right to the subject intellectual property or otherwise limit its scope.

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.

Our business depends on our ability to introduce new, commercially viable 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

[Table of Contents](#)

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.

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 successfully enter new markets.

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, legal 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 and interpretations, trade barriers, difficulties in staffing and managing foreign operations, higher rates of fraud, fluctuations in currency exchange rates, difficulty in enforcing or interpreting contracts or legislation, political and economic instability and potentially adverse tax consequences. 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 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. In these new markets, we may additionally provide services based upon interpretations of applicable law, which interpretation may be subject to regulatory or judicial review. These risks, among others, could materially and 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

[Table of Contents](#)

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.

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 could 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.

Our assessment of our internal control over financial reporting has identified material weaknesses in the past, each of which was subsequently remediated. New material weaknesses may arise in the future. Any material weaknesses 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. Failure to remediate the prior material weaknesses in full or the need to remediate a future material weakness 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.

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. The value of any tax asset may be affected by many factors beyond our control. Our deferred tax asset specifically is subject to various tax laws and the utilization of such deferred tax asset may be subject to limitations and factors beyond our control, including, without limitation, our earnings, our future estimations of earnings and the value of our common stock, and a change of control of the Company. These deferred tax assets may be

[Table of Contents](#)

subject to certain limitations. Additionally, changes in tax laws or interpretations of such laws by domestic and foreign tax authorities could affect our results of operations.

We operate our business in regions subject to natural disasters. Any interruption to our business resulting from a natural disaster will adversely affect our revenues and results of operations.

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 interrupted, which will adversely affect our revenues and results of operations. 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.

Risks related to the industry

Economic downturns, a decline in the popularity of gaming or responsible gaming pressures 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 almost 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. 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. 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 (where we provide our services) competes with Internet-based gaming, which is currently not lawful in the United States of America. 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.

Our ability to sustain our existing customer relationships and establish new customer relationships depends in part on the support of, or lack of opposition from, social responsibility organizations that are dedicated to addressing problem gaming. We may be affected by litigation or lobbying efforts to combat problem gaming because we provide patrons the ability to access their cash in gaming establishments.

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 service 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. 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.

Our ATM service business is subject to extensive rules and regulations, which may harm our business.

Our ATM services are subject to the applicable federal, state and local banking regulations in each jurisdiction in which we operate ATMs, which regulations relate 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 and the notices and form of notices that must be posted on our ATMs. These regulations may impose significant burdens on our ability to operate ATMs profitably in some locations, or at all and our business operating results could be adversely affected. 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.

If federal, state, local or foreign authorities adopt new laws or regulations or raise enforcement levels on existing laws and regulations that make it more difficult for us to operate our ATM business and credit card cash access business, then our revenues and earnings may be negatively affected. If legislation or other legislation or regulations are enacted in the future that adversely impact our ATM business and credit card cash access business, we may be forced to modify our operations in a manner inconsistent with the assumptions upon which we relied when entering into contracts to provide ATM and credit card cash access services at gaming establishments and our business, financial condition and operating results would be harmed.

In addition, ATMs are subject to requirements of the Americans with Disabilities Act which in general require that ATMs be accessible to individuals with disabilities, such as visually-impaired persons. New and stricter regulations under the Americans with Disabilities Act regarding accessibility to ATMs will go into effect in March 2012. If we are unable to comply with these stricter regulations, our business financial condition and operating results could be harmed.

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 gaming regulators in 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 and construction contractors. In general, in those jurisdictions where we provide cash access and Central Credit services but do not sell or service slot machine ticket redemption devices or jackpot kiosks, we are typically 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, some of the gaming regulators in 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 gaming 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. Severing our relationship with a person may require such individual ceasing to provide services to us in any capacity, including as an officer, director, employee or consultant, such person divesting himself, herself or itself of all or substantially all of its equity interest in us, and we refraining from conducting any business or maintaining any business relationship with such person or any entity that such person is a director, officer or stockholder of or otherwise affiliated with. Any of the foregoing could be costly to the Company and materially disruptive of its management and operations. Our failure to sever our relationship with a person in a manner acceptable to the gaming regulatory authorities or at all may result in the loss or denial of

[Table of Contents](#)

licensure or a finding of unsuitability, which loss or denial of licensure or finding of unsuitability by a gaming regulatory authority may prohibit us from continuing to operate in such jurisdiction. Any loss or denial of licensure or finding of unsuitability in any one jurisdiction would likely result in similar adverse regulatory actions in several other jurisdictions, resulting in a domino effect of adverse regulatory actions. The effects of the internal investigation that we announced on November 14, 2007 have resulted in heightened scrutiny from gaming regulators and an increased risk of regulatory intervention as has the activities of certain of our stockholders in the conduct of businesses unaffiliated with the Company.

The State of Nevada recently adopted amendments to the Nevada Gaming Control Act with respect to the licensure of cash access providers. In general, these amendments require companies that provide cash access services to gaming establishments within the State of Nevada to obtain and maintain a cash access service provider license from the Nevada Gaming Commission. In general, the licensure requirements for a cash access service provider are substantially similar to those imposed upon applicants for non-restricted gaming licenses. In Nevada, we have applied for a cash access service provider license as well as a finding of suitability as a manufacturer and distributor of associated equipment. Our applications for licensure and a finding of suitability remain pending with the Nevada Gaming Control Board and we expect to receive approvals for licensure and a finding of suitability in March 2012. Our failure to obtain and ultimately maintain either the cash access service provider license or a finding of suitability from the Nevada Gaming Commission will have a material adverse effect on our business.

As a result of our acquisition of Western Money, we are now required to obtain and maintain a gaming-related supplier's license in those jurisdictions where we sell and service gaming-related devices. Although we have obtained the necessary gaming related supplier's license in a majority of those jurisdictions where we sell and service slot machine ticket redemption devices and jackpot kiosks, we are currently operating under temporary approvals in some of these jurisdictions. As discussed above, the initial and ongoing licensure requirements imposed on gaming-related suppliers as compared to non-gaming related vendors or suppliers are, in general, substantially more burdensome. Such licensure requirements may include, but are not limited to the following: requiring the licensure or finding of suitability of any of our officers, directors, key employees or beneficial owners of our securities, as well as our key third party vendors, suppliers, customers and other companies with whom we conduct business; the termination or disassociation with such 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; the submission of reports of material loans, leases and financing; and, the regulatory approval of some commercial transactions, such as the transfer or pledge of equity interests in the Company. These regulatory burdens are imposed upon gaming-related suppliers or vendors on an ongoing basis and there is no guarantee that we will be successful in obtaining and maintaining all necessary licenses and permits and to continue to hold other necessary gaming licenses and permits to conduct our business as currently being conducted by us. In addition, we also may be required to submit software and other key technology components of our slot machine ticket redemption devices to government or third party gaming laboratories for testing and certification prior to deploying such devices in a particular gaming jurisdiction.

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

[Table of Contents](#)

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. 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.

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. The collection practices that are used by our third party providers and us may be 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 state and local regulations relating to the imposition of daily limits on the amounts that may be withdrawn from ATMs, the location of ATMs, our ability to surcharge cardholders who use our ATMs and the notices and form of notices that must be posted on 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. We are required to file suspicious activity reports, or SARs, with respect to transactions completed at all gaming establishments at which our cash access services are provided. 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. We also are subject to various state licensing requirements and regulations governing money transmitters.

We are subject to formal or informal audits, inquiries or reviews from time to time by the regulatory authorities that enforce these financial services rules and regulations. 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 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 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 or gaming patron credit bureau services altogether. We may also be required to pay substantial penalties and fines if we fail to comply with applicable rules and

[Table of Contents](#)

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.

Consumer privacy laws may change, requiring us to change our business practices or expend significant amounts on compliance with such laws.

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 federal and state privacy laws and rules 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, such laws may be broadened in their scope and application, impose additional requirements and restrictions on gathering, encrypting 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, or impose additional fines or potentially costly compliance requirements which will hamper the value of our patron-marketing services.

Risks related to our capital structure

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

There has 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:

- 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, processing fees or other fees paid by us;
- decreases in reverse interchange rates paid to us;
- 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;

[Table of Contents](#)

- 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 the New Senior Credit Facility;
- 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.

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.

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.

[Table of Contents](#)

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our headquarters are located in a facility in Las Vegas, Nevada consisting of approximately 40,000 square feet of office space, which is under a lease through April 2013. We also lease several other properties that are used to support all our products and services: remote sales offices in Egg Harbor Township, New Jersey under a lease through September 2012 and in Macau SAR under a lease through November 2012, a facility in Burnsville, MN to support our technology development under lease through February 2013 and our manufacturing facility in Las Vegas, Nevada where we support our redemption device operations that is under lease through November 2014.

We believe that these facilities are adequate for our business as presently conducted.

ITEM 3. LEGAL PROCEEDINGS

Automated Systems America, Inc.

On July 7, 2010, an action was commenced by Automated Systems America, Inc. in the United States District Court, Central District of California, against Holdings, GCA and certain current employees of GCA. The complaint seeks a declaratory judgment of invalidity, unenforceability and non-infringement of certain patents owned by the Company and alleges antitrust violations of Section 2 of the Sherman Act, unfair competition violations under the Lanham Act and tortious interference and defamation per se. The plaintiff seeks damages in excess of \$2 million, punitive damages, and a trebling of damages associated with the allegations under Section 2 of the Sherman Act. On March 3, 2011, the Company filed a motion to dismiss this action. The Company maintains insurance that may provide for reimbursement of some of the expenses associated with this action. In February 2012, the District Court entered an order granting the Company's motion to dismiss this action without prejudice, allowing the plaintiff to file a new complaint if it chooses to do so. At this stage of the litigation, the Company is unable to make an evaluation of whether the likelihood of an unfavorable outcome is either probable or remote or the amount or range of potential loss; however, the Company believes it has meritorious defenses and will vigorously defend this action.

We are also subject to a variety of other claims and suits that arise from time to time in the ordinary course of business. We do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock has traded on the New York Stock Exchange under the symbol "GCA" since September 23, 2005. On February 29, 2012 there were 3 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial stockholders represented by these record holders.

The following table sets forth for the indicated periods, the high and low sale prices per share of our common stock:

	Price Range	
	High	Low
2011:		
First Quarter	\$ 3.96	\$ 2.95
Second Quarter	3.34	2.58
Third Quarter	3.26	2.07
Fourth Quarter	4.90	2.18
2010:		
First Quarter	\$ 8.38	\$ 6.51
Second Quarter	9.26	7.20
Third Quarter	7.46	3.46
Fourth Quarter	4.17	2.26

On February 29, 2012, the closing sale price of our common stock on the New York Stock Exchange was \$5.56.

Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all our earnings to finance the growth and development of our business. Any future change in our dividend policy will be made at the discretion of our Board of Directors and will depend on contractual restrictions, our results of operations, earnings, capital requirements and other factors considered relevant by our Board of Directors. In addition, the New Senior Credit Facility limits the ability of GCA and Holdings to declare and pay cash dividends.

Common Stock Repurchases

On February 10, 2010, pursuant to Rule 10b-18 under the Securities and Exchange Act of 1934, as amended, the Company's Board of Directors authorized the repurchase of up to an additional \$25 million worth of the Company's outstanding common stock, subject to compliance with such 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. For the year ended December 31, 2010, the Company repurchased 2,000,000 of its shares of common stock pursuant to this repurchase authorization for an aggregate purchase price of \$7.7 million.

On April 8, 2010, the Company repurchased in a privately negotiated transaction 3,105,590 shares of its outstanding common stock from various entities affiliated with Summit Partners, L.P. for an aggregate purchase price of \$25.0 million at a purchase price of \$8.05 per share of common stock. Charles J. Fitzgerald, who was a member of the Company's Board of Directors until his term expired on April 29, 2010, is a managing partner of Summit Partners, L.P. The Company funded this repurchase with cash on

[Table of Contents](#)

hand. This repurchase was made pursuant to a separate authorization by the Board of Directors of the Company in March 2010, separate from the \$25.0 million share repurchase program previously made on February 10, 2010.

In addition, for the years ended December 31, 2011 and 2010, the Company repurchased or withheld from restricted stock awards of 59,167 and 116,750 shares, respectively, of commonstock at an aggregate purchase price of \$0.2 million and \$0.8 million, respectively, to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards.

There were no common stock repurchases by the Company for the year ended December 31, 2011.

ISSUER PURCHASES AND WITHHOLDING OF EQUITY SECURITIES

	Total Number of Shares Purchased or Withheld	Average Price per Share Purchased or Withheld	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
Rule 10b-18				
Repurchases				
10/1/11 -				
10/31/11	—(1)	—	—(1)	\$ 17,324,976(4)
11/1/11 -				
11/30/11	—(1)	—	—(1)	\$ 17,324,976(4)
12/1/11 -				
12/31/11	—(1)	—	—(1)	\$ 17,324,976(4)
Sub-Total	—(1)	—	—(1)	
Tax				
Withholdings				
10/1/11 -				
10/31/11	3,302(2)	\$ 2.55(3)	3,302(2)	\$ —(4)
11/1/11 -				
11/30/11	3,252(2)	3.29(3)	3,252(2)	\$ —(4)
12/1/11 -				
12/31/11	3,166(2)	4.57(3)	3,166(2)	\$ —(4)
Sub-Total	9,720(2)	3.46(3)	9,720(2)	
Total	9,720	\$ 3.46	9,720	

- (1) For the year ended December 31, 2011, there were no repurchases of common stock pursuant to the Rule 10b-18 share repurchase authorization that we publicly announced on February 16, 2010. Our Board of Directors authorized the repurchase of up to \$25.0 million worth of common stock. The share buyback program does not obligate us to repurchase any specific number of shares and can be suspended or terminated at any time.
- (2) Represents the 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. There are no limitations on the number of shares of common stock that may be withheld from restricted stock awards to satisfy the minimum tax withholding obligations incident to the vesting of restricted stock awards.
- (3) Represents the average price per share of shares of common stock withheld from restricted stock awards on the date of withholding.

- (4) Represents the maximum approximate dollar value of shares of common stock available for repurchase pursuant to Rule 10b-18 share repurchase authorization at the end of the stated period. As of December 31, 2011, the maximum dollar value of shares that may yet be purchased pursuant to the Rule 10b-18 share buyback program is \$17.3 million. However, there are no limitations 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.

STOCK PERFORMANCE GRAPH

The line graph below compares the cumulative total stockholder return on our common stock with the cumulative total return of the Standard & Poor's ("S&P") 500 Index and the S&P Information Technology Index during the approximate five year period ended December 31, 2011.

The graph assumes that \$100 was invested on December 31, 2006 in our common stock, in the S&P 500 Index and the S&P Information Technology Index, and that all dividends were reinvested. Research Data Group, Inc. furnished this data. Cumulative total stockholder returns for our common stock, the S&P 500 Index and the S&P Information Technology Index are based on the calendar month end closing prices. The comparisons in the graph are required by the SEC and are not intended to forecast or be indicative of possible future performance of our common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Global Cash Access Holdings, Inc, the S&P 500 Index, and the S&P Information Technology Index

* \$100 invested on 12/31/06 in stock or index, including reinvestment of dividends. Fiscal year ended December 31.

This graph is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any filing by us under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our audited consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K. The selected consolidated financial data for the fiscal years ended December 31, 2011, 2010, 2009, 2008 and 2007 have been derived from our audited consolidated financial statements, some of which are included herein. Our selected consolidated financial data may not be indicative of our future financial condition or results of operations (amounts in thousands, except per share amounts).

	For the Years Ended December 31,				
	2011	2010	2009	2008	2007
Income Statement Data:					
Revenues					
Cash advance	\$203,869	\$244,139	\$289,314	\$326,476	\$316,094
ATM	283,727	314,627	325,953	289,122	240,575
Check services	26,269	28,357	38,525	42,366	31,126
Other revenues	30,198	18,467	13,928	13,644	10,145
Total revenues	<u>544,063</u>	<u>605,590</u>	<u>667,720</u>	<u>671,608</u>	<u>597,940</u>
Cost of revenues (exclusive of depreciation and amortization)					
	419,606	463,045	501,810	492,974	428,508
Operating expenses	69,517	73,720	76,005	83,962	79,614
Depreciation and amortization	16,644	16,195	17,851	16,026	11,600
Operating income	<u>38,296</u>	<u>52,630</u>	<u>72,054</u>	<u>78,646</u>	<u>78,218</u>
Interest expense, net of interest income	18,638	16,329	17,960	27,888	34,515
Loss on early extinguishment of debt	943	—	—	—	—
Income from continuing operations before income tax provision	18,715	36,301	54,094	50,758	43,703
Income tax provision	9,586	18,751	20,556	23,349	16,709
Income from continuing operations, net of tax	9,129	17,550	33,538	27,409	26,994
Income/(loss) from discontinued operations, net of tax	—	—	44	(3,939)	(3,526)
Net income	<u>9,129</u>	<u>17,550</u>	<u>33,582</u>	<u>23,470</u>	<u>23,468</u>
Plus: net (income)/loss attributable to non-controlling interest(1)	—	(56)	56	86	236
Net income attributable to Global Cash Access Holdings, Inc. and Subsidiaries	<u>\$ 9,129</u>	<u>\$ 17,494</u>	<u>\$ 33,638</u>	<u>\$ 23,556</u>	<u>\$ 23,704</u>
Basic earnings per share:					
Continuing operations	\$ 0.14	\$ 0.27	\$ 0.45	\$ 0.36	\$ 0.33
Discontinued operations	\$ —	\$ —	\$ —	\$ (0.05)	\$ (0.04)
Net income	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.45</u>	<u>\$ 0.31</u>	<u>\$ 0.29</u>
Diluted earnings per share:					
Continuing operations	\$ 0.14	\$ 0.26	\$ 0.45	\$ 0.36	\$ 0.33
Discontinued operations	\$ —	\$ —	\$ —	\$ (0.05)	\$ (0.04)
Net income	<u>\$ 0.14</u>	<u>\$ 0.26</u>	<u>\$ 0.45</u>	<u>\$ 0.31</u>	<u>\$ 0.29</u>
Weighted average number of common shares outstanding:					
Basic	64,673	65,903	74,232	76,787	81,108
Diluted	<u>64,859</u>	<u>67,272</u>	<u>75,356</u>	<u>76,796</u>	<u>81,377</u>

- (1) Non-controlling interest loss, net of tax, represents the portion of the loss from operations of Innovative Funds Technology, LLC ("IFT") that is attributable to the 40% ownership interest in IFT that is not owned by us. IFT was dissolved on April 19, 2010.

	For the Years Ended December 31,				
	2011	2010	2009	2008	2007
Balance sheet data (at end of period):					
Cash and cash equivalents	\$ 55,535	\$ 60,636	\$ 84,768	\$ 77,148	\$ 71,063
Total assets	529,067	458,394	501,767	559,150	538,302
Total borrowings	174,000	208,750	249,750	265,750	263,480
Stockholders' equity	159,858	143,478	145,409	160,878	138,296
Other data:					
Net cash provided by operating activities	\$ 54,252	\$ 68,898	\$ 90,963	\$ 71,324	\$ 91,874
Net cash used in investing activities	(18,183)	(24,492)	(7,235)	(58,708)	(10,960)
Net cash used in financing activities	(41,227)	(68,845)	(74,425)	(7,217)	(49,715)
Other data (unaudited):					
Aggregate dollar amount processed (in billions):					
Cash advance	\$ 4.3	\$ 5.0	\$ 5.7	\$ 6.5	\$ 6.4
ATM	\$ 12.2	\$ 13.6	\$ 14.5	\$ 15.2	\$ 13.6
Check warranty	\$ 1.1	\$ 1.1	\$ 1.5	\$ 1.8	\$ 1.4
Number of transactions completed (in millions):					
Cash advance	8.4	10.1	11.7	12.2	11.3
ATM	68.8	78.3	83.4	84.7	73.5
Check warranty	4.4	4.9	6.3	6.5	5.3

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes contained herein and the information included in our other filings with the Securities and Exchange Commission. This discussion includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements in this Annual Report on Form 10-K other than statements of historical fact are forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties. Our actual results may differ materially from those projected or assumed in such forward-looking statements. Among the factors that could cause actual results to differ materially are the risk factors discussed under Item 1A. All forward-looking statements and risk factors included in this document are made as of the date of this report, based on information available to us as of such date. We assume no obligation to update any forward-looking statement or risk factor.

Overview

We are a global provider of innovative cash access and data intelligence services and solutions to the gaming industry. Our services and solutions provide gaming establishment patrons access to cash through a variety of methods, including ATM cash withdrawals, credit card cash access transactions, POS debit card transactions, check verification and warranty services and money transfers. 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 also sell and service cash access devices such as redemption and jackpot kiosks to the gaming industry.

We began our operations in July 1998 as a joint venture limited liability company among M&C International, entities affiliated with Bank of America, N.A. and First Data. In September 2000, Bank of America sold its entire ownership interest in us to M&C International and First Data. In March 2004, all

[Table of Contents](#)

of our outstanding ownership interests were contributed to a holding company and all of First Data's ownership interest in us was redeemed. Simultaneously, Bank of America reacquired an ownership interest in us. In May 2004, M&C International sold a portion of its ownership interest to a number of private equity investors, including entities affiliated with Summit Partners, and we converted from a limited liability company to a corporation. In September 2005, we completed an initial public offering of our common stock. In 2007, M&C International distributed its holdings of our common stock to its two principals, Karim Maskatiya and Robert Cucinotta. As of December 31, 2009, we believe both Messrs. Maskatiya and Cucinotta had disposed of all of their holdings of our common stock.

Factors Affecting Comparability:

Our consolidated financial statements included in this report that present our financial condition and results of operations reflect the following transactions and events:

- On November 15, 2011, the Company acquired substantially all of the assets of MCA Processing LLC. MCA is a provider of ATM, debit card and credit card cash access services to gaming establishments and also manufactures, sells, licenses and services redemption kiosk devices. The results of operations of MCA Processing have been reflected in the applicable business segment financial information following this acquisition.
- On October 1, 2011, the Durbin Amendment, which imposes caps on the amount of debit card interchange fees, was implemented, and materially reduced the amount of interchange expense that we incurred for PIN-based and signature based debit card transactions during the fourth quarter of 2011 as described in more detail in the *Trends* section below.
- On March 1, 2011, GCA and Holdings entered into the New Senior Credit Facility, consisting of a \$210.0 million term loan facility and a \$35.0 million revolving credit facility. All \$210.0 million of available borrowings under the term loan facility and \$4.0 million of available borrowings under the revolving credit facility were borrowed concurrent with the establishment of the New Senior Credit Facility and the Company used substantially all of these proceeds to repay indebtedness under the Company's existing senior secured credit facilities and the senior subordinated notes.
- In August 2010, GCA received notice from its then-largest customer, Caesars, of its intent not to renew its cash access agreements with us, which agreements expired in November 2010. Revenue derived from our contracts with Caesars was \$79.6 million for the year ended December 31, 2010, representing 13% of our total revenue for the year ended December 31, 2010.
- In May 2010, we completed the acquisition of Western Money, a manufacturer of redemption kiosk devices. The results of operations of Western Money have been reflected in the applicable business segment financial information following this acquisition.
- IFT, formerly known as QuikPlay, LLC, was a joint venture that was formed on December 6, 2000, and owned 60% by GCA and 40% by IGT. IGT is one of the largest manufacturers of gaming equipment in the United States. GCA was the managing member of this entity and IFT was consolidated in the Company's consolidated financial statements prior to April 19, 2010, at which time GCA and IGT dissolved IFT. The dissolution of IFT did not have a material impact on the condensed consolidated financial statements of the Company.
- We announced on February 28, 2008 that we intended to exit the Arriva Card, Inc. ("Arriva") business. The results of operations for the Arriva line of business have been classified to discontinued operations for the six months ended June 30, 2009. The Company determined that as of July 1, 2009, the results of operations for the Arriva line of business were no longer material and the results of operations for future periods have been classified in continuing operations.

[Table of Contents](#)

As a result of the above transactions and events, the results of operations and earnings per share in the periods covered by the consolidated financial statements may not be directly comparable.

Trends

Our strategic planning and forecasting processes include the consideration of economic and industry-wide trends that may impact our business. We have identified the more material positive and negative trends affecting our business as the following:

- The gaming sector in the United States has experienced revenue declines over the past several years. In the latter part of 2011, the industry has appeared to show signs of stability and is expected to show modest improvement for 2012.
- We believe that the implementation of the Durbin Amendment and the Federal Reserve Board's implementing rule that imposes caps on the amount of the debit card interchange fees and the recently announced card association rules regarding the reduction in the interchange fees paid by issuing banks on ATM transactions, will have a material impact on our financial performance during 2012 due to the anticipated decrease in the amount of interchange expense that we will be required to pay on both PIN-based and signature-based debit card transactions and the decrease in revenue on our ATM transactions. We believe that more changes are likely to be imposed as the industry continues to respond to these significant changes.
- Gaming activity continues to expand into more domestic and international markets.
- In recent years, there has been a migration from the use of traditional paper checks and cash to electronic payments.
- The credit markets in the U.S. and around the world have been volatile and unpredictable.
- The Company is facing increased competition from smaller competitors in the gaming cash access market and may face additional competition from gaming equipment manufacturers and systems providers.
- The cash access industry in the gaming sector has become increasingly competitive and is having an adverse effect on the Company's operating margins with respect to new customers and existing customers that have renewed their cash access agreements with the Company.
- There is increasing governmental oversight related to the cost of transaction processing and related fees to the consumer. We expect the financial services and payments industry to respond to these legislative acts by changing other fees and costs, which may negatively impact our business in the future.

Principal Sources of Revenues and Expenses

Our principal sources of revenues include:

Cash advance revenues are comprised of transaction fees assessed to gaming patrons in connection with credit card cash access and POS debit card transactions at the time the transactions are authorized. Such fees are based on a combination of a fixed amount plus a percentage of the face amount of the credit card cash access or POS debit card transaction amount.

ATM revenues are comprised of transaction fees in the form of cardholder surcharges assessed to gaming patrons in connection with ATM cash withdrawals at the time the transactions are authorized and reverse interchange fees paid to us by the patrons' issuing banks. Cardholder surcharges are recognized as revenue when a transaction is initiated and reverse interchange is recognized as revenue on a monthly basis based on the total transactions occurring during the month. The cardholder surcharges assessed to gaming

[Table of Contents](#)

patrons in connection with ATM cash withdrawals are currently a fixed dollar amount and not a percentage of the transaction amount.

Check services revenues are principally comprised of check warranty revenues and are generally based upon a percentage of the face amount of checks warranted. These fees are paid to us by gaming establishments. In some cases, gaming establishments pass on the fees to patrons.

Other revenues consist of revenue derived from Western Money operations from the sale of cash access devices, such as slot machine ticket redemption and jackpot kiosks, and from the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale, installation and maintenance of those devices. In addition, other revenues consist of Central Credit revenues that are based upon either a flat monthly unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated. Also included in Other revenues are revenues generated from Casino Marketing Services and revenues generated from Global Recovery Service revenues ("GRS"). This revenue results from a fee collected from GCA clients for research and investigation, using GCA's proprietary data base to identify funds associated with individual credit card cash access and POS debit card transaction money transfers that were issued upon the completion of such a transaction for which a charge or debit was made to a cardholder's account but the bank draft was not successfully deposited by GCA's client.

Our principal costs and expenses include:

Cost of revenues are costs and expenses directly related to the generation of revenue and exclude depreciation and amortization expenses.

For credit card cash access and POS debit card transactions and ATM transactions, we pay a commission to the gaming establishment at which the transaction occurs. Commissions are the largest component of cost of revenues (exclusive of depreciation and amortization). We expect commissions to increase as a percentage of revenue as new contracts are signed or existing contracts are renewed. We pay credit card associations and payment networks interchange fees for services they provide in routing transactions through their networks. In addition, we pay fees to participate in various payment networks to support our ATM services. Subject to the recent caps and limitations imposed by the Durbin Amendment, the amounts of these interchange fees are determined by the card associations and payment networks in their sole discretion, and are subject to increase in their discretion from time to time. Many of our cash access contracts enable us to pass through the amount of any increase in interchange or processing fees to our gaming establishment customers, who may in turn pass through these increases to patrons. In the past, the major card associations and payment networks have increased interchange rates at least annually, and they may do so in the future. We pay connectivity and processing fees to our network services providers.

For our check services transactions, we pay a commission to the gaming establishment at which the transaction occurs. We incur warranty expense when checks that we have warranted through our Central Credit Check Warranty service or that TeleCheck has warranted through its check warranty service are dishonored upon presentment for payment.

Other cost of revenues (exclusive of depreciation and amortization) consists primarily of costs related to our Western Money products and services, our Central Credit service and our patron marketing activities.

Operating expenses consist primarily of salaries and benefits, armored carrier expenses, the cost of repair and maintenance on our cash access devices, professional fees, telecommunications expenses and bank fees.

Interest expense includes interest incurred on our borrowings and the amortization of deferred financing costs. Interest expense also includes the cash usage fees associated with the cash used in our ATMs.

Our earnings are subject to taxation under the tax laws of the jurisdictions in which we operate.

Results of Operations

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

The following table sets forth the condensed consolidated results of operations and percentages of total revenue for the years ended December 31, 2011 and December 31, 2010 (amounts in thousands):

	December 31, 2011		December 31, 2010		2011 vs 2010	
	\$	%	\$	%	\$ Variance	% Var
Revenues						
Cash advance	\$ 203,869	37.5%	\$ 244,139	40.3%	\$ (40,270)	(16.5)%
ATM	283,727	52.1%	314,627	52.0%	(30,900)	(9.8)%
Check services	26,269	4.8%	28,357	4.7%	(2,088)	(7.4)%
Other revenues	30,198	5.6%	18,467	3.0%	11,731	63.5%
Total revenues	544,063	100.0%	605,590	100.0%	(61,527)	(10.2)%
Cost of revenues (exclusive of depreciation and amortization)	419,606	77.1%	463,045	76.5%	(43,439)	(9.4)%
Operating expenses	69,517	12.8%	73,720	12.2%	(4,203)	(5.7)%
Depreciation and amortization	16,644	3.1%	16,195	2.7%	449	2.8%
Operating income	38,296	7.0%	52,630	8.7%	(14,334)	(27.2)%
Interest expense, net of interest income	18,638	3.4%	16,329	2.7%	2,309	14.1%
Loss on early extinguishment of debt	943	0.2%	—	0.0%	943	0.0%
Interest expense, net	19,581	3.6%	16,329	2.7%	3,252	19.9%
Income from continuing operations before income tax provision	18,715	3.4%	36,301	6.0%	(17,586)	(48.4)%
Income tax provision	9,586	1.7%	18,751	3.1%	(9,165)	(48.9)%
Net income	9,129	1.7%	17,550	2.9%	(8,421)	(48.0)%
Plus: net (income)/loss attributable to non-controlling interest	—	0.0%	(56)	(0.0)%	56	(100.0)%
Net income attributable to Global Cash Access Holdings, Inc. and Subsidiaries	\$ 9,129	1.7%	\$ 17,494	2.9%	\$ (8,365)	(47.8)%

Total Revenues

Total revenues, for the year ended December 31, 2011 were \$544.1 million as compared to \$605.6 million for the prior year, a decrease of \$61.5 million, or 10.2%, as compared to the year ended December 31, 2010. The decrease was primarily due to the loss of our largest customer, Caesars, at the end of 2010. Revenue from our lost contracts with Caesars for the year ended December 31, 2010 was approximately \$73.9 million (net of the revenue related to Caesars contracts re-acquired in connection with the November 2011 MCA asset purchase).

Cash advance revenue, for the year ended December 31, 2011 was \$203.9 million, a decrease of \$40.3 million, or 16.5%, as compared to the year ended December 31, 2010. This decrease was primarily related to the loss of the net Caesars business that accounted for \$35.1 million, or 14.4%, of the credit card cash advance revenue in 2010.

ATM revenue, for the year ended December 31, 2011, was \$283.7 million, a decrease of \$30.9 million, or 9.8%, as compared to the year ended December 31, 2010. This was primarily due to the loss of the net Caesars business that accounted for \$38.7 million, or 12.3%, of the ATM revenue in 2010.

[Table of Contents](#)

Check services revenue, for the year ended December 31, 2011, was \$26.3 million, a decrease of \$2.1 million, or 7.4%, as compared to the year ended December 31, 2010. This decrease was primarily attributable to the decrease in the number of check services transactions by 0.5 million, or 10.1%, largely driven by the closure of unprofitable booth locations that were mostly completed by the third quarter of 2010.

Other revenue, for the year ended December 31, 2011, was \$30.2 million, an increase of \$11.7 million, or 63.5%, as compared to the year ended December 31, 2010. This increase was primarily due to the inclusion of the operating results generated from Western Money for the full year ended December 2011, but not included in the first four months of 2010 as Western Money was acquired as of May 2010. Western Money unit sales increased by 196 units for the year ended December 31, 2011 compared to the prior year.

We provide our cash access products and related services almost exclusively to the gaming establishments for the purpose of enabling gaming patrons to access cash. As a result, our business depends on consumer demand for gaming. As discussed above, the primary driver of the decline in revenue for the year ended December 31, 2011, as compared to the same periods of 2010, was due to the lost business from Caesars, our then-largest customer.

Costs and Expenses

Cost of revenues (exclusive of depreciation and amortization) for the year ended December 31, 2011, was \$419.6 million, a decrease of \$43.4 million, or 9.4%, as compared to the year ended December 31, 2010. This decrease was primarily due to the loss of the Caesars contract discussed previously and the correlation with revenue, partially offset by an increase in costs due to the inclusion of the operating results generated from Western Money for the full year ended December 31, 2011, but not included in the first four months of 2010 as Western Money was acquired in May 2010. However, due to significant competitive market pressures and increases in the network association fees and expenses, both commissions and interchange rates have increased over the past year.

Interchange rates declined on October 1, 2011 in the Cash Advance segment due to the implementation of the Durbin Amendment. These decreases may be partially offset by other financial services and payment industry fees and charges implemented over the next year as the financial services and payments industry reacts to the significant impact of the Durbin Amendment on debit card fees, most specifically the recently announced decrease in the reverse interchange payment for ATM transactions that will become effective in April 2012.

Operating expenses exclusive of depreciation and amortization for the year ended December 31, 2011 were \$69.5 million, a decrease of \$4.2 million, or 5.7%, as compared to the year ended December 31, 2010. The decrease in operating expenses is primarily due to lower ATM, cash advance and check services related expenses of \$2.4 million, professional fees of \$1.2 million, stock compensation charges of \$1.1 million, \$0.4 million in bank fees and \$0.4 million in occupancy expenses. These decreases were partially offset by increases primarily due to higher repairs and maintenance costs of \$0.6 million, franchise taxes of \$0.5 million and telecommunications costs of \$0.4 million.

Depreciation and amortization expense for the year ended December 31, 2011 was \$16.6 million, an increase of \$0.4 million, or 2.8%, as compared to the year ended December 31, 2010. This was primarily due to an increase in amortization expenses associated with the Western Money and MCA Processing acquisitions, partially offset by a decrease in depreciation related to fixed assets being fully depreciated.

Primarily as a result of the factors described above, operating income for the year ended December 31, 2011 was \$38.3 million, a decrease of \$14.3 million, or 27.2%, as compared to the year ended December 31, 2010. The operating margin for the Company also declined from 8.7% for the year ended December 31, 2010 to 7.0% for the same period in 2011.

[Table of Contents](#)

Interest expense, net, was \$19.6 million in 2011, an increase of \$3.3 million, or 19.9%, as compared to 2010. This increase was primarily due to the non-recurring interest-related costs associated with refinancing all of the Company's borrowings in March 2011, which includes the loss on early extinguishment of debt (see table below). Additionally, the Company entered into a new vault cash agreement at the end of 2010 which resulted in an increase in the rate charged on the average balances of approximately 20 basis points. The increases in interest related to vault cash associated with the new rate and increases in outstanding balances was approximately \$0.9 million.

Non-recurring Interest-Related Costs Associated with the Refinancing of Debt (in thousands)

Loss on the early extinguishment of debt	\$ 943
Defeasance costs associated with the repayment of senior subordinated notes	838
	<u>\$ 1,781</u>

For the year ended December 31, 2011, income tax expense was \$9.6 million, a decrease of \$9.2 million as compared to the year ended December 31, 2010. The provision for income tax reflected an effective income tax rate of 51.2% for 2011 as compared to 51.7% for 2010. The effective tax rate for the year ended December 31, 2011 was negatively impacted by the expiration of certain equity awards to former officers, the re-valuation of the Company's deferred tax assets due to a decrease in effective state rate, the increase to the valuation allowance on state net operating loss carry forwards, and an increase in the effect of stock options in proportion to lower pretax income amounts. The effective tax rate for the year ended December 31, 2010 was negatively impacted as the result of one-time repatriation events, and the determination of the Company's inability to realize the foreign tax credit deferred tax asset.

Primarily as a result of the foregoing, net income was \$9.1 million for the year ended December 31, 2011, a decrease of \$8.4 million, or 47.8%, as compared to the prior year.

[Table of Contents](#)

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

The following table sets forth the condensed consolidated results of operations and percentages of total revenue for the years ended December 31, 2010 and December 31, 2009 (amounts in thousands):

	<u>December 31, 2010</u>		<u>December 31, 2009</u>		<u>2010 vs 2009</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$ Variance</u>	<u>% Var</u>
Revenues						
Cash advance	\$ 244,139	40.3%	\$ 289,314	43.3%	\$ (45,175)	(15.6)%
ATM	314,627	52.0%	325,953	48.8%	(11,326)	(3.5)%
Check services	28,357	4.7%	38,525	5.8%	(10,168)	(26.4)%
Other revenues	18,467	3.0%	13,928	2.1%	4,539	32.6%
Total revenues	605,590	100.0%	667,720	100.0%	(62,130)	(9.3)%
Cost of revenues (exclusive of depreciation and amortization)	463,045	76.5%	501,810	75.2%	(38,765)	(7.7)%
Operating expenses	73,720	12.2%	76,005	11.4%	(2,285)	(3.0)%
Depreciation and amortization	16,195	2.7%	17,851	2.7%	(1,656)	(9.3)%
Operating income	52,630	8.7%	72,054	10.8%	(19,424)	(27.0)%
Interest expense, net	16,329	2.7%	17,960	2.7%	(1,631)	(9.1)%
Income from continuing operations before income tax provision	36,301	6.0%	54,094	8.1%	(17,793)	(32.9)%
Income tax provision	18,751	3.1%	20,556	3.1%	(1,805)	(8.8)%
Income from continuing operations, net of tax	17,550	2.9%	33,538	5.0%	(15,988)	(47.7)%
Income from discontinued operations, net of tax	—	0.0%	44	0.0%	(44)	(100.0)%
Net income	17,550	2.9%	33,582	5.0%	(16,032)	(47.7)%
Plus: net (income)/loss attributable to non-controlling interest	(56)	(0.0)%	56	0.0%	(112)	(200.0)%
Net income attributable to Global Cash Access Holdings, Inc. and Subsidiaries	\$ 17,494	2.9%	\$ 33,638	5.0%	\$ (16,144)	(48.0)%

Total Revenues

Total revenues for the year ended December 31, 2010, were \$605.6 million as compared to \$667.7 million for the prior year, a decrease of \$62.1 million, or 9.3%, as compared to the year ended December 31, 2009. Segment changes in revenue are further discussed below.

Cash advance revenue for the year ended December 31, 2010, was \$244.1 million, a decrease of \$45.2 million, or 15.6%, as compared to the year ended December 31, 2009. This decrease was primarily due to lower credit usage by patrons at gaming establishments. This had a negative impact on our financial results as revenue generated from a credit card cash access transaction is generally more profitable than revenue generated from an ATM transaction.

ATM revenue for the year ended December 31, 2010, was \$314.6 million, a decrease of \$11.3 million, or 3.5%, as compared to the year ended December 31, 2009. This decrease was primarily due to continued decline in attendance by patrons to gaming establishments.

[Table of Contents](#)

Check services revenue for the year ended December 31, 2010, was \$28.4 million, a decrease of \$10.2 million, or 26.4%, as compared to the year ended December 31, 2009. This decrease was primarily attributable to the decrease in the number of check services transactions by 1.4 million or 21.7% largely driven by location closures. Some of the locations that were closed were unprofitable.

Other revenues for the year ended December 31, 2010, were \$18.5 million, an increase of \$4.5 million, or 32.6%, as compared to the year ended December 31, 2009. This increase was primarily due to the inclusion of the operating results from Western Money that was acquired as of May 2010, which was partially offset by the decrease in revenue from Global Recovery Services and Casino Marketing Services.

We provide our cash access products and related services almost exclusively to gaming establishments for the purpose of enabling gaming patrons to access cash. As a result, our business depends on consumer demand for gaming.

Costs and Expenses

Cost of revenues (exclusive of depreciation and amortization) for the year ended December 31, 2010, was \$463.0 million, a decrease of \$38.8 million, or 7.7%, as compared to the year ended December 31, 2009. This decrease was primarily correlated with revenue. There was a gross increase in interchange expense as a percentage of revenue of 5.4% for the year ended December 31, 2010.

Operating expenses exclusive of depreciation and amortization for the year ended December 31, 2010 were \$73.7 million, a decrease of \$2.3 million, or 3.0%, as compared to the year ended December 31, 2009. The decrease in operating expenses is primarily due to lower employee-related costs, lower ATM-related expenses and the decline in cash advance related operating expenses.

During the fourth quarter of 2010, we received an additional settlement check for the VISA Check/Master Money Antitrust Litigation for \$0.4 million, and in 2009, we received \$2.8 million related to the same matter. Amounts received for the VISA Check/Master Money Antitrust Litigation in 2010 and 2009 have been recognized as a reduction to operating expenses.

Depreciation and amortization expense for the year ended December 31, 2010 was \$16.2 million, a decrease of \$1.7 million, or 9.3%, as compared to the year ended December 31, 2009. This decrease was due primarily to a decrease in amortization of assets fully amortized.

Primarily as a result of the factors described above, operating income for the year ended December 31, 2010 was \$52.6 million, a decrease of \$19.4 million or 27.0% as compared to the year ended December 31, 2009.

Interest expense, net, was \$16.3 million in 2010, a decrease of \$1.6 million, or 9.1%, as compared to 2009. The decrease resulted from lower average outstanding borrowings. Interest income was also lower due to lower interest rates earned on invested cash balances during 2010 as compared to 2009.

For the year ended December 31, 2010, income tax expense was \$18.8 million, a decrease of \$1.8 million as compared to the year ended December 31, 2009. The provision for income tax reflected an effective income tax rate of 51.7% for 2010 as compared to 38% for 2009. The increase in the effective tax rate for the year ended December 31, 2010 was primarily the result of the following factors discussed in this paragraph. The Company repatriated funds that had been accumulating in our foreign subsidiaries, which resulted in a one-time increase in the Company's tax provision of approximately \$2.2 million. The second factor that impacted the tax provision was the re-evaluation of the Company's ability to fully realize the foreign tax credit deferred tax asset. It was determined that the Company would be unable to fully utilize these credits and this determination combined with an election to deduct foreign taxes resulted in a one time provision adjustment of \$1.7 million. Additionally, the Company's effective tax rate also experienced upward pressure related to differences between GAAP and income tax treatment of equity

[Table of Contents](#)

based compensation which increased the income tax provision by \$0.8 million, as well as other non-deductible expenses.

Primarily as a result of the foregoing, net income was \$17.6 million for the year ended December 31, 2010, a decrease of \$16.0 million or 47.7% as compared to the prior year.

Critical Accounting Policies

The preparation of our financial statements in conformity with United States Generally Accepted Accounting Principles ("GAAP") 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. Based on this definition, we have identified our critical accounting policies as those addressed below. We also have other key accounting policies that involve the use of estimates, judgments and assumptions. You should review the notes to our consolidated financial statements for a summary of these policies. We believe that our estimates and assumptions are reasonable, based upon information presently available; however, actual results may differ from these estimates under different assumptions or conditions.

Goodwill. We have approximately \$180.1 million in net unamortized goodwill on our consolidated balance sheet at December 31, 2011 resulting from our acquisitions of other businesses. We account for goodwill in accordance with Financial Accounting Standards Board ("FASB") guidance, which requires an annual review of goodwill and other non-amortizing intangible assets for impairment. Our most recent annual assessment was performed as of October 1, 2011. It was determined that no impairment adjustment was necessary. The annual evaluation of goodwill and other non-amortizing intangible assets requires the use of estimates about future operating results of each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates, which could significantly affect our results of operations.

Income Taxes. We are subject to income taxes in the United States as well as various states and foreign jurisdictions in which we operate. We account for income taxes in accordance with FASB guidance whereby deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or income tax returns. Deferred tax assets and liabilities are determined based upon differences between financial statement carrying amounts of existing assets and their respective tax bases using enacted tax rates expected to apply to taxable income in years in which those temporary differences are expected to be recovered or settled. We also follow FASB guidance for the accounting for uncertainty in income taxes as recognized in our consolidated financial statements. The effect on the income tax provision and deferred tax assets and liabilities of a change in rates is recognized in income in the period that includes the enactment date. We believe that it is more likely than not that we will be able to utilize our deferred tax assets. Therefore we have not provided material valuation allowances against our recorded deferred tax assets.

Revenue Recognition. We recognize revenue when evidence of an arrangement exists, services have been rendered, our price is fixed or determinable and collectability is reasonably assured. We evaluate our revenue streams for proper timing of revenue recognition.

Cash advance revenue is comprised of the fee charged to patrons for credit card cash access and POS debit card transactions. Revenue recognition occurs at the point a negotiable instrument is generated by the gaming establishment cage for the patron's transaction or cash is dispensed from an ATM.

ATM revenue is comprised of upfront patron transaction fees or surcharges assessed at the time the transaction is initiated and a percentage of interchange fees paid by the patron's issuing bank. These

[Table of Contents](#)

issuing banks share the interchange revenue (reverse interchange) with GCA to cover the cost incurred by GCA to acquire the ATM transaction. Upfront patron transaction fees are recognized when a transaction is initiated and reverse interchange is recognized on a monthly basis based on the total transactions occurring during the month.

In general, check service revenue is comprised of a fee based upon a percentage of the face amount of total checks warranted, and is recognized on a monthly basis.

Central Credit revenue is based upon either a flat monthly, unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated. This revenue is recognized on a monthly basis based on the total transactions occurring during the month. Revenue derived from our patron marketing products and services is recognized upon completion of services.

Western Money derives substantially all of its revenue from the sale of cash access devices such as jackpot and ATM enabled redemption kiosks and derives the balance of its revenue from the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale of, installation and operation of those devices. Revenue is recognized as products are delivered and or services are performed.

Stock-Based Compensation. Stock-based compensation expense for all awards is based on the grant date fair value estimated. Specifically, we estimate the weighted-average fair value of options granted using the Black-Scholes Option Pricing Model based on evaluation assumptions regarding expected volatility, dividend yield, risk-free interest rates, the expected term of the option and the expected forfeiture rate. Each of these assumptions, while reasonable, requires a certain degree of judgment and the fair value estimates could vary if the actual results are materially different than those initially applied.

Recently Issued Accounting Pronouncements

On June 16, 2011, the FASB issued ASU 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Adoption of this amended guidance is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In September 2011, the FASB issued ASU 2011-08, which simplifies how entities, both public and nonpublic, test goodwill for impairment. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Previous guidance under Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Adoption of this amended guidance is not expected to have an impact on the Company's financial position, results of operations or cash flows.

Liquidity and Capital Resources**Cash Flows**

The following table summarizes our cash flows for the years ended December 31, 2011, 2010 and 2009, respectively:

	Years Ended December 31,			Increase/(Decrease)	
	2011	2010	2009	2011 vs 2010	2010 vs 2009
Net cash provided by operating activities	\$ 54,252	\$ 68,898	\$ 90,963	\$ (14,646)	\$ (22,065)
Net cash used in investing activities	(18,183)	(24,492)	(7,235)	6,309	(17,257)
Net cash used in financing activities	(41,227)	(68,845)	(74,425)	27,618	5,580
Net effect of exchange rates on cash and cash equivalents	57	307	(1,683)	(250)	1,990
Net (decrease)/increase in cash and cash equivalents	(5,101)	(24,132)	7,620	19,031	(31,752)
Cash and cash equivalents—beginning of period	60,636	84,768	77,148	(24,132)	7,620
Cash and cash equivalents—end of period	\$ 55,535	\$ 60,636	\$ 84,768	\$ (5,101)	\$ (24,132)

Our principal source of liquidity is cash flows from operating activities, which were \$54.3 million, \$68.9 million and \$91.0 million for the years ended December 31, 2011, 2010 and 2009, respectively. Cash flows from operating activities decreased approximately \$14.6 million and \$22.1 million for the years ended December 31, 2011 and 2010, respectively, compared to the prior year. Changes in working capital decreased cash flows from operations by approximately \$8.3 million and \$1.2 million for the years ended December 31, 2011 and 2010, respectively. Net income decreased by \$8.4 million and \$16.0 million for the years ended December 31, 2011 and 2010, respectively, compared to the prior year. Non-cash expenses increased by \$2.0 million for the year ended December 31, 2011 compared to 2010; while non-cash expenses decreased by \$4.8 million for the year ended December 31, 2010 compared to 2009.

Net cash used in investing activities was \$18.2 million, \$24.5 million and \$7.2 million for the years ended December 31, 2011, 2010 and 2009 respectively. In November 2011, we acquired substantially all of the assets of MCA Processing LLC with cash consideration of approximately \$10.8 million, while in May 2010, we acquired Western Money with cash consideration of approximately \$15.4 million. Capital expenditures decreased by approximately \$1.6 million and increased approximately \$1.8 million in 2011 and 2010, respectively, compared to the prior year.

Net cash used in financing activities was \$41.2 million, \$68.8 million and \$74.4 million for the years ended December 31, 2011, 2010 and 2009 respectively. Cash flows used in financing activities decreased approximately \$27.6 million and \$5.6 million for the years ended December 31, 2011 and 2010, respectively, compared to the prior year. In 2011, this decrease was primarily due to no common stock repurchases for the year, however, in 2010 there were \$33.5 million in common stock repurchases (see Note 8 Capital Stock in the Company's notes to consolidated financial statements for further discussion); this was slightly offset by a decrease of \$4.8 million in stock option exercises in 2011 as compared to 2010. In March 2011, we refinanced our debt (see Note 7 Borrowings in the Company's Notes to Consolidated Financial Statements for further discussion). In 2010, the decrease was primarily due to less common stock repurchases of \$27.9 million and \$2.7 million in additional proceeds from the exercise of stock options, offset by \$25.0 million in additional repayments against the then existing credit facility.

Subsequent to the issuance of our Interim Quarterly reports filed on Form 10-Q for the periods ended June 30, 2011 and September 30, 2011, respectively, we determined that our Unaudited Condensed Consolidated Statement of Cash Flows for these periods should have reported a use of cash for the purchase of fixed assets as an investing activity rather than a use of cash as inventory purchases as an

[Table of Contents](#)

operating activity. As a result, net cash (used in)/provided by operating activities and net cash used in investing activities in the Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and the nine months ended September 30, 2011 will be adjusted from amounts previously reported when presented on a comparative basis in 2012, as indicated in the table below. Management has determined that adjusting amounts previously reported for net cash provided by/(used in) operating activities and net cash used in investing activities in 2011 are not material corrections of the June 30 and September 30, 2011 interim financial statements.

	(unaudited) Six months ended June 30, 2011		(unaudited) Nine months ended September 30, 2011	
	As previously reported	As corrected	As previously reported	As corrected
	Operating activities:			
Changes in inventory	\$ (4,008)	\$ (1,276)	\$ (5,307)	\$ (2,575)
Net cash (used in)/provided by operating activities	\$ (4,773)	\$ (2,041)	\$ 17,442	\$ 20,174
Investing activities:				
Purchase of property, equipment, leasehold improvements and other intangibles	\$ (1,333)	\$ (4,065)	\$ (3,495)	\$ (6,227)
Net cash used in investing activities	\$ (1,347)	\$ (4,079)	\$ (3,509)	\$ (6,241)

Borrowings

On March 1, 2011, the Company refinanced all of its indebtedness outstanding under the Second Amended and Restated Credit Agreement (as described below) and repaid its obligations under the senior subordinated notes with proceeds from the New Senior Credit Facility as described below.

New Senior Credit Facility

As of December 31, 2010, we had total indebtedness of \$208.8 million in principal amount (of which \$127.8 million consisted of senior subordinated notes described below and \$81.0 million consisted of senior secured debt under the Second Amended and Restated Credit Agreement described below). On March 1, 2011, GCA, together with its sole stockholder, Holdings entered into a Credit Agreement (the "Credit Agreement") with certain lenders, Deutsche Bank Trust Company Americas, as Administrative Agent and Wells Fargo Securities, LLC, as Syndication Agent. The Credit Agreement provides for a \$210.0 million term loan facility and a \$35.0 million revolving credit facility (the "New Senior Credit Facility"). The revolving credit facility includes provisions for the issuance of up to \$10.0 million of letters of credit and up to \$5.0 million in swingline loans. We used the proceeds from the New Senior Credit Facility to repay all outstanding indebtedness under our existing senior secured credit facility under the Second Amended and Restated Credit Agreement and to defease our senior subordinated notes.

The 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 \$50.0 million in additional term loan commitments. All \$210.0 million of available borrowings under the term loan facility were borrowed concurrent with the establishment of the New Senior Credit Facility. Once repaid, no amounts under the term loan facility may be reborrowed. In addition, \$4.0 million of available borrowings under the revolving credit facility were borrowed concurrent with the establishment of the New Senior Credit Facility. Once repaid, amounts under the revolving credit facility may be re-borrowed.

The term loan requires principal repayments of one quarter of 1% of the aggregate initial principal amount of term loans (adjusted for any non-mandatory prepayments) per quarter as well as annual mandatory prepayment provisions based on an excess cash flow sweep equal to a fixed percentage of excess

[Table of Contents](#)

cash flow (as defined in the Credit Agreement). The remaining principal is due on the maturity date, March 1, 2016. GCA may prepay the loans and terminate the commitments at any time after the first year, without premium or penalty, subject to certain qualifications set forth in the Credit Agreement. Furthermore, the Credit Agreement contains mandatory prepayment provisions which, under certain circumstances, such as asset or equity sales, obligate GCA to apply defined portions of its cash flow to prepayment of the New Senior Credit Facility.

Borrowings under the New Senior Credit Facility bear interest at either (x) a specified base rate plus a 4.50% margin, or (y) LIBOR plus a 5.50% margin. The base rate minimum is 2.50% and the LIBOR minimum is 1.50%. Interest in respect of base rate loans is payable quarterly in arrears and interest in respect of LIBOR loans is payable in arrears at the end of the applicable interest period and every three months in the case of interest periods in excess of three months. Interest is also payable at the time of repayment of any loans and at maturity. As of December 31, 2011, we had \$174.0 million of outstanding indebtedness under the New Senior Credit Facility, consisting of \$174.0 million under the term loan facility with no amounts outstanding under the revolving credit facility. The weighted average interest rate, inclusive of the applicable margin of 550 basis points, was 7.0%. We also had no amounts outstanding under our letter of credit sub facility that is part of our revolving credit facility as of December 31, 2011.

The New Senior Credit Facility is unconditionally guaranteed by Holdings and each direct and indirect domestic subsidiary of GCA. All amounts owing under the New Senior Credit Facility are secured by a first priority perfected security interest in all stock (but only 65% of the stock of foreign subsidiaries), other equity interests and promissory notes owned by GCA and a first priority perfected security interest in all other tangible and intangible assets owned by GCA and the guarantors.

The Credit Agreement contains customary affirmative and negative covenants, financial covenants, representations and warranties and events of defaults. As of December 31, 2011, the Company was in compliance with the required covenants.

The significant financial covenants are:

Interest Expense Coverage Ratio (as defined in the Credit Agreement)

<u>Fiscal Quarter Ended</u>	<u>Ratio</u>
March 31, 2011 - June 30 2011	2.50:1.00
September 30, 2011 - December 31, 2011	2.75:1.00
March 31, 2012 - December 31, 2012	3.00:1.00
March 31, 2013 - December 31, 2013	3.25:1.00
March 31, 2014 - December 31, 2014	3.50:1.00
Thereafter	3.75:1.00

Total Leverage Ratio (as defined in the Credit Agreement)

<u>Anytime in Period Ended</u>	<u>Ratio</u>
March 31, 2011 - December 30, 2011	4.25:1.00
December 31, 2011 - March 30, 2012	4.00:1.00
March 31, 2012 - September 29, 2012	3.75:1.00
September 30, 2012 - March 30, 2015	3.25:1.00
Thereafter	2.75:1.00

[Table of Contents](#)

Excess Cash Flow Sweep(1)

<u>If Total Leverage:</u>	<u>Sweep percentage</u>
is greater than 2.50:1.00	50%
is less than or equal to 2.50:1.00 but greater than 1.50:1.00	25%
is less than 1.50:1.00	0%

- (1) GCA is required to pay a percentage of Excess Cash Flow, as defined in the Credit Agreement, which is based upon the Total Leverage Ratio, as defined in the Credit Agreement.

Interest Rate Cap

In accordance with the terms and conditions of the New Senior Credit Facility, GCA purchased a \$150.0 million notional amount interest rate cap with an effective date of January 5, 2012 and a term of three years. GCA purchased this interest rate cap to partially reduce the Company's exposure to increases in the LIBOR above 1.5% during the term of the interest rate cap with respect to its variable rate debt obligations under the New Senior Credit Facility and its obligations under the Contract Cash Solutions Agreement with Wells Fargo. An interest rate cap is a derivative financial instrument whereby the buyer receives payments at the end of each period in which the underlying interest rate exceeds a defined interest rate on a specific notional amount.

Second Amended and Restated Credit Agreement

On November 1, 2006, GCA and Holdings entered into the 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 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.

Borrowings under the Second Amended and Restated Credit Agreement bore interest at LIBOR plus an applicable margin, which was based on the Company's Senior Leverage Ratio (as defined under the Second Amended and Restated Credit Agreement). As of December 31, 2010, the applicable margin was 112.5 basis points and the effective rate of interest was 1.39%. Principal, together with accrued and unpaid interest, was due on the maturity date, November 1, 2011. As of December 31, 2010, the balance of this financial instrument was \$81.0 million with \$0 under the revolving portion.

Senior Subordinated Notes

On March 10, 2004, GCA completed a private placement offering of \$235.0 million of 8.75% senior subordinated notes due 2012 (the "Notes"). All of GCA's existing and future domestic wholly owned subsidiaries were guarantors of the Notes on a senior subordinated basis. In addition, effective upon the closing of our initial public offering of common stock, Holdings guaranteed, on a subordinated basis, all of GCA's obligations under the Notes.

Interest on the Notes accrued based upon a 360-day year comprised of twelve 30-day months and was payable semiannually on March 15th and September 15th. On October 31, 2005, \$82.3 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. GCA could have redeemed all or a portion of the Notes at redemption prices of 104.375%, on or after March 15, 2008, 102.19% on or after March 15, 2009, or 100.00% on or after March 15, 2010. On

[Table of Contents](#)

May 3, 2010, GCA redeemed prior to their maturity \$25.0 million in the aggregate principal amount of the Notes at a redemption price of 100% of the principal amount of such Notes. As of December 31, 2010, the Company had \$127.8 million in borrowings outstanding under the indenture governing the Notes.

Contractual Obligations

The following is a summary of our contractual cash obligations as of December 31, 2011, including the New Senior Credit Facility:

<u>Contractual Cash Obligations</u> (amounts in thousands)	<u>Total</u>	<u>Less than 1 Year</u>	<u>1 - 3 Years</u>	<u>3 - 5 Years</u>	<u>After 5 Years</u>
New senior credit facility	\$ 174,000	\$ 1,740	\$ 3,480	\$ 168,780	\$ —
Estimated interest obligations(1)	51,425	12,336	24,234	14,855	—
Operating lease obligations	1,392	750	642	—	—
Purchase obligations(2)	7,650	2,413	4,412	825	—
Total cash obligations(3)	\$ 234,467	\$ 17,239	\$ 32,768	\$ 184,460	\$ —

- (1) Estimated interest payments are computed using the interest rate in effect at December 31, 2011 multiplied by the principal balance outstanding after scheduled principal amortization payments. For the new senior credit facility the rate assumed is 7.0%.
- (2) Included in purchase obligations are minimum transaction processing services from various third-party processors that we use.
- (3) On March 1, 2011 we refinanced all of our indebtedness under the Second Amended and Restated Credit Agreement as well as defeased the Notes as described above. The required principal payments under the New Senior Credit Facility are one quarter of 1% and also an excess cash flow payment that is based on full year end earnings and our leverage ratio in effect at that time. The above table does not reflect any amounts related to excess cash flow payments.

Deferred Tax Asset

At December 31, 2011, we had a net deferred income tax asset of \$119.5 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 of approximately \$687 million that was generated as part of the conversion to a corporation plus approximately \$98 million in pre-existing goodwill carried over from periods prior to the conversion. Both of these assets are 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 \$52.3 million lower for tax purposes than for financial accounting purposes. At an estimated blended domestic effective tax rate of 36.1%, this results in tax payments being approximately \$18.9 million less than the annual provision for income taxes shown on the income statement for financial accounting purposes, or the amount of the annual provision, if less. There is an expected aggregate of \$138.6 million in cash savings over the remaining life of the portion of our deferred tax asset related to the conversion. This deferred tax asset may be subject to certain limitations. We believe that it is more likely than not that we will be able to utilize our deferred tax asset, exclusive of a small amount of charitable contribution carry forwards (which expire in 2015 and 2016 if not utilized), and certain state and foreign net operating loss carry forwards. However, the utilization of this tax asset is

[Table of Contents](#)

subject to many factors beyond our control including our earnings, a change of control of the Company and future estimations of earnings.

Other Liquidity Needs and Resources

In November 2010, we entered into a Contract Cash Solutions Agreement with Wells Fargo to supply us with currency needed for normal operating requirements of our domestic ATMs. The maximum allowable average daily limit is \$400.0 million, but Wells Fargo has agreed to allow us to exceed this amount by \$50.0 million on a calendar day but not more than four times per calendar year and subject to certain additional conditions and limitations. On December 31, 2011, we received a temporary authorization to exceed this limit due to the high demand for cash access services on New Year's Eve; and as of December 31, 2011, the total currency supplied by Wells Fargo pursuant to the Contract Cash Solutions Agreement was \$467.8 million. On December 17, 2010, we terminated the Amended Treasury Services Agreement with Bank of America, our vault cash provider for a significant portion of 2010. Under the terms of the Contract Cash Solutions Agreement and the Amended Treasury Services Agreement, we paid a monthly cash usage fee based upon the product of the average daily dollars outstanding in all ATMs multiplied by a contractually defined cash usage rate. This cash usage rate is determined by an applicable LIBOR plus a mutually agreed upon margin. We are therefore exposed to interest rate risk to the extent that applicable LIBOR increases. On December 31, 2010, the currency supplied by Wells Fargo pursuant to the Contract Cash Solutions Agreement was \$368.4 million.

We also need supplies of cash to support our foreign operations. For some foreign jurisdictions, such as the United Kingdom, applicable law and cross-border treaties allow us to transfer funds between our domestic and foreign operations efficiently. For other foreign jurisdictions, we must rely on the supply of cash generated by our operations in those foreign jurisdictions, and the cost of repatriation is prohibitive. For example, Global Cash Access (Canada) Inc. ("GCA Canada"), 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 GCA Canada. 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.

We believe that borrowings available under the New Senior Credit Facility, 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. Although no additional financing is currently contemplated, we may seek, if necessary or otherwise advisable and to the extent permitted under the terms of the New Senior Credit Facility, 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

Wells Fargo Contract Cash Solutions Agreement. We obtain currency to meet the normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions Agreement with Wells Fargo. Under this agreement, all currency supplied by Wells Fargo remains the sole property of Wells Fargo at all times until it is dispensed, at which time Wells Fargo 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 December 31, 2011, the total currency obtained from Wells Fargo pursuant to this agreement was \$467.8 million. Because Wells Fargo 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 Wells Fargo for

[Table of Contents](#)

cash usage pursuant to this agreement are reflected as interest expense in our financial statements. Foreign gaming establishments supply the currency needs for the ATMs located on their premises.

Letters of Credit. On October 1, 2010, we entered into an Amended and Restated Sponsorship Agreement, pursuant to which Bank of America agreed to provide sponsorship services to GCA through November 12, 2010, which was subsequently extended through March 28, 2011. GCA agreed to maintain a letter of credit in the amount of \$2.5 million for the benefit of Bank of America during the term of the Amended and Restated Sponsorship Agreement and for a period of nine months thereafter to secure GCA's obligations under the Amended and Restated Sponsorship Agreement. The letter of credit expired on December 28, 2011. As of December 31, 2011, there were no amounts outstanding on the Bank of America letter of credit. As of December 31, 2011, there were no letters of credit outstanding under the New Senior Credit Facility.

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.

ITEM 7A. 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. We did not hold any derivative securities of any kind at December 31, 2011 (see Note 12 to the Consolidated Financial Statements for a description of the interest rate cap purchased subsequent to December 31, 2011).

Wells Fargo supplies us with currency needed for normal operating requirements of our domestic ATMs pursuant to the Contract Cash Solutions 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 such ATMs multiplied by a margin that is tied to LIBOR. We are, therefore, exposed to interest rate risk to the extent that the applicable LIBOR increases. As of December 31, 2011, the currency supplied by Wells Fargo pursuant to this agreement was \$467.8 million. Based upon the average outstanding amount of currency to be supplied by Wells Fargo pursuant to this agreement during the year ended December 31, 2011, which was \$366.5 million, each 1.0% increase in the applicable LIBOR would have a \$3.7 million impact on income before taxes over a 12-month period. Foreign gaming establishments supply the currency needs for the ATMs located on their premises.

Our New Senior Credit Facility bears 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 or based on LIBOR. We have historically elected to pay interest based on LIBOR, and we expect to continue to pay interest based on LIBOR of various maturities. As of December 31, 2011, the weighted average interest rate, inclusive of the applicable margin of 550 basis points, was less than the 7.0% interest rate floor under the Credit Facility, and therefore, the interest rate paid in 2011 was 7.0%. Based upon the outstanding balance on the New Senior Credit Facility of \$174.0 million on December 31, 2011, each 1.0% increase in the applicable LIBOR would add an additional \$1.7 million of interest expense over a 12-month period.

[Table of Contents](#)

Interest Rate Cap

In accordance with the terms and conditions of the New Senior Credit Facility, GCA purchased a \$150.0 million notional amount interest rate cap with an effective date of January 5, 2012 and a term of three years. GCA purchased this interest rate cap to partially reduce the Company's exposure to increases in the LIBOR above 1.5% during the term of the interest rate cap with respect to its variable rate debt obligations under the New Senior Credit Facility and its obligations under the Contract Cash Solutions Agreement with Wells Fargo. An interest rate cap is a derivative financial instrument whereby the buyer receives payments at the end of each period in which the underlying interest rate exceeds a defined interest rate on a specific notional amount. Interest rate caps are viable alternatives for converting a portion or all of a Company's variable rate interest exposure into fixed rate exposure and therefore reducing the Company's exposure to increases in interest rates in future periods.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	62
Consolidated Balance Sheets as of December 31, 2011 and 2010	63
Consolidated Statements of Income and Comprehensive Income for the three years ended December 31, 2011	64
Consolidated Statement of Stockholders' Equity for the three years ended December 31, 2011	65
Consolidated Statements of Cash Flows for the three years ended December 31, 2011	66
Notes to Consolidated Financial Statements	67

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Global Cash Access Holdings, Inc.
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Global Cash Access Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Global Cash Access Holdings, Inc. and subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
Las Vegas, NV
March 12, 2012

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2011 AND 2010

(amounts in thousands)

	December 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 55,535	\$ 60,636
Restricted cash and cash equivalents	455	455
Settlement receivables	80,246	10,374
Other receivables, net	16,885	15,211
Inventory	7,087	3,845
Prepaid expenses and other assets	15,406	8,200
Property, equipment and leasehold improvements, net	15,577	16,648
Goodwill, net	180,122	185,110
Other intangible assets, net	38,216	26,368
Deferred income taxes, net	119,538	131,547
Total assets	<u>\$ 529,067</u>	<u>\$ 458,394</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Settlement liabilities	\$ 141,827	\$ 59,741
Accounts payable	32,223	28,562
Accrued expenses	21,159	17,863
Borrowings	174,000	208,750
Total liabilities	<u>369,209</u>	<u>314,916</u>
Commitments and Contingencies (Note 6)		
Stockholders' Equity:		
Common stock, \$0.001 par value, 500,000 shares authorized and 85,651 and 85,006 shares issued at December 31, 2011 and December 31, 2010, respectively	86	85
Convertible preferred stock, \$0.001 par value, 50,000 shares authorized and 0 shares outstanding at December 31, 2011 and December 31, 2010, respectively	—	—
Additional paid-in capital	204,735	197,048
Retained earnings	97,925	88,796
Accumulated other comprehensive income	2,340	2,587
Treasury stock, at cost, 20,686 and 20,626 shares at December 31, 2011 and December 31, 2010, respectively	(145,228)	(145,038)
Total stockholders' equity	<u>159,858</u>	<u>143,478</u>
Total liabilities and stockholders' equity	<u>\$ 529,067</u>	<u>\$ 458,394</u>

See notes to consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009

(amounts in thousands, except earnings per share amounts)

	<u>For the Years Ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues:			
Cash advance	\$ 203,869	\$ 244,139	\$ 289,314
ATM	283,727	314,627	325,953
Check services	26,269	28,357	38,525
Other revenues	30,198	18,467	13,928
Total revenues	<u>544,063</u>	<u>605,590</u>	<u>667,720</u>
Cost of revenues (exclusive of depreciation and amortization)	419,606	463,045	501,810
Operating expenses	69,517	73,720	76,005
Depreciation and amortization	16,644	16,195	17,851
Operating income	<u>38,296</u>	<u>52,630</u>	<u>72,054</u>
Interest expense, net of interest income	18,638	16,329	17,960
Loss on early extinguishment of debt	943	—	—
Interest expense, net	<u>19,581</u>	<u>16,329</u>	<u>17,960</u>
Income from continuing operations before income tax provision	18,715	36,301	54,094
Income tax provision	9,586	18,751	20,556
Income from continuing operations, net of tax	9,129	17,550	33,538
Income from discontinued operations, net of tax	—	—	44
Net income	<u>9,129</u>	<u>17,550</u>	<u>33,582</u>
Plus: net (loss)/income attributable to minority interest	—	(56)	56
Net income attributable to Global Cash Access Holdings, Inc. and Subsidiaries	9,129	17,494	33,638
Foreign currency translation	(247)	397	947
Comprehensive income	<u>\$ 8,882</u>	<u>\$ 17,891</u>	<u>\$ 34,585</u>
Basic earnings per share:			
Continuing operations	\$ 0.14	\$ 0.27	\$ 0.45
Discontinued operations	\$ —	\$ —	\$ —
Net income	<u>\$ 0.14</u>	<u>\$ 0.27</u>	<u>\$ 0.45</u>
Diluted earnings per share:			
Continuing operations	\$ 0.14	\$ 0.26	\$ 0.45
Discontinued operations	\$ —	\$ —	\$ —
Net income	<u>\$ 0.14</u>	<u>\$ 0.26</u>	<u>\$ 0.45</u>
Weighted average number of common shares outstanding:			
Basic	64,673	65,903	74,232
Diluted	<u>64,859</u>	<u>67,272</u>	<u>75,356</u>

See notes to consolidated financial statements.

compensation expense	—	—	6,809	—	—	—	6,809	—	6,809
Exercise of options	399,273	1	878	—	—	—	879	—	879
Restricted share vesting withholdings	—	—	—	—	—	(190)	(190)	—	(190)
Restricted shares vested	245,283	—	—	—	—	—	—	—	—
BALANCE									
—December 31, 2011	85,651,002 \$	86 \$	204,735 \$	97,925 \$	2,340	\$(145,228)\$	159,858 \$	—	\$159,858

See notes to consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009

(amounts in thousands)

	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 9,129	\$ 17,550	\$ 33,582
Adjustments to reconcile net income to cash provided by operating activities:			
Amortization of financing costs	1,343	973	973
Amortization of intangibles	8,673	6,872	8,196
Depreciation	7,971	9,323	9,740
Loss/(gain) on sale or disposal of assets	991	(366)	139
Provision for bad debts	5,959	5,908	7,955
Loss on early extinguishment of debt	943	—	—
Stock-based compensation	6,809	7,935	8,454
Changes in operating assets and liabilities:			
Settlement receivables	(69,881)	1,660	9,220
Other receivables, net	(8,125)	2,757	(11,850)
Inventory	(3,146)	814	—
Prepaid and other assets	(2,323)	1,567	577
Deferred income taxes	9,252	17,505	19,578
Settlement liabilities	82,125	(2,655)	13,505
Accounts payable	3,658	(715)	(7,528)
Accrued expenses	874	(230)	(1,578)
Net cash provided by operating activities	<u>54,252</u>	<u>68,898</u>	<u>90,963</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash	(10,763)	(15,354)	—
Purchase of property, equipment, leasehold improvements and other intangibles	(7,420)	(9,051)	(7,254)
Changes in restricted cash and cash equivalents	—	(87)	19
Net cash used in investing activities	<u>(18,183)</u>	<u>(24,492)</u>	<u>(7,235)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments against old credit facility	(208,750)	(41,000)	(16,000)
Securing of new credit facility	214,000	—	—
Issuance costs of new credit facility	(7,099)	—	—
Repayments against new credit facility	(40,000)	—	—
Proceeds from exercise of stock options	812	5,629	2,913
Purchase of treasury stock	(190)	(33,474)	(61,338)
Net cash used in financing activities	<u>(41,227)</u>	<u>(68,845)</u>	<u>(74,425)</u>
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	57	307	(1,683)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(5,101)</u>	<u>(24,132)</u>	<u>7,620</u>
CASH AND CASH EQUIVALENTS—Beginning of Period	60,636	84,768	77,148
CASH AND CASH EQUIVALENTS—End of Period	<u>\$ 55,535</u>	<u>\$ 60,636</u>	<u>\$ 84,768</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	<u>\$ 19,166</u>	<u>\$ 15,922</u>	<u>\$ 17,634</u>

Cash paid for taxes, net of refunds	\$ 366	\$ 689	\$ 3,795
NON-CASH TRANSACTIONS:			
Purchase of other intangibles	\$ —	\$ 1,500	\$ —

See notes to consolidated financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND BASIS OF PRESENTATION

Global Cash Access Holdings, Inc. is a holding company, the principal asset of which is the capital stock of Global Cash Access, Inc. 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, for the purpose of holding all of the outstanding capital stock of Global Cash Access, Inc. ("GCA") and to guarantee the obligations under our borrowings.

The Company is a provider in the United States and several international jurisdictions of cash access products and data intelligence services and solutions to the gaming industry. The Company's services and solutions provide gaming establishment patrons access to cash through a variety of methods, including automated teller machine ("ATM") cash withdrawals, credit card cash access transactions, point-of-sale ("POS") debit card cash access transactions, check verification and warranty services and money transfers. In addition, the Company also provides products and services that improve credit decision-making, automate cash operations and enhance patron marketing activities for gaming establishments. These services are provided to patrons at gaming establishments directly by GCA or through one of its subsidiaries.

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

In May 2010, we completed the acquisition of Western Money Systems ("Western Money"), a manufacturer of slot machine ticket redemption and jackpot kiosks. The results of operations of Western Money have been reflected in the applicable business segment financial information following this acquisition. In November 2011, we purchased substantially all of the assets of MCA Processing LLC ("MCA"), a provider of cash access services and products to the gaming industry. The results of operations related to the acquisition of MCA are included in the applicable cash advance and ATM business segment financial information following this acquisition.

We announced on February 28, 2008, that we intended to exit the Arriva Card, Inc. ("Arriva") business. The results of operations for the Arriva line of business have been classified to discontinued operations for the six months ended June 2009. The Company determined that, as of July 1, 2009, the results of operations for the Arriva line of business were no longer material and the results of operations for the six months ended December 31, 2009 have been classified in continuing operations.

Innovative Funds Transfer, LLC ("IFT") formerly known as QuikPlay, LLC was a joint venture that was formed on December 6, 2000 and owned 60% by GCA and 40% by International Gaming Technology ("IGT"). IGT is one of the largest manufacturers of gaming equipment in the United States. GCA was the managing member of this entity and IFT was consolidated in the Company's consolidated financial statements prior to April 19, 2010, at which time GCA and IGT dissolved IFT. The dissolution of IFT did not have a material impact on the consolidated financial statements of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all balances on deposit in banks and financial institutions. The Company considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash and cash equivalents. Such balances may at times exceed the federal insurance limits. However, the Company periodically evaluates the creditworthiness of these institutions to minimize risk.

Restricted Cash and Cash Equivalents

As part of certain of our sponsorship agreements, we are required to maintain minimum deposits as collateral for any potential chargeback loss activity occurring as a result of the sponsorship arrangements. All interest received on these deposits is also recorded to restricted cash and cash equivalents. As of December 31, 2011, the total balance of restricted cash and cash equivalents was \$0.5 million.

ATM Funding Agreements

The Company obtains all of the cash required to operate its ATMs through various ATM Funding Agreements more fully described in Note 3. Some gaming establishments provide the cash utilized within the ATM ("Site-Funded"). The Site-Funded receivables generated for the amount of cash dispensed from transactions performed at our ATMs are owned by GCA and GCA is liable to the gaming establishment for the face amount of the cash dispensed. In the consolidated balance sheets, the amount of the receivable for transactions processed on these ATM transactions is included within settlement receivables and the amount due to the gaming establishment for the face amount of dispensing transactions is included within settlement liabilities.

For our non-Site-Funded locations, up until December 13, 2010, GCA obtained the necessary cash to service these machines through the Bank of America Amended Treasury Services Agreement ("Treasury Services Agreement"). On December 17, 2010, GCA terminated the Treasury Services Agreement with Bank of America. On November 12, 2010, GCA entered into the Contract Cash Solutions Agreement with Wells Fargo Bank, N.A. ("Wells Fargo"). Under the terms of these agreements, neither the cash utilized within the ATMs nor the receivables generated for the amount of cash dispensed through transactions on the ATMs are owned or controlled by GCA. These amounts have been netted and reflected in the consolidated balance sheets. We are charged a cash usage fee for the cash used in these ATMs, which is included as interest expense in the consolidated statements of income. The Company recognizes the fees as interest expense due to the similar operational characteristics to a revolving line of credit, the fact that the fees are calculated on a financial index and the fees are paid for access to a capital resource.

Settlement Receivables and Settlement Liabilities

In the credit card cash access and POS debit card cash access transactions provided by GCA, the gaming establishment is reimbursed for the cash disbursed to gaming patrons, in most instances, through the issuance of a negotiable instrument, and, in some instances, through electronic settlement. GCA receives reimbursement from the patron's credit or debit card issuer for the transaction in an amount equal to the amount owing to the gaming establishment plus the fee charged to the patron. This reimbursement is included within the settlement receivables on the consolidated balance sheets. The unpaid negotiable instrument amounts owing to gaming establishments are included within settlement liabilities on the consolidated balance sheets.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Warranty Receivables***

In the check services transactions provided by Central Credit, Central Credit warrants check cashing transactions performed at gaming establishments. If a gaming establishment chooses to have a check warranted, it sends a request to a check warranty service provider asking whether it will warrant the check. The gaming establishment then pays the patron the check amount and deposits the check. If the check is dishonored by the patron's bank, the gaming establishment invokes the warranty and the check warranty service provider purchases the check from the gaming establishment for the full check amount and then pursues collection activities on its own. All amounts paid out to the gaming establishment related to these items result in a warranty receivable from the patron. This amount is recorded in other receivables, net on the consolidated balance sheets. On a monthly basis, Central Credit evaluates the collectability of the outstanding balances and establishes a reserve for the face amount of the expected losses on these receivables. The warranty expense associated with this reserve is included within cost of revenues (exclusive of depreciation and amortization) in the condensed consolidated statements of income. The Company writes off substantially all warranty receivables that are practically older than one year in age.

A summary activity of the reserve for warranty losses for the two years ended December 31, 2011 and 2010 is as follows (amounts in thousands):

	<u>Amount</u>
Balance, December 31, 2009	\$ 8,596
Warranty expense provision	6,208
Charge offs against reserve	<u>(7,768)</u>
Balance, December 31, 2010	7,036
Warranty expense provision	5,700
Charge offs against reserve	<u>(5,980)</u>
Balance, December 31, 2011	<u>\$ 6,756</u>

Discontinued Operations

On February 28, 2008, the Company announced its intention to exit the Arriva business. Accordingly, the operations for Arriva have been classified as discontinued operations for the six months ended June 30, 2009. In July 2009, it was determined that the Arriva business was no longer significant and therefore not included in discontinued operations for the second half of 2009.

Unamortized Debt Issuance Costs

Debt issuance costs incurred in connection with long-term borrowings are capitalized and amortized to interest expense based upon the related debt agreements using the straight-line method, which approximates the effective interest method. Unamortized debt issuance costs are included in prepaid and other assets on the consolidated balance sheets.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*****Property, Equipment and Leasehold Improvements***

Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation, computed using the straight-line method over the lesser of the estimated life of the related assets, generally three to five years, or the related lease term.

Repairs and maintenance costs are expensed as incurred.

Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the consolidated statements of income.

Property, equipment and leasehold improvements are reviewed for impairment whenever events or circumstances indicate that their carrying amounts may not be recoverable. Impairment is indicated when undiscounted future cash flows do not exceed the asset's carrying value. As of December 31, 2011, the Company does not believe any of its property, equipment, or leasehold improvements are impaired.

Acquisitions

The Company accounts for business combinations in accordance with the accounting standards, which require that the assets acquired and liabilities assumed be recorded at their estimated fair values.

Western Money

The Company completed its acquisition of Western Money in May 2010, in which 100 percent of the outstanding common shares of Western Money were acquired for a purchase price net of cash of approximately \$15.4 million. This acquisition did not have a material impact on the consolidated financial statements of the Company as of and for the year ended December 31, 2010. During the quarter ended June 30, 2011, the Company completed its determination of the estimated fair values of assets acquired and liabilities assumed in the Western Money acquisition.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for Western Money (in thousands):

	<u>Amount</u>
Net working capital	\$ 3,516
Property, plant and equipment	2,320
Goodwill	5,745
Intangible assets	6,284
Deferred income tax liabilities	(2,498)
Net assets acquired (excluding cash)	<u>\$ 15,367</u>

In connection with the acquisition, the Company acquired approximately \$6.3 million of intangible assets, of which \$4.0 million was assigned to customer contracts, which will be amortized over eleven years on an accelerated basis. The adjustments to the preliminary fair value amounts have not been applied retrospectively to the consolidated balance sheet or the consolidated statements of income and comprehensive income during the prior year as the impact of the final purchase price allocations was not material to previously reported financial statements.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Other intangibles acquired include \$0.7 million of trademarks which will be amortized on a straight-line basis over 10 years and \$1.4 million of developed technology and \$0.2 million of non-compete agreements both of which will be amortized on a straight-line basis over their useful lives of 5 years and 2 years, respectively.

MCA Processing

On November 15, 2011, the Company acquired substantially all of the assets of MCA Processing LLC for approximately \$13.4 million, of which approximately \$2.6 million is expected to be paid one year from the closing date. MCA is a provider of ATM, debit card and credit card cash access services to gaming establishments and also manufactures, sells, licenses and services redemption kiosk devices.

Although not currently a shareholder of the company, in conjunction with the purchase of certain of the assets of MCA Processing, LLC, a former shareholder of the Company, Robert Cucinotta, and USA Payment Systems, an entity affiliated with Robert Cucinotta, entered into non-competition agreements with the Company.

The amount of revenue and earnings included in the Company's income statement for the year ended December 31, 2011, and the supplemental pro forma impact on the revenue and earnings of the combined entity had the acquisition date been January 1, 2011, or 2010, have not been presented as such amounts are not material.

Goodwill

Goodwill represents the excess of the purchase price over the identifiable tangible and intangible assets acquired plus liabilities assumed arising from business combinations.

The Company accounts for goodwill in accordance with FASB guidance, which addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon their acquisition. This guidance also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The Company tests for impairment annually, or more often under certain circumstances. The Company does not believe that any of its goodwill is impaired as of December 31, 2011 and 2010 based upon the results of our impairment testing.

The changes in the carrying amount of goodwill for the years ended December 31, 2010 and 2011 are as follows (in thousands):

	<u>Cash Advance</u>	<u>ATM</u>	<u>Check Services</u>	<u>Other</u>	<u>Total</u>
Balance, December 31, 2009	\$ 100,895	\$ 33,051	\$ 23,281	\$ 17,127	\$ 174,354
Goodwill acquired during the year	—	—	—	10,756	10,756
Balance, December 31, 2010	\$ 100,895	\$ 33,051	\$ 23,281	\$ 27,883	\$ 185,110
Goodwill adjustments	23	—	—	(5,011)	(4,988)
Balance, December 31, 2011	\$ 100,918	\$ 33,051	\$ 23,281	\$ 22,872	\$ 180,122

The changes in goodwill to the Other reportable segment were primarily due to the acquisition of Western Money in 2010 and final purchase price allocation for Western Money completed in the second

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

quarter of 2011. The changes in goodwill to Cash Advance were primarily due to foreign currency translation adjustments. All goodwill has been allocated to its respective reporting units, per the table above.

In accordance with ASC 350, we test goodwill at the reporting unit level for impairment on an annual basis and between annual tests if events and circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

In performing the annual impairment test, we utilize the two-step approach prescribed under ASC 350. The first step requires a comparison of the carrying value of each reporting unit to its estimated fair value. To estimate the fair value of our reporting units for Step 1, we use a combination of the income approach and the market approach. The income approach is based on a discounted cash flow analysis, or DCF method. This method involves estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value ("DCF"), using a risk-adjusted discount rate. Assumptions used in the DCF require the exercise of significant judgment, including judgment about appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The forecasted cash flows are based on our most recent budget and for years beyond the budget. Our budgets are based on estimated future growth rates. We believe our assumptions are consistent with the plans and estimates used to manage the underlying businesses. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the weighted-average cost of capital, or WACC, of market participants relative to each respective reporting unit. The market approach considers comparable market data based on multiples of revenue or earnings before taxes, depreciation and amortization ("EBITDA").

If the carrying value of a reporting unit exceeds its estimated fair value, we are required to perform the second step of the goodwill impairment test to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill to its carrying value. The implied fair value of goodwill is derived by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date, allocating the reporting unit's estimated fair value to its assets and liabilities. The residual amount from performing this allocation represents the implied fair value of goodwill. To the extent this amount is below the carrying amount of goodwill, an impairment charge is recorded.

We conducted our annual impairment test for our reporting units during the fourth quarter of 2011 and no impairment was identified.

Key assumptions used in estimating fair value under the discounted cash flow approach included a discount rate of 12.5%, projected compound average revenue growth rates of 2.0% to 3.0% and terminal value growth rates of 2.0%. The discounted cash flow analyses for our segments included estimated future cash inflows from operations and estimated future cash outflows for capital expenditures.

Key assumptions used in estimating fair value under the market approach were based on observed market multiples of enterprise value to revenue and EBITDA for both comparable publicly-traded companies and recent merger and acquisition transactions involving similar companies to estimate appropriate controlling basis multiples to apply to each of the reporting units. Based on the multiples implied by this market data, we selected multiples of revenue of 0.3 to 2.7 times and multiples of EBITDA of 6.5 times.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The estimate of fair value requires significant judgment. We based our fair value estimates on assumptions that we believe to be reasonable but that are unpredictable and inherently uncertain, including estimates of future growth rates and operating margins and assumptions about the overall economic climate and the competitive environment for our business units. There can be no assurance that our estimates and assumptions made for purposes of our goodwill and identifiable intangible asset testing as of the time of testing will prove to be accurate predictions of the future. If our assumptions regarding business plans, competitive environments or anticipated growth rates are not correct, we may be required to record goodwill and/or intangible asset impairment charges in future periods, whether in connection with our next annual impairment testing or earlier, if an indicator of an impairment is present before our next annual evaluation.

Other Intangible Assets

Other intangible assets consist primarily of customer contracts (rights to provide cash access services to gaming establishment customers) acquired through business combinations and acquisitions, capitalized software development costs and the acquisition cost of our patent related to the "3-in-1 rollover" technology acquired in 2005. The acquisition cost of the 3-in-1 rollover patent is being amortized over the term of the patent, which expires in 2018. Patents and trademarks are generally amortized on a straight-line basis over 17 years and other intangibles are generally amortized on a straight-line basis over periods ranging from 3 to 14 years.

	<u>2011</u>	<u>2010</u>
Computer software	\$ 24,719	\$ 21,008
Patents and trademarks	11,134	10,357
Customer contracts	50,649	35,759
Non-compete agreements	1,400	400
Sub-total	<u>87,902</u>	<u>67,524</u>
Less: accumulated amortization	(49,686)	(41,156)
Total	<u>\$ 38,216</u>	<u>\$ 26,368</u>

Amortization expense related to these intangibles totaled approximately \$8.7 million, \$6.9 million and \$8.1 million, for the years ended December 31, 2011, 2010 and 2009, respectively. There were disposals of intangible assets of \$0.6 million and \$0.5 million in 2011 and 2010, respectively.

At December 31, 2011, the total amount of net book value of amortizable intangible assets was approximately \$38.2 million. The anticipated amortization expense related to other intangible assets, assuming no subsequent impairment of the underlying assets, is as follows (in millions):

2012	\$ 10,431
2013	9,221
2014	7,344
2015	5,538
2016	2,551
Thereafter	3,131
	<u>\$ 38,216</u>

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company accounts for the costs related to computer software developed or obtained for internal use in accordance with FASB guidance, which establishes that computer software costs that are incurred in the preliminary project stage should be expensed as incurred. Costs incurred in the application development phase and any upgrades and enhancements that modify the existing software and result in additional functionality are capitalized and amortized over their useful lives, generally not to exceed three years. These costs consist of outside professional fees related to the development of our systems. The Company capitalized \$0.2 million, \$0.1 million and \$1.1 million, of development costs for the years ended December 31, 2011, 2010 and 2009, respectively.

Fair Values of Financial Instruments

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value estimates are made at a specific point in time, based upon relevant market information about the financial instrument.

The carrying amount of cash and cash equivalents, other receivables, net, settlement receivables and settlement liabilities approximates fair value due to the short-term maturities of these instruments. The fair value of GCA's borrowings are estimated based on quoted market prices for the same issue or in instances where no market exists the quoted market prices for similar issues with similar terms are used to estimate fair value. The fair values of all other financial instruments, including amounts outstanding under the ATM funding agreements, approximate their book values as the instruments are short-term in nature or contain market rates of interest. The following table presents the fair value and carrying value of GCA's borrowings (amounts in thousands):

	<u>Level of Hierarchy(1)</u>	<u>Fair Value</u>	<u>Carrying Value</u>
December 31, 2011			
New senior secured credit facility	1	\$ 173,565	\$ 174,000
December 31, 2010			
Old Senior Secured Credit Facility	2	\$ 81,000	\$ 81,000
Senior Subordinated Notes	1	\$ 128,229	\$ 127,750

- (1) Level 1 indicates that the fair value is determined by using quoted prices in active markets for identical investments. Level 2 indicates that the fair value is determined using pricing inputs other than quoted prices in active markets such as models or other valuation methodologies. Level 3 indicates that the fair value is determined using pricing inputs that are unobservable for the investment and include situations where there is little, if any, market activity for the investment. Significant management estimates and judgment are used in the determination of the fair value of level 3 pricing inputs.

Inventory

Inventory, which consists primarily of finished goods such as redemption kiosk devices, as well as work-in-progress and parts, is stated at lower of cost or market. The cost of inventory includes cost of

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

materials, labor, overhead and freight. Inventory is accounted for using the average cost method. Inventory as of December 31, 2011 and 2010 was \$7.1 million and \$3.9 million, respectively.

Revenue Recognition

The Company recognizes revenue when evidence of an arrangement exists, services have been rendered, the price is fixed or determinable and collectability is reasonably assured. The Company evaluates its revenue streams for proper timing of revenue recognition.

Cash advance revenue is comprised of the fee charged to patrons for credit card cash access and POS debit card transactions. Revenue recognition occurs at the point a negotiable instrument is generated by the gaming establishment cage for the patron's transaction or cash is dispensed from an ATM.

ATM revenue is comprised of upfront patron transaction fees or surcharges assessed at the time the transaction is initiated and a percentage of interchange fees paid by the patron's issuing bank. These issuing banks share the interchange revenue (reverse interchange) with GCA to cover the cost incurred by GCA to acquire the ATM transaction. Upfront patron transaction fees are recognized when a transaction is initiated and reverse interchange is recognized on a monthly basis based on the total transactions occurring during the month.

In general, check service revenue is comprised of a fee based upon a percentage of the face amount of total checks warranted, and is recognized on a monthly basis.

Central Credit revenue is based upon either a flat monthly, unlimited usage fee or a variable fee structure driven by the volume of patron credit histories generated. This revenue is recognized on a monthly basis based on the total transactions occurring during the month. Revenue derived from our patron marketing products and services is recognized upon completion of services.

Western Money derives substantially all of its revenue from the sale of cash access devices such as jackpot and ATM enabled redemption kiosks and derives the balance of its revenue from the provision of certain professional services, software licensing, and certain other ancillary fees associated with the sale of, installation and operation of those devices. Revenue is recognized as products are delivered and or services are performed.

Cost of Revenues (Exclusive of Depreciation and Amortization)

The cost of revenues (exclusive of depreciation and amortization), represent the direct costs required to perform revenue generating transactions. The principal costs included within cost of revenues (exclusive of depreciation and amortization) are commissions paid to gaming establishments, interchange fees paid to credit and debit card networks, transaction processing fees to our transaction processor and check cashing warranties.

Advertising, Marketing and Promotional Costs

The Company expenses advertising, marketing and promotional costs as incurred. Total advertising, marketing and promotional costs, included in operating expenses in the consolidated statements of income, were \$0.6 million, \$0.8 million and \$0.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Income tax expense includes U.S. and international income taxes, plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Since it is management's practice and intent to reinvest the earnings in the international operations of our foreign subsidiaries, U.S. federal income taxes have not been provided on the undistributed earnings of any foreign subsidiaries except for GCA Macau. Some items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported as deferred income taxes.

Foreign Currency Translation

Foreign currency denominated assets and liabilities for those foreign entities for which the local currency is the functional currency are translated into U.S. dollars based on exchange rates prevailing at the end of each year. Revenues and expenses are translated at average exchange rates during the year. The effects of foreign exchange gains and losses arising from these translations are included as a component of other comprehensive income on the consolidated statements of income. Translation adjustments on intercompany balances of a long-term investment nature are recorded as a component of accumulated other comprehensive income on the Company's consolidated balance sheets.

Use of Estimates

The Company has made estimates and judgments affecting the amounts reported in these financial statements and the accompanying notes. The actual results may differ from these estimates. These accounting estimates incorporated into the Company's consolidated financial statements include, but are not limited to:

- the estimated reserve for warranty expense associated with our check warranty receivables;
- the valuation and recognition of share-based compensation;
- the valuation allowance on our deferred income tax assets; and
- the estimated cash flows in assessing the recoverability of long-lived assets; and
- the budgets for future performance, weighted average cost of capital ("WACC") and growth rates as well as other factors used in our annual goodwill impairment evaluation.

Earnings Applicable to Common Stock

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 resulting from assumed stock option exercises. The weighted-average number of common

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

shares outstanding used in the computation of basic and diluted earnings per share is as follows at December 31, (amounts in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Weighted average number of common shares outstanding—basic(1)	64,673	65,903	74,232
Potential dilution from equity grants(2)(3)	186	1,369	1,124
Weighted average number of common shares outstanding—diluted	<u>64,859</u>	<u>67,272</u>	<u>75,356</u>

- (1) Included in the calculation of weighted average common shares outstanding—basic are approximately 42,000, 407,000 and 614,000 of unvested shares of restricted common stock of Holdings granted in share-based payment transactions for the years ended December 31, 2011, 2010 and 2009, respectively, that are participating securities because such shares have voting rights as well as the right to participate in dividend distributions made by the Company to its common shareholders.
- (2) The potential dilution excludes the weighted average effect of stock options to acquire approximately 8.1 million, 6.9 million and 6.5 million shares of common stock of Holdings for the years ended December 31, 2011, 2010 and 2009 respectively, because the application of the treasury stock method, as required, makes them anti-dilutive.
- (3) The potential dilution excludes the weighted average effect of shares of time-based shares of restricted common stock of Holdings of approximately 18,000, 0 and 1,500 shares for the years ended December 31, 2011, 2010 and 2009 respectively, as the application of the treasury stock method makes them anti-dilutive.

Stock-Based Compensation

Share-based payment awards result in a cost that is measured at fair value on the award's grant date. Stock options expected to be exercised currently and in future periods are measured at fair value using the Black-Scholes model with the expense associated with these awards being recognized on the straight-line basis over the awards' vesting period. Forfeitures are estimated at the time of grant, with such estimate updated periodically and with actual forfeitures recognized currently to the extent they differ from the estimates.

The estimated per share weighted-average fair value of stock options granted during 2011, 2010 and 2009 was \$2.04, \$4.24 and \$1.38 respectively.

We have estimated the fair value of options granted at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions in the years ended December 31,:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Risk-free interest rate	2.4%	2.5%	2.0%
Expected life of options (in years)	6.3	6.3	6.3
Expected volatility	62.9%	60.1%	57.5%
Expected dividend yield	0.0%	0.0%	0.0%

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected volatility for options granted in 2011 was based upon our historical volatility. The expected dividend yield is based on the Company's historical practice of not paying dividends. Stock-based compensation related to time-based restricted shares is calculated based on the closing market price of the Company's common stock on the date of grant, reduced by the present value of dividends expected to be paid, if any, on the Company's common stock prior to vesting of the restricted stock.

Recently Issued Accounting Pronouncements

On June 16, 2011, the FASB issued ASU 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. Adoption of this amended guidance is not expected to have an impact on the Company's financial position, results of operations or cash flows.

In September 2011, the FASB issued ASU 2011-08, which simplifies how entities, both public and nonpublic, test goodwill for impairment. The amendments in the update permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. Previous guidance under Topic 350 required an entity to test goodwill for impairment, on at least an annual basis, by comparing the fair value of a reporting unit with its carrying amount, including goodwill (step one). If the fair value of a reporting unit is less than its carrying amount, then the second step of the test must be performed to measure the amount of the impairment loss, if any. Adoption of this amended guidance is not expected to have an impact on the Company's financial position, results of operations or cash flows.

3. ATM FUNDING AGREEMENTS

Wells Fargo Contract Cash Solutions Agreement

On November 12, 2010, the Company executed the Contract Cash Solutions Agreement with Wells Fargo for a pilot period which began on November 18, 2010, and expired on December 13, 2010. Upon expiration of the pilot period of the Contract Cash Solutions Agreement, full transition of vault cash services from Bank of America to Wells Fargo occurred, and on December 17, 2010, the Company terminated the Treasury Services Agreement with Bank of America.

The Contract Cash Solutions Agreement allows for the Company to utilize up to \$400.0 million in funds owned by Wells Fargo to provide the currency needed for normal operating requirements for the Company's ATMs. For the use of these funds, the Company pays Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate.

The Company recognized the fees that it paid to Bank of America and Wells Fargo for cash usage pursuant to the Treasury Services Agreement and Contract Cash Solutions Agreement, respectively, which are reflected as interest expense in our financial statements for the following reasons:

- the Treasury Services Agreement and Contract Cash Solutions Agreement operate in a fashion similar to a revolving line of credit in that amounts are drawn and repaid on a daily basis;

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. ATM FUNDING AGREEMENTS (Continued)

- the resource being procured by the Company under the terms of the Treasury Services Agreement and Contract Cash Solutions Agreement are a financial resource and in the absence of such an arrangement, the Company would be required to obtain sufficient alternative financing either on balance sheet or off balance sheet in order to meet its financial obligations;
- the fees of the Treasury Services Agreement and Contract Cash Solutions Agreement are assessed on the outstanding balances during the applicable period and include a base rate which is tied to LIBOR and a margin; and
- the fees incurred by the Company under the Treasury Services Agreement and Contract Cash Solutions Agreement are a function of both the prevailing rate of LIBOR as dictated by the capital markets and the average outstanding balance during the applicable period as previously noted. The fees do not vary with revenue or any other underlying driver of revenue such as transaction count or dollars processed as is the case with all costs classified as cost of revenue such as interchange expense and processing fees.

Pursuant to the Contract Cash Solutions Agreement, the limit on the maximum allowable currency is \$400.0 million. Wells Fargo has agreed to supply the Company with up to \$50.0 million in excess of this limit for a calendar day up to four times per calendar year and subject to certain additional conditions and limitations, and in certain cases, upon approval, the Company can be supplied up to \$475.0 million. On December 31, 2011, we received a temporary authorization to exceed this limit due to the high demand for cash access services on New Year's Eve.

At December 31, 2011 and 2010, the outstanding balance of ATM cash utilized by GCA from Wells Fargo was \$467.8 million \$368.4 million respectively. For the years ended December 31, 2011, 2010 and 2009, the cash usage fees incurred by the Company were \$2.8 million, \$1.9 million and \$2.2 million, respectively. The cash usage fee is included within interest expense on the Company's consolidated statements of income.

The Company is responsible for any losses of cash in the ATMs under its agreements with Wells Fargo. The Company is self insured related to this risk. For the years ended December 31, 2011, 2010, and 2009, the Company has incurred no material losses related to this self insurance.

Site-Funded ATMs

The Company operates ATMs at certain customer gaming establishments where the gaming establishment provides the cash required for the 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 consolidated balance sheets and was \$85.9 million and \$28.8 million as of December 31, 2011 and 2010, respectively.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

Property, equipment and leasehold improvements consist of the following as of December 31, (in thousands):

	<u>Useful Life</u>	<u>2011</u>	<u>2010</u>
ATM equipment	5	\$ 55,800	\$ 66,200
Cash advance equipment	3	6,578	6,528
Office, computer and other equipment	3	8,799	6,253
Leasehold and building improvements	Lease Term	2,788	2,747
Sub-total		73,965	81,728
Less: accumulated depreciation		(58,388)	(65,080)
Total		<u>\$ 15,577</u>	<u>\$ 16,648</u>

5. BENEFIT PLANS***Defined Contribution Plan***

The Company has a retirement savings plan (the "401(k) Plan") under Section 401(k) of the Internal Revenue Code covering its employees. The 401(k) Plan allows employees to defer up to the lesser of the Internal Revenue Code prescribed maximum amount or 100% of their income on a pre-tax basis through contributions to the plan. As a benefit to employees, the Company matches a percentage of these employee contributions. Expenses related to the matching portion of the contributions to the 401(k) Plan were \$0.2 million, \$0.5 million and \$0.5 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Equity Incentive Awards

In January 2005, the Company adopted the 2005 Stock Incentive Plan (the "2005 Plan") to attract and retain the best available personnel, to provide additional incentives to employees, directors and consultants and thus to promote the success of the Company's business. The 2005 Plan is administered by the Board of Directors but may be administered by our Compensation Committee. The administrator of the 2005 Plan has the authority to select individuals who are to receive options or other equity incentive awards under the 2005 Plan and to specify the terms and conditions of grants of options or other equity incentive awards, the vesting provisions, the term and the exercise price.

Generally, stock options and restricted stock granted 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. Unless otherwise provided by the administrator, an option granted under the 2005 Plan generally expires ten years from the date of grant. Stock options are issued at the closing market price on the date of grant.

As of December 31, 2011, the Company had reserved 18,179,520 shares of common stock for the grant of stock options and other equity incentive awards under the 2005 Plan. On the first business day of each fiscal year beginning with the fiscal year commencing on January 1, 2006, annual increases will be added to

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. BENEFIT PLANS (Continued)

the 2005 Plan equal to the lesser of: 3,800,000 shares, 3% of all outstanding shares of our common stock immediately prior to such increase, or a lesser amount determined by our Board of Directors.

A summary of award activity under the Company's 2005 Plan as of December 31, 2011 and changes during the three years then ended are as follows:

	Weighted Average Exercise Price (Per Share)	Stock Options Granted	Restricted Stock Granted	Equity Awards Available for Grant
Balance outstanding—December 31, 2008	\$ 8.93	6,995,492	190,251	2,856,568
Additional authorized shares	N/A	—	—	2,488,819
Granted	\$ 2.47	2,981,500	1,047,875	(4,029,375)
Exercised/vested	\$ 6.75	(432,116)	(142,170)	—
Canceled or forfeited	\$ 6.52	(683,043)	(54,200)	737,243
Balance outstanding—December 31, 2009	\$ 6.98	8,861,833	1,041,756	2,053,255
Additional authorized shares	N/A	—	—	2,500,334
Granted	\$ 7.24	1,790,690	—	(1,790,690)
Exercised/vested	\$ 4.69	(1,200,402)	(461,552)	—
Canceled or forfeited	\$ 5.50	(696,011)	(99,154)	795,165
Balance outstanding—December 31, 2010	\$ 7.50	8,756,110	481,050	3,558,064
Additional authorized shares	N/A	—	—	1,931,400
Granted	\$ 3.40	2,136,150	—	(2,136,150)
Exercised/vested	\$ 2.20	(399,273)	(245,283)	—
Canceled or forfeited	\$ 6.83	(1,265,446)	(37,488)	1,302,934
Balance outstanding—December 31, 2011	\$ 6.87	9,227,541	198,279	4,656,248

In February 2009, our Board of Directors approved the grant of options to issue 2.8 million shares of common stock to existing employees, newly hired employees and certain non-employee members of the Company's Board of Directors. These shares vest over a four-year period. The estimated total fair value of the awards at the date of grant was \$4.1 million. In February 2010, our Board of Directors approved the grant of options to issue 1.4 million shares of common stock to existing employees, newly hired employees and certain non-employee members of the Company's Board of Directors. These shares vest over a four-year period. The estimated total fair value of the awards at the date of the grant was \$6.4 million. In March 2011, our Board of Directors approved the grant of options to issue 1.9 million shares of common stock to existing employees, newly hired employees and certain non-employee members of the Company's Board of Directors. These shares vest over a four-year period. The estimated total fair value of the awards at the date of the grant was \$3.2 million.

Stock Options

Stock options granted typically 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 and allow the option holder to purchase stock over specified periods of time, generally ten years, from the date of grant, at a fixed price equal to the market value of the common stock on date of grant.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. BENEFIT PLANS (Continued)

The following tables summarize additional information regarding the options that have been granted under the 2005 Plan:

	Number of Common Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Life Remaining (Years)	Aggregate Intrinsic Value (in thousands)
Balance outstanding—December 31, 2009	8,861,833	\$ 6.98	8.0 years	\$ 15,763
Granted	1,790,690	—		
Exercised	(1,200,402)	—		
Canceled or forfeited	(696,011)	—		
Balance outstanding—December 31, 2010	8,756,110	\$ 7.50	7.3 years	\$ 2,336
Granted	2,136,150	—		
Exercised	(399,273)	—		
Canceled or forfeited	(1,265,446)	—		
Balance outstanding—December 31, 2011	9,227,541	\$ 6.87	6.9 years	\$ 6,118
Balance exercisable—December 31, 2011	5,839,673	\$ 8.41	5.9 years	\$ 1,263
Balance expected to be exercised	5,346,279	\$ 8.39	5.9 years	\$ 1,147

Range of Exercise Prices		Options Outstanding			Options Exercisable		
		Number Outstanding	Weighted Average Remaining Contract Life (Years)	Weighted Average Exercise Prices	Number Exercisable	Weighted Average Exercise Price	
\$ —	\$ 5.99	3,739,241	8.3	\$ 3.14	1,119,971	\$ 2.99	
6.00	8.99	3,191,805	6.9	7.18	2,423,207	7.04	
9.00	12.99	1,000,000	5.8	9.99	1,000,000	9.99	
13.00	13.99	849,828	3.1	13.98	849,828	13.98	
14.00	14.99	160,000	4.4	14.22	160,000	14.22	
15.00	15.99	151,667	4.5	15.22	151,667	15.22	
16.00	18.99	135,000	4.7	16.80	135,000	16.80	
		9,227,541			5,839,673		

The weighted-average grant-date fair value per share of the options granted during the years ended December 31, 2011, 2010 and 2009 was \$2.04, \$4.24 and \$1.38, respectively.

During the year ended December 31, 2011, we recorded \$6.8 million in non-cash compensation expense related to options granted that are expected to vest. As of December 31, 2011, there was \$6.9 million in unrecognized compensation expense related to options expected to vest. That cost is expected to be recognized on a straight-line basis over a weighted average period of 1.4 years.

During the years ended December 31, 2010 and 2009, we recorded \$6.3 million and \$6.1 million, respectively, in non-cash compensation expense related to options granted that are expected to vest.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. BENEFIT PLANS (Continued)**

For the years ended December 31, 2011, 2010 and 2009, we received \$0.8 million, \$5.6 million and \$2.9 million in cash from the exercise of 399,273, 1,200,402 and 432,116 options, respectively.

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, many of the shares issued will be withheld by the Company to satisfy the statutory 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. These shares will vest over a period of four years. There are certain restricted stock shares that have rights to the dividends declared and voting rights, and, therefore, the shares are considered issued and outstanding prior to vesting.

A summary of non-vested share awards for the Company's time-based restricted shares as of December 31, 2011 and changes during the two years then ended are as follows:

	<u>Shares Outstanding</u>	<u>Weighted Average Grant Date Fair Value (Per Share)</u>	<u>Aggregate Fair Value</u>
			(in thousands)
Balance outstanding—December 31, 2009	1,041,756	\$ 3.16	\$ 3,289
Granted	—	—	—
Vested	(461,552)	3.88	(1,793)
Forfeited	(99,154)	2.72	(269)
Balance outstanding—December 31, 2010	481,050	\$ 2.55	\$ 1,227
Granted	—	—	—
Vested	(245,283)	2.88	(707)
Forfeited	(37,488)	2.21	(83)
Balance outstanding—December 31, 2011	198,279	\$ 2.20	\$ 437

During the years ended December 31, 2011, 2010 and 2009, we recorded approximately \$0, \$1.6 million and \$2.4 million in non-cash compensation expense, respectively, related to the restricted stock granted that is expected to vest. As of December 31, 2011, there was \$0.5 million in unrecognized compensation expense related to time-based restricted shares expected to vest. That cost is expected to be recognized on a straight-line basis over a weighted average period of 1.2 years.

6. COMMITMENTS AND CONTINGENCIES**Lease Obligations**

The Company leases office facilities and operating equipment under cancelable and non-cancelable agreements. Total rent expense was approximately \$0.7 million, \$0.9 million and \$0.6 million, for the years ended December 31, 2011, 2010 and 2009, respectively.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. COMMITMENTS AND CONTINGENCIES (Continued)

At December 31, 2011, the minimum aggregate rental commitment under all non-cancelable operating leases for the years then ending was (in thousands):

	<u>Amount</u>
2012	\$ 750
2013	408
2014	234
2015	—
2016	—
Thereafter	—
	<u>\$ 1,392</u>

Litigation Settlement Awards

VISA Check/MasterMoney Antitrust Litigation

The VISA Check/MasterMoney Antitrust Litigation began in October 1996 with the filing of lawsuits by certain retailers and retail trade associations against VISA U.S.A. Inc. ("VISA") and MasterCard International ("MasterCard").

In the action against VISA and MasterCard, plaintiffs claimed, among other things, that VISA and MasterCard, individually, and in conspiracy with each other and with their member banks, have violated the federal antitrust laws by forcing merchants who accept VISA and/or MasterCard-branded credit cards for payment also to accept VISA and/or MasterCard-branded debit cards for payment (the "Honor All Cards Policy"), and by conspiring and attempting to monopolize a market for general purpose point of sale debit cards. The plaintiffs claimed that the defendants' actions caused merchants to pay excessive fees on VISA and MasterCard signature debit and credit transactions and on on-line PIN debit transactions, and have injured competition, merchants and consumers.

On June 4, 2003, the plaintiffs entered into separate settlement agreements with VISA and MasterCard. Under terms of the settlements, VISA and MasterCard agreed to eliminate their "Honor All Cards Policy", to lower debit card fees for an interim period by one-third and to refund over \$3 billion to merchants who accepted their cards from October 1992 through June 2003. As the Company accepted VISA and MasterCard branded debit cards during this covered period (i.e. October 25, 1992 through June 21, 2003), we were members of the covered class and entitled to settlement under the agreement.

In December 2007, the Company's claim award was affirmed by the court. We engaged a third party to assist us in the preparation of the claim and collection of any award due to us in this action. For this service we agreed to a collection fee that would be deducted from any amounts received. The Company received \$0.4 million and \$2.8 million, which it recognized as a reduction to operating expenses in the accompanying consolidated statements of income for the years ended December 31, 2010 and 2009, respectively. For the year ended December 31, 2011, the Company did not receive any additional payments against this claim.

USA Payment Systems

Karim Maskatiya and Robert Cucinotta were members of the Company's Board of Directors through the dates of their respective resignations of May 7, 2008 and May 20, 2008. On January 5, 2009, the Company commenced an action in the State of Nevada District Court, Clark County, against USA Payments and USA Payment Systems (together "USAP"), companies owned or controlled by

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. COMMITMENTS AND CONTINGENCIES (Continued)

Messrs. Maskatiya and Cucinotta in connection with various disputes relating to the Amended and Restated Agreement for Electronic Processing, pursuant to which USAP provided the Company with transaction processing services. In October 2009, USAP paid the Company \$1.8 million pursuant to an executed settlement agreement and agreed to the settlement of all claims and matters between the parties.

Litigation Claims and Assessments

Automated Systems America, Inc.

On July 7, 2010, an action was commenced by Automated Systems America, Inc. in the United States District Court, Central District of California, against Holdings, GCA and certain current employees of GCA. The complaint seeks a declaratory judgment of invalidity, unenforceability and non-infringement of certain patents owned by the Company and alleges antitrust violations of Section 2 of the Sherman Act, unfair competition violations under the Lanham Act and tortious interference and defamation per se. The plaintiff seeks damages in excess of \$2 million, punitive damages, and a trebling of damages associated with the allegations under Section 2 of the Sherman Act. On March 3, 2011, the Company filed a motion to dismiss this action. In February 2012, the District Court entered an order granting the Company's motion to dismiss this action without prejudice, allowing the plaintiff to file a new complaint if it chooses to do so. At this stage of the litigation, the Company is unable to make an evaluation of whether the likelihood of an unfavorable outcome is either probable or remote or the amount or range of potential loss; however, the Company believes it has meritorious defenses and will vigorously defend this action.

We are also subject to a variety of other claims and suits that arise from time to time in the ordinary course of its business. We do not believe the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, will have a material adverse impact on our financial position, liquidity or results of operations.

7. BORROWINGS

As of December 31, 2010, we had total indebtedness of \$208.8 million in principal amount (of which \$127.8 million consisted of senior subordinated notes described below and \$81.0 million consisted of senior secured debt under the Second Amended and Restated Credit Agreement described below, collectively referred to as the "Old Credit Facility"). On March 1, 2011, GCA, together with its sole stockholder, Holdings entered into a Credit Agreement ("the Credit Agreement") with certain lenders, Deutsche Bank Trust Company Americas, as Administrative Agent and Wells Fargo Securities, LLC, as Syndication Agent. The Credit Agreement provides for a \$210.0 million term loan facility and a \$35.0 million revolving credit facility (the "New Senior Credit Facility"). The revolving credit facility includes provisions for the issuance of up to \$10.0 million of letters of credit and up to \$5.0 million in swingline loans. We used the proceeds from the New Senior Credit Facility to repay all outstanding indebtedness under our existing senior secured credit facility under the Second Amended and Restated Credit Agreement and to defease our senior subordinated notes.

The 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 \$50.0 million in additional term loan commitments. All \$210.0 million of available borrowings under the term loan facility were borrowed concurrent with the establishment of the New Senior Credit Facility. Once repaid, no amounts under the term loan facility may be re-borrowed. In addition, \$4.0 million of available borrowings under the revolving credit facility were borrowed concurrent with the establishment of the New Senior Credit Facility. Once repaid, amounts under the revolving credit facility may be re-borrowed.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. BORROWINGS (Continued)

The term loan requires principal repayments of one quarter of 1% of the aggregate initial principal amount of term loans, adjusted for any non-mandatory prepayments per quarter, as well as annual mandatory prepayment provisions based on an excess cash flow sweep equal to a fixed percentage of excess cash flow (as defined in the Credit Agreement). The remaining principal is due on the maturity date, March 1, 2016. GCA may prepay the loans and terminate the commitments at any time after the first year, without premium or penalty, subject to certain qualifications set forth in the Credit Agreement. Furthermore, the Credit Agreement contains mandatory prepayment provisions which, under certain circumstances, such as asset or equity sales, obligate GCA to apply defined portions of its cash flow to prepayment of the New Senior Credit Facility.

Borrowings under the New Senior Credit Facility bear interest at either (x) a specified base rate plus a 4.50% margin, or (y) LIBOR plus a 5.50% margin. The base rate minimum is 2.50% and the LIBOR minimum is 1.50%. Interest in respect of base rate loans is payable quarterly in arrears and interest in respect of LIBOR loans is payable in arrears at the end of the applicable interest period and every three months in the case of interest periods in excess of three months. Interest is also payable at the time of repayment of any loans and at maturity. As of December 31, 2011, we had \$174.0 million of outstanding indebtedness under the New Senior Credit Facility, consisting of \$174.0 million under the term loan facility with no amounts outstanding under the revolving credit facility. The weighted average interest rate, inclusive of the applicable margin of 550 basis points, was 7.0%. We also had no amounts outstanding under our letter of credit sub facility that is part of our revolving credit facility as of December 31, 2011.

The New Senior Credit Facility is unconditionally guaranteed by Holdings and each direct and indirect domestic subsidiary of GCA. All amounts owing under the New Senior Credit Facility are secured by a first priority perfected security interest in all stock (but only 65% of the stock of foreign subsidiaries), other equity interests and promissory notes owned by GCA and a first priority perfected security interest in all other tangible and intangible assets owned by GCA and the guarantors.

The Credit Agreement contains customary affirmative and negative covenants, financial covenants, representations and warranties and events of defaults. In addition, the Credit Agreement limits the ability of the Company to declare and pay cash dividends. As of December 31, 2011, the Company is in compliance with the required covenants.

Second Amended and Restated Credit Agreement

On November 1, 2006, GCA and Holdings entered into the 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 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.

Borrowings under the Second Amended and Restated Credit Agreement bore interest at LIBOR plus an applicable margin, which was based on the Company's Senior Leverage Ratio (as defined under the Second Amended and Restated Credit Agreement). As of December 31, 2010, the applicable margin was 112.5 basis points and the effective rate of interest was 1.39%. Principal, together with accrued and unpaid interest, was due on the maturity date, November 1, 2011. As of December 31, 2010, the balance of this financial instrument was \$81.0 million with \$0 outstanding under the revolving portion and \$2.8 million in letters of credit issued and outstanding.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. BORROWINGS (Continued)****Senior Subordinated Notes**

On March 10, 2004, GCA completed a private placement offering of \$235.0 million of 8.75% senior subordinated notes due 2012 (the "Notes"). All of GCA's existing and future domestic wholly owned subsidiaries were guarantors of the Notes on a senior subordinated basis. In addition, effective upon the closing of our initial public offering of common stock, Holdings guaranteed, on a subordinated basis, all of GCA's obligations under the Notes.

Interest on the Notes accrued based upon a 360-day year comprised of twelve 30-day months and was payable semiannually on March 15th and September 15th. On October 31, 2005, \$82.3 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. GCA could have redeemed all or a portion of the Notes at redemption prices of 104.375%, on or after March 15, 2008, 102.19% on or after March 15, 2009, or 100.00% on or after March 15, 2010. On May 3, 2010, GCA redeemed prior to their maturity \$25.0 million in the aggregate principal amount of the Notes at a redemption price of 100% of the principal amount of such Notes. As of December 31, 2010, the Company had \$127.8 million in borrowings outstanding under the indenture governing the Notes.

On March 1, 2011, the Company defeased our obligations under the Senior Subordinated Notes.

Minimum Aggregate Repayment Schedule

At December 31, 2011, the minimum aggregate repayment (excluding excess cash flow payments) for all borrowings for the year then ending was (in thousands):

	<u>Amount</u>
2012	\$ 1,740
2013	1,740
2014	1,740
2015	1,740
2016	167,040
Thereafter	—
	<u>\$ 174,000</u>

8. CAPITAL STOCK

In September 2005, the Company completed an initial public offering of 16,064,157 shares of common stock at \$14.00 per share. Existing stockholders sold 7,064,157 of these shares and the remaining 9,000,000 shares were sold by the Company. In October 2005, the underwriters exercised their option to purchase an additional 1,053,568 shares of stock from the Company and 1,165,656 shares of stock from the existing stockholders. The net proceeds to the Company from this combined equity offering were \$130.9 million after deducting underwriting discounts. On October 31, 2005, the Company used \$90.3 million of the net proceeds to repay \$82.25 million of senior subordinated notes and to pay a redemption premium and accrued interest on the repaid notes. Also on October 31, 2005, the Company used \$20.0 million of the IPO proceeds to repay \$20.0 million of the term loan portion of the Company's then existing credit facility.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. CAPITAL STOCK (Continued)

Preferred Stock. The Company's amended and restated certificate of incorporation allows our Board of Directors, without further action by stockholders, to issue up to 50,000,000 shares of preferred stock in one or more series and to fix the designations, powers, preferences, privileges and relative participating, optional, or special rights as well as the qualifications, limitations or restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. As of December 31, 2011, we had no shares of preferred stock outstanding.

Common Stock. Subject to the preferences that may apply to shares of preferred stock that may be outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available at the times and in the amounts as our Board of Directors may from time to time determine. All dividends are non-cumulative. In the event of the liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share ratably in all assets remaining after the payment of liabilities, subject to the prior distribution rights of preferred stock, if any, then outstanding. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Cumulative voting for the election of directors is not provided for. The common stock is not entitled to preemptive rights and is not subject to conversion or redemption. There are no sinking fund provisions applicable to the common stock. Each outstanding share of common stock is fully paid and non-assessable. As of December 31, 2011, we had 85,651,002 shares of common stock issued.

Common Stock Repurchase Program. On February 23, 2010, the Company's Board of Directors authorized the repurchase pursuant to Rule 10b-18 under the Securities and Exchange Act of 1934, as amended, of up to an additional \$25.0 million worth of the Company's outstanding common stock, subject to the compliance with such 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. For the year ended December 31, 2010, the Company repurchased 2.0 million of its shares of common stock pursuant to this repurchase authorization for an aggregate purchase price of \$7.7 million. For the year ended December 31, 2011, the Company did not repurchase any shares of common stock, pursuant to this repurchase authorization.

On April 8, 2010, the Company repurchased in a privately negotiated transaction 3,105,590 shares of its outstanding common stock from various entities affiliated with Summit Partners, L.P. for an aggregate purchase price of \$25.0 million at a purchase price of \$8.05 per share of common stock. Charles J. Fitzgerald is a managing partner of Summit Partners, L.P. and until his term expired on April 29, 2010, was a member of the Company's Board of Directors. The Company funded this repurchase with cash on hand. This repurchase was made pursuant to a new authorization by the Board of Directors of the Company in March 2010, separate from the \$25.0 million share repurchase program previously made on February 23, 2010.

Treasury Stock. In addition to open market purchases of common stock authorized under the Common Stock Repurchase Program, employees may direct the Company to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. For the year ended December 31, 2011, the Company repurchased or withheld from restricted stock awards 59,167 shares of common stock at an aggregate purchase price of \$0.2 million to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. CAPITAL STOCK (Continued)**

The following table provides the treasury stock activity occurring in 2011 (number of shares and cost in thousands):

	Total Number of Shares Purchased or Withheld	Average Price per Share Purchased or Withheld (Per Share)	Cost of Shares Purchased or Withheld
Balance outstanding—December 31, 2010	20,627	\$ 7.03	\$ 145,038
Shares withheld from restricted stock vesting	59	3.22	190
Balance outstanding—December 31, 2011	20,686	\$ 7.02	\$ 145,228

9. RELATED PARTY TRANSACTIONS

Karim Maskatiya and Robert Cucinotta were members of our Board of Directors through the dates of their respective resignations of May 7, 2008 and May 20, 2008. In June 2009, the Company repurchased 5,785,602 shares from Robert Cucinotta, which is believed to be all of the shares previously held by Mr. Cucinotta. In June 2009, Karim Maskatiya disposed of a number of shares in open market transactions, which is believed to be all of the shares previously held by Mr. Maskatiya.

Prior to obtaining processing services from TSYS, the Company obtained processing services, pursuant to the Amended and Restated Agreement for Electronic Payment Processing from USAP, a company controlled by Messrs. Maskatiya and Cucinotta. On January 5, 2009, the Company commenced an action in the State of Nevada District Court, Clark County against USAP in connection with various disputes relating to the Amended and Restated Agreement for Electronic Payment Processing. In October 2009, USAP paid the Company \$1.8 million pursuant to an executed settlement agreement and agreed to the settlement of all claims and matters between the parties.

On April 8, 2010, the Company repurchased in a privately negotiated transaction 3,105,590 shares of its outstanding common stock from various entities affiliated with Summit Partners, L.P. for an aggregate purchase price of \$25.0 million at a purchase price of \$8.05 per share of common stock. Charles J. Fitzgerald is a managing partner of Summit Partners, L.P. and until his term expired on April 29, 2010, was a member of the Company's Board of Directors. The Company funded this repurchase with cash on hand. This repurchase was made pursuant to a new authorization by the Board of Directors of the Company in March 2010, separate from the \$25.0 million share repurchase program previously made on February 23, 2010.

Michael Rumbolz, who serves as a member of our Board of Directors, also serves as a member of the board of directors of Affinity Gaming Gaming, LLC ("Affinity Gaming"). The Company provides various cash access products and services to Affinity Gaming. Mr. Rumbolz receives both cash and equity compensation from Affinity Gaming in consideration for serving on the board of directors of Affinity Gaming, however, none of this consideration is tied in any manner to the Company's performance or obligations under its cash access agreements with Affinity Gaming. In addition, Mr. Rumbolz was not involved in the negotiation of the Company's cash access agreements with Affinity Gaming.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. INCOME TAXES

The income tax provision (benefit) attributable to continuing operations and discontinued operations for the years ended December 31 is as follows (amounts in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income tax provision/(benefit)			
Continuing operations	\$ 9,586	\$ 18,751	\$ 20,556
Discontinued operations	—	—	25
	<u>\$ 9,586</u>	<u>\$ 18,751</u>	<u>\$ 20,581</u>

The following table presents the domestic and foreign components of pretax income and recorded income tax expense attributable to continuing operations for the years ended December 31 (amounts are in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Components of pre-tax income			
Domestic	\$ 18,705	\$ 35,838	\$ 53,717
Foreign	10	463	377
Consolidated	<u>\$ 18,715</u>	<u>\$ 36,301</u>	<u>\$ 54,094</u>
Provision/(benefit) for income tax			
Domestic	\$ 9,528	\$ 17,680	\$ 20,616
Foreign	58	1,040	(29)
Consolidated	9,586	18,720	20,587
Income tax provision/(benefit) from minority ownership loss	—	31	(31)
Provision for income tax, as reported	<u>\$ 9,586</u>	<u>\$ 18,751</u>	<u>\$ 20,556</u>

The Company's income tax provision attributable to income from continuing operations before income tax consists of the following components as of December 31 (amounts in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current	\$ 334	\$ 1,283	\$ 1,001
Deferred	9,252	17,468	19,555
Total provision for income tax	<u>\$ 9,586</u>	<u>\$ 18,751</u>	<u>\$ 20,556</u>

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. INCOME TAXES (Continued)

The reconciliation between the Company's effective tax rate on income from continuing operations and the statutory tax rate for the years ended December 31 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Effect of:			
Federal statutory rate	35.0%	35.0%	35.0%
Foreign provision	0.1%	(0.1)%	(0.3)%
State/province income tax	2.4%	1.7%	2.6%
Non-deductible compensation cost	7.8%	2.4%	1.9%
Change in valuation allowance	2.1%	(4.1)%	1.0%
Adjustment to carrying value	3.6%	0.0%	(2.3)%
Foreign dividends and IRC Sec. 956 inclusions, net of foreign tax deduction	0.2%	14.7%	0.0%
Non-deductible expenses and other items	0.0%	2.1%	0.1%
Effective tax rate	<u>51.2%</u>	<u>51.7%</u>	<u>38.0%</u>

The following table outlines the principal components of deferred tax items at December 31 (amounts in thousands):

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Deferred tax assets related to:			
Intangibles	\$ 82,088	\$ 102,598	\$ 121,710
Net operating losses	29,733	16,576	11,370
Stock compensation expense	5,412	4,768	3,912
Accounts receivable allowances	2,770	6,675	7,421
Accrued and prepaid expenses	702	300	586
Other	492	734	472
Property, equipment and leasehold improvements	—	235	614
Foreign tax credits	—	—	4,297
Valuation allowance	(905)	—	(1,475)
Total deferred income tax assets	<u>\$ 120,292</u>	<u>\$ 131,886</u>	<u>\$ 148,907</u>
Deferred tax liabilities related to:			
Property, equipment and leasehold improvements	\$ 242	\$ —	\$ —
Other	512	339	143
Total deferred income tax liabilities	<u>\$ 754</u>	<u>\$ 339</u>	<u>\$ 143</u>
Deferred income taxes, net	<u>\$ 119,538</u>	<u>\$ 131,547</u>	<u>\$ 148,764</u>

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. INCOME TAXES (Continued)

For all of our investments in foreign subsidiaries, except for GCA (Macau), S.A. ("GCA Macau") and one-time repatriation events in 2010, deferred taxes have not been provided on unrepatriated foreign earnings. Unrepatriated earnings as of December 31, 2011, are approximately \$3.2 million. These earnings are considered permanently reinvested, as it is management's intention to reinvest foreign earnings in foreign operations. The Company projects that it will have sufficient cash flow in the U.S. and does not need to repatriate these foreign earnings to finance U.S. operations.

As a result of certain realization requirements under the FASB guidance on share-based payments, the table of deferred tax assets and liabilities shown above does not include certain deferred tax assets at December 31, 2011, 2010 and 2009 that arose directly from tax deductions related to equity compensation in excess of compensation recognized for financial reporting. Equity will be increased by \$1.7 million if and when such deferred tax assets are ultimately realized. The Company uses the FASB guidance on income taxes ordering for purposes of determining when excess tax benefits have been realized.

The Company paid foreign taxes of \$7.0 million in prior years related to the former UK branch and the one-time repatriation events in 2010. Due to the uncertainty of future foreign source and taxable income, the Company elected to deduct these foreign taxes. In making such determination, we considered all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, projected future foreign source income, tax planning strategies and recent financial operations. These assumptions required significant judgment about the forecasts of future taxable and foreign source income.

As of December 31, 2011, the Company has approximately \$83.0 million accumulated federal net operating losses. The net operating losses can be carried forward and applied to offset taxable income for 20 years and will expire starting in 2025.

The Company has state net operating loss carry forwards which will expire in 2012 through 2031. The determination and utilization of these state net operating loss carry forwards are dependent upon apportionment percentages and other respective state laws, which can change from year to year. As of December 31, 2011, the Company has approximately \$2.3 million accumulated state net operating losses. We have a valuation allowance of \$0.8 million related to certain state net operating loss carry forwards, which are expected to expire before utilization, due to shorter carry forward periods and decreased apportionment percentages in those states.

At December 31, 2011, we had a net deferred income tax asset of \$119.5 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 of approximately \$687 million that was generated as part of the conversion to a corporation plus approximately \$98 million in pre-existing goodwill carried over from periods prior to the conversion. Both of these assets are 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 \$52.3 million lower for tax purposes than for financial accounting purposes. At an estimated blended domestic effective tax rate of 36.1%, this results in tax payments being approximately \$18.9 million less than the annual provision for income taxes shown on the income statement for financial accounting purposes, or the amount of the annual provision, if less. There is an expected aggregate of \$138.6 million in cash savings over the remaining life of the portion of our deferred tax asset related to the conversion. This deferred tax asset may be subject to certain limitations.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. INCOME TAXES (Continued)

We believe that it is more likely than not that we will be able to utilize our deferred tax asset, exclusive of a small amount of charitable contribution carry forwards (which expire in 2015 and 2016 if not utilized), and certain state and foreign net operating loss carry forwards. However, the utilization of this tax asset is subject to many factors beyond our control including our earnings, a change of control of the Company and future estimations of earnings.

The Company has analyzed filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Company believes that its income tax filing positions and deductions will be sustained upon audit and does not anticipate any adjustments that will result in a material change to its financial position. We may from time to time be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to our financial results. The Company's policy for recording interest and penalties associated with audits and unrecognized tax benefits is to record such items as a component of income tax expenses.

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Company is currently under examination by the state of New York for 2006 through 2008. The Company has a number of federal and state income tax years still open for examination as a result of the net operating loss carry forwards. Accordingly, the Company is subject to examination for both U.S. federal and a few state tax returns for the years 2005 to present. For the remaining state, local and foreign jurisdictions, with few exceptions, the Company is no longer subject to examination by tax authorities for years before 2008.

11. SEGMENT INFORMATION

Operating segments 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 that can be, and often are, sold separately to our customers.

The Company operates in three distinct business segments: (1) cash advance, (2) ATM and (3) check 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 Western Money, credit reporting services and Casino Marketing Services, among others.

The Company's internal management reporting does not allocate overhead or depreciation and amortization expenses to the respective business segments. For the segment information presented below, these amounts have been allocated to the respective segments based upon relation to the business segment (where identifiable) or on respective revenue contribution.

The Company's business is predominantly domestic, with no specific regional concentrations and no significant assets in foreign locations.

Major customers—For the year ended December 31, 2011, no single customer accounted for more than 10.0% of the Company's revenues. For the years ended December 31, 2010 and 2009, the combined

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. SEGMENT INFORMATION (Continued)

revenues from all segments for our largest customer, Caesars Entertainment and its subsidiaries and affiliates was approximately \$79.6 million and \$92.8 million, respectively, representing 13.3% and 14.1%, respectively, of the Company's total consolidated revenues. In August 2010, Caesars announced its intention not to renew its agreements with us for the provision of cash access services with the Company, which expired in November 2010. We reacquired a portion of the Caesars business in connection with the MCA Processing asset purchase acquisition in November 2011. Our five largest customers accounted for approximately 28.4%, 34.6% and 34.4% of our total revenue in 2011, 2010 and 2009, respectively.

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies.

The tables below present the results of operations and total assets by operating segment as of, and for the years ended December 31, 2011, 2010 and 2009 (amounts in thousands):

	Cash Advance	ATM	Check Services	Other	Corporate	Total
December 31,						
2011:						
Revenues	\$ 203,869	\$ 283,727	\$ 26,269	\$ 30,198	\$ —	\$ 544,063
Operating income	38,468	34,832	14,197	14,808	(64,009)	38,296
December 31,						
2010:						
Revenues	\$ 244,139	\$ 314,627	\$ 28,357	\$ 18,467	\$ —	\$ 605,590
Operating income	49,439	41,102	15,798	11,398	(65,107)	52,630
December 31,						
2009:						
Revenues	\$ 289,314	\$ 325,953	\$ 38,525	\$ 13,928	\$ —	\$ 667,720
Operating income	63,323	43,854	21,564	11,406	(68,093)	72,054

	2011	2010
Cash Advance	\$ 164,515	\$ 138,631
ATM	98,418	52,424
Check services	37,231	33,816
Other	39,570	38,003
Corporate	189,333	195,520
Total Assets	\$ 529,067	\$ 458,394

12. SUBSEQUENT EVENTS

Interest Rate Cap

In conjunction with the terms and conditions of the New Senior Credit Facility, GCA purchased a \$150.0 million notional amount interest rate cap with an effective date of January 5, 2012 and a term of three years. GCA purchased this interest rate cap to partially reduce the Company's exposure to increases in the LIBOR above 1.5% during the term of the interest rate cap with respect to its variable rate debt obligations under the New Senior Credit Facility and its obligations under the Contract Cash Solutions Agreement with Wells Fargo. An interest rate cap is a derivative financial instrument whereby the buyer

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. SUBSEQUENT EVENTS (Continued)

receives payments at the end of each period in which the underlying interest rate exceeds a defined interest rate on a specific notional amount.

13. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2011					
Revenues	\$ 134,389	\$ 135,052	\$ 136,889	\$ 137,733	\$ 544,063
Operating income	9,305	7,141	7,609	14,241	38,296
Income from continuing operations, net of tax	1,742	1,010	1,839	4,538	9,129
Net income attributable to GCA, Holdings, Inc.	1,742	1,010	1,839	4,538	9,129
Basic earnings per share:					
Continuing operations	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.07	\$ 0.14
Net income	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.07	\$ 0.14
Diluted earnings per share:					
Continuing operations	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.07	\$ 0.14
Net income attributable to GCA, Holdings, Inc.	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.07	\$ 0.14
2010					
Revenues	\$ 158,512	\$ 157,150	\$ 152,121	\$ 137,807	\$ 605,590
Operating income	15,523	13,729	13,323	10,055	52,630
Income/(loss) from continuing operations, net of tax	6,945	5,945	4,919	(259)	17,550
Net income/(loss) attributable to GCA, Holdings, Inc.	6,950	5,884	4,919	(259)	17,494
Basic earnings per share:					
Continuing operations	\$ 0.10	\$ 0.09	\$ 0.08	\$ (0.00)	\$ 0.27
Net income	\$ 0.10	\$ 0.09	\$ 0.08	\$ (0.00)	\$ 0.27
Diluted earnings per share:					
Continuing operations	\$ 0.10	\$ 0.09	\$ 0.07	\$ (0.00)	\$ 0.26
Net income attributable to GCA, Holdings, Inc.	\$ 0.10	\$ 0.09	\$ 0.07	\$ (0.00)	\$ 0.26
2011					
Basic shares	63,952	63,969	64,712	64,871	64,673
Diluted shares	64,182	64,094	64,751	65,227	64,859
2010					
Basic shares	68,268	65,836	65,384	64,002	65,903
Diluted shares	70,513	67,926	66,240	64,200	67,272

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Attached as exhibits to this Annual Report on Form 10-K are certifications of our Chief Executive Officer and Chief Financial Officer, which are required pursuant to Rule 13a-14 of the Exchange Act. This "Controls and Procedures" section of this Annual Report on Form 10-K includes information concerning management's assessment of our internal control over financial reporting and the controls evaluation referenced in the certifications. The report of Deloitte & Touche, LLP, our independent registered public accounting firm, is also included below. Deloitte & Touche LLP's report addresses their audit of our internal control over financial reporting. This section of the Annual Report on Form 10-K should be read in conjunction with the certifications and the report of Deloitte & Touche, LLP for a more complete understanding of the matters presented.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time period specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) promulgated under the Exchange Act, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the design and operating effectiveness as of December 31, 2011 of our disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2011.

Management's Report of Internal Control over Financial Reporting

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011. Deloitte & Touche LLP has audited our internal control over financial reporting as of December 31, 2011 as stated in their attestation report which is included herein.

Changes in Internal Control over Financial Reporting during the Quarter Ended December 31, 2010

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fourth quarter ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Global Cash Access Holdings, Inc.
Las Vegas, NV

We have audited the internal control over financial reporting of Global Cash Access Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2011, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report of Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control—Integrate Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 of the Company and our report dated March 12, 2012 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Las Vegas, NV
March 12, 2012

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors, executive officers and corporate governance required by this Item is incorporated by reference to the section entitled "Proposal One—Election of Class I Directors" in the Company's Definitive Proxy Statement in connection with the 2012 Annual Meeting of Stockholders (the "Proxy Statement"), which will be filed with the Securities and Exchange Commission within 120 days after the fiscal year ended December 31, 2011. Information required by Item 405 of Regulation S-K is incorporated by reference to the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement. Information required by 10A-3(d) of the Exchange Act is incorporated by reference to the section entitled "Board and Corporate Governance Matters" in the Proxy Statement.

We have adopted a Code of Business Conduct and Ethics that is designed to qualify as a "code of ethics" within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated there under. The Code of Business Conduct and Ethics is available on our website at www.gcainc.com. To the extent required by law, any amendments to, or waivers from, any provision of the Code of Conduct will be promptly disclosed to the public. To the extent permitted by such legal requirements, we intend to make such public disclosure by posting the relevant material on our website in accordance with SEC rules.

In May 2011, our Chief Executive Officer certified to the New York Stock Exchange that he was not aware of any violation by us of the New York Stock Exchange Corporate Governance listing standards as of that date.

We have filed, as an exhibit to this Annual Report on Form 10-K, the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 and the rules promulgated there under regarding the quality of our public disclosure.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is incorporated by reference to the section entitled "Executive Compensation," "Directors' Compensation" and "Report of Compensation Committee" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated by reference to the section entitled "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference to the section entitled "Transactions with Related Persons" in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information required by this item is incorporated by reference to the section entitled "Audit and Non-Audit Fees" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

1. Financial Statements

Report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	62
Consolidated Balance Sheets as of December 31, 2011 and 2010	63
Consolidated Statements of Income and Comprehensive Income for the three years ended December 31, 2011	64
Consolidated Statement of Stockholders' Equity for the three years ended December 31, 2011	65
Consolidated Statements of Cash Flows for the three years ended December 31, 2011	66
Notes to Consolidated Financial Statements	67

2. Financial Statement Schedules

All schedules have been omitted as they are either not required or not applicable or the required information is included in the consolidated financial statements or notes thereto.

3. See Item 15(b)

(b) Exhibits:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3.1(1)	Amended and Restated Certificate of Incorporation.
3.2(4)	Amended and Restated Bylaws.
3.3(5)	Certificate of Amendment to Amended and Restated Certificate of Incorporation.
4.4(1)	Assumption Agreement, dated as of June 7, 2004, by Global Cash Access, Inc. and the Subsidiary Guarantors named therein.
4.5(1)	Supplemental Indenture by and among Global Cash Access Holdings, Inc., Global Cash Access, Inc., GCA Access Card, Inc., Central Credit, LLC and The Bank of New York Trust Company, N.A. and form of notation of Guarantee by Global Cash Access Holdings, Inc.
4.6(1)	Supplemental Indenture by and among Global Cash Access, Inc., GCA Access Card, Inc., Central Credit, LLC and The Bank of New York Trust Company, N.A. and notation of Guarantee by GCA Access Card, Inc.
10.1(1)	Lease Agreement, dated as of March 8, 2000, by and between Global Cash Access, L.L.C. and American Pacific Capital Gateway Bldg D Co., L.L.C.
10.7(1)	Membership Unit Redemption Agreement, dated as of March 10, 2004, between FDFS Holdings, LLC and GCA Holdings, L.L.C.

10.9(1) Sponsorship Indemnification Agreement, dated as of March 10, 2004, by and between Global Cash Access, L.L.C. and First Data Corporation.

10.10(1) Amended and Restated Software License Agreement, dated as of March 10, 2004, between TSYS and Global Cash Access, L.L.C.

[Table of Contents](#)

<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.11(1)	Professional Services Agreement, dated as of March 10, 2004, between TSYS and Global Cash Access, L.L.C.
10.12(1)	Patent License Agreement, dated as of March 10, 2004, between USA Payments, Inc. and Global Cash Access, L.L.C.
10.13(1)	Amended and Restated Electronic Payment Processing Agreement, dated as of March 10, 2004, between Global Cash Access, L.L.C., USA Payments Inc. and USA Payment Systems, Inc.
10.14(1)	Letter Agreement Relating to Technology, dated May 13, 2004, among Global Cash Access, L.L.C., USA Payments, Inc., USA Payment Systems, Inc. and TSYS.
10.15(1)	Automated Teller Machine Sponsorship Agreement by and between Global Cash Access, L.L.C. and Western Union Bank, dated as of November 12, 2002, and First Amendment to Automated Teller Machine Sponsorship Agreement, dated as of March 10, 2004, between Global Cash Access, L.L.C. and First Financial Bank.
10.18(1)	Limited Liability Company Agreement of QuikPlay, LLC, dated as of December 6, 2000, between Global Cash Access, L.L.C. and IGT.
10.21(1)	Investor Rights Agreement, dated as of May 13, 2004, by and among GCA Holdings, L.L.C., the Investors named therein and M&C International.
*10.22(1)	Global Cash Access Holdings, Inc. 2005 Stock Incentive Plan.
*10.23(1)	Form of Indemnification Agreement between Global Cash Access Holdings, Inc. and each of its executive officers and directors.
10.24(1)	Patent Purchase and License Agreement, dated as of March 22, 2005, by and between Global Cash Access, Inc. and USA Payments, Inc.
10.25(1)	Termination and Consent, dated as of March 16, 2005, by and among Global Cash Access Holdings, Inc. and the other parties thereto.
10.26(1)	Amended and Restated Credit Agreement, dated as of April 13, 2005, by and among Global Cash Access Holdings, Inc., Global Cash Access, Inc., the banks and other financial institutions from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer, as amended by Amendment No. 1 thereto.
10.29(20)	Master Service Agreement, dated as of November 27, 2006, by and between Global Cash Access, Inc. and Integrated Payment Systems, Inc.
*10.34(8)	Employment Agreement with Scott Betts, dated October 31, 2007.
*10.35(9)	Notices of Stock Option Award and Stock Option Award Agreements with Scott Betts dated October 31, 2007.
10.40(15)	Addendum to Master Service Agreement, dated March 20, 2008, by and between Integrated Payment Systems Inc. and Global Cash Access, Inc.
*10.41(18)	Amendment No. 1 to Employment Agreement, by and between the Company and Scott Betts, dated August 11, 2008.

*10.43(20) Amendment No. 2 to Employment Agreement, by and between the Company and Scott Betts dated
April 24, 2009.

[Table of Contents](#)

<u>Exhibit Number</u>	<u>Exhibit Description</u>
*+10.44(21)	Processing Services Agreement, dated as of August 21, 2009, between Global Cash Access, Inc., and TSYS Acquiring Solutions, LLC effective July 1, 2009.
*+10.45(22)	Amendment to Professional Services Agreement, Amended and Restated Software License Agreement, and Transending Services Agreement, dated as of August 21, 2009, between Global Cash Access, Inc. and TSYS Acquiring Solutions, LLC.
*10.46(26)	Amendment No. 3 to Employment Agreement with Scott Betts dated March 26, 2010.
*10.47(27)	Agreement with Mary E. Higgins dated September 2, 2010.
*10.48(28)	Form of Notice of Stock Option Award and Stock Option Award Agreement—Mary E. Higgins effective September 14, 2010.
*10.49(29)	Form of Notice of Stock Option Award and Stock Option Award Agreement—Michael Rumbolz effective August 30, 2010.
+10.50(30)	Amended and Restated Sponsorship Agreement, dated October 1, 2010, between Global Cash Access, Inc. and Bank of America, N.A.
+10.51(31)	First Amendment to Amended and Restated Sponsorship Agreement, dated November 5, 2010 between Global Cash Access, Inc. and Bank of America, N.A.
+10.52(32)	Contract Cash Solutions Agreement, dated November 12, 2010, between Global Cash Access, Inc. and Wells Fargo Bank, N.A.
+10.53(33)	Fee Letter, dated November 12, 2010, between Global Cash Access, Inc. and Wells Fargo Bank, N.A regarding the Contract Cash Solutions Agreement, dated November 12, 2010.
+10.54(34)	Sponsorship Agreement, dated February 11, 2011, between Global Cash Access, Inc. and American State Bank.
*10.55(35)	Employment Agreement with David Johnson, effective as of April 1, 2011.
*10.56(36)	Form of Notice of Stock Option Award and Stock Option Award Agreement—David Johnson effective April 1, 2011.
+10.57	Second Amendment to Processing Services Agreement, dated as of December 27, 2011, between Global Cash Access, Inc. and TSYS Acquiring Solutions, LLC
10.58(37)	Credit Agreement, dated March 1, 2011, among Global Cash Access Holdings, Inc., Global Cash Access, Inc., Deutsche Bank Trust Company Americas, as Administrative Agent, and the various lenders who are party thereto from time to time.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
24.1	Power of Attorney (see page 105).
31.1	Certification of Scott Betts, Chief Executive Officer of Global Cash Access Holdings, Inc. dated March 12, 2012 in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

[Table of Contents](#)

<u>Exhibit Number</u>	<u>Exhibit Description</u>
31.2	Certification of Mary E. Higgins, Chief Financial Officer of Global Cash Access Holdings, Inc. dated March 12, 2012 in accordance with Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Scott Betts, Chief Executive Officer of Global Cash Access Holdings, Inc. dated March 12, 2012 in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Mary E. Higgins, Chief Financial Officer of Global Cash Access Holdings, Inc. dated March 12, 2012 in accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

- (1) Incorporated by reference to the same numbered exhibit of the Company's Registration Statement on Form S-1 (Registration No. 333-123514) filed September 22, 2005.
- (2) Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed March 17, 2006.
- (3) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed November 7, 2006.
- (4) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed December 26, 2007.
- (5) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed January 25, 2007.
- (6) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed January 25,
- (7) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed June 26, 2007.
- (8) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 9, 2007.
- (9) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed November 2, 2007.
- (10) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed November 2, 2007.
- (11) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed December 26, 2007.

Table of Contents

- (12) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed February 25, 2008.
- (13) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed February 25, 2008.
- (14) Incorporated by reference to Exhibit 10.43 of the Company's Annual Report on Form 10-K filed March 17, 2008.
- (15) Incorporated by reference to Exhibit 4.1 of the Company's Quarterly Report on Form 10-Q filed May 14, 2008.
- (16) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed March 21, 2008.
- (17) Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed April 2, 2008.
- (18) Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed June 19, 2008.
- (19) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 12, 2008.
- (20) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed August 12, 2008.
- (21) Incorporated by reference to Exhibit 10.36 of the Company's Annual Report on Form 10-K filed on March 30, 2007.
- (22) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on April 24, 2009.
- (23) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on April 30, 2009.
- (24) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on August 21, 2009.
- (25) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on August 21, 2009.
- (26) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on March 31, 2010.
- (27) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on September 2, 2010.
- (28) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on September 2, 2010.
- (29) Incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on September 2, 2010.
- (30) Incorporated by reference to Exhibit 10.50 of the Company's Annual Report on Form 10-K filed on March 14, 2011.
- (31) Incorporated by reference to Exhibit 10.51 of the Company's Annual Report on Form 10-K filed on March 14, 2011.

[Table of Contents](#)

- (32) Incorporated by reference to Exhibit 10.52 of the Company's Annual Report on Form 10-K filed on March 14, 2011.
- (33) Incorporated by reference to Exhibit 10.53 of the Company's Annual Report on Form 10-K filed on March 14, 2011.
- (34) Incorporated by reference to Exhibit 10.54 of the Company's Annual Report on Form 10-K filed on March 14, 2011.
- (35) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on March 29, 2011.
- (36) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form Form 8-K filed on March 29, 2011.
- (37) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on March 2, 2011.

* Management contracts or compensatory plans or arrangements.

** Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fails to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

+ Confidential treatment was requested with regard to certain portions of this document.

(c) See Item 15(a)(2)

[Table of Contents](#)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<hr/> <u>/s/ GEOFF JUDGE</u> Geoff Judge	Director	March 12, 2012
<hr/> <u>/s/ FRED C. ENLOW</u> Fred C. Enlow	Director	March 12, 2012

*** — Indicates confidential information. Confidential treatment requested by Global Cash Access Holdings, Inc. Portions omitted filed separately with the Securities and Exchange Commission.

SECOND AMENDMENT TO PROCESSING SERVICES AGREEMENT

This Second Amendment to Processing Services Agreement (this "Amendment") by and between TSYS Acquiring Solutions, LLC ("TSYS"), and Global Cash Access, Inc. (the "Company") is made and entered into as of this 27th day of December, 2011 (the "Amendment Effective Date").

RECITALS

- A. TSYS and the Company have previously entered into a Processing Services Agreement effective July 1, 2009, as amended (the "Agreement").
- B. TSYS and the Company now desire to amend the Agreement upon the term and conditions set forth herein.

AGREEMENT

In consideration of the foregoing recitals, TSYS and the Company hereby agree as follows:

1. This Amendment shall be effective as of the Amendment Effective Date.
2. Within thirty (30) days following the Amendment Effective Date, TSYS shall pay to the Company a signing bonus in the amount of \$*** in consideration of the parties' agreement to extend the Term of the Agreement, as set forth herein.
3. Section 4.1 of the Agreement is deleted in its entirety and replaced with the following:
 - 4.1 **Initial Term.** The term of this Agreement shall begin on July 1, 2009 ("Effective Date") and, unless earlier terminated herein, shall continue in full force and effect for a period of four years ("Initial Term"). Thereafter, the term of this Agreement shall automatically be extended for an additional period of eighteen months and expire on December 31, 2014 (the "Extension Term").
 - 4.1.1 **Renewal.** Upon the expiration of the Extension Term of this Agreement, this Agreement shall be automatically renewed for consecutive one (1) year terms thereafter ("Renewal Term") until and unless terminated as provided hereunder. The Initial Term, the Extension Term and the Renewal Terms, if any are collectively referred to herein as the "Term".
4. The Company shall receive a credit invoice in an amount equal to \$***, prorated in forty two (42) equal monthly installments of \$*** which commenced on the invoice for the services rendered for the month of July 2011

and continuing for the remainder of the Initial Term. Such credit shall be applied against any fees owing to TSYS by the Company under the Agreement, and to the extent that such fees are less than the amount of the monthly credit during any month, the unused amount of such credit shall be carried forward to the next month. If the Agreement expires or is terminated for any reason (other than a valid termination pursuant to Section 4.3 of the Agreement), the total unapplied amount of such credit shall be accelerated and applied towards any fees owing by the Company under the Agreement immediately preceding the effective date of expiration or termination of the Agreement, and to the extent there remains unapplied balance of such credit, TSYS shall pay to the Company in cash the amount of such unapplied balance on the effective date of expiration or termination of the Agreement.

5. Miscellaneous Provisions.
 - a. Due Authorization. This Amendment has been duly and validly authorized, executed and delivered by each party hereto and no other action by such party is required to the valid and binding execution, delivery and performance of this Amendment by such party, except as otherwise expressly set forth herein. Each person signing this Amendment on behalf of a party hereto represents and warrants that it is duly authorized to do so.
 - b. Conflict. To the extent, if any, that any provision of this Amendment conflicts with or differs from any provision of the Agreement, such provision of this Amendment shall prevail and govern for all purposes and in all respects. Otherwise, all terms and conditions of the Agreement shall likewise apply to this Amendment.
 - c. Entire Agreement. The Agreement and this Amendment, together with the letter agreement of even date herewith between the parties, constitutes the entire agreement between the parties hereto regarding the subject matter contained herein and supersedes any and all prior and/or contemporaneous negotiations, agreements, understandings between the parties with respect to the subject matter hereof.
 - d. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same agreement. This Amendment may be executed by a party's signature transmitted by facsimile or by electronic mail in pdf format, and copies of this Amendment executed and delivered by means of faxed or pdf

signatures shall have the same force and effect as copies hereof executed and delivered with original signatures.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the duly authorized officers of the parties set forth below.

TSYS Acquiring Solutions, L.L.C.

By: /s/ David Wood

Name: David Wood

Title: COO

Global Cash Access, Inc.

By: /s/ Scott Betts

Name: Scott Betts

Title: CEO and President

[QuickLinks](#) -- Click here to rapidly navigate through this document

EXHIBIT 21.1

SUBSIDIARIES OF GLOBAL CASH ACCESS HOLDINGS, INC.

<u>Name</u>	<u>Jurisdiction of Incorporation or Organization</u>
Global Cash Access, Inc.	Delaware
Cash Systems, Inc.(1)	Delaware
Global Cash Access (Canada) Inc.	Ontario, Canada
Global Cash Access (Panama), Inc.	Panama
Game Financial Caribbean, N.V.	Netherlands, Antilles
Global Cash Access (Belize), Limited	Belize
Central Credit, LLC	Delaware
Global Cash Access (BVI) Inc.	British Virgin Islands
Arriva Card, Inc.	Delaware
Global Cash Access Switzerland A.G.	Switzerland
Global Cash Access (HK) Ltd.	Hong Kong
GCA (Macau) S.A.	Macau SAR
Global Cash Access (Belgium) S.A.	Belgium
Global Cash Access (UK) Limited	United Kingdom
Global Cash Access (SA) (Pty) Ltd.	South Africa
G.C.A., Inc.	St. Christopher, Nevis
Western Money Systems	Nevada

(1) Merged with and into Global Cash Access, Inc. in December 2011.

QuickLinks

[EXHIBIT 21.1](#)

[SUBSIDIARIES OF GLOBAL CASH ACCESS HOLDINGS, INC.](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-131904, 333-140878, 333-149496, 333-157512, 333-165264 and 333-172358 on Form S-8 of our reports dated February 18, 2011, relating to the consolidated financial statements of Global Cash Access Holdings, Inc. and subsidiaries and the effectiveness of Global Cash Access Holdings, Inc.'s internal control over financial reporting appearing in this Annual Report on Form 10-K of Global Cash Access Holdings, Inc. and subsidiaries for the year ended December 31, 2011.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada

March 12, 2012

QuickLinks

[EXHIBIT 23.1](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

GLOBAL CASH ACCESS HOLDINGS, INC.

CERTIFICATION

I, Scott Betts, certify that:

1. I have reviewed this annual report on Form 10-K 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; and
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: March 12, 2012

By: /s/ SCOTT BETTS

Scott Betts
Chief Executive Officer

QuickLinks

[EXHIBIT 31.1](#)

[GLOBAL CASH ACCESS HOLDINGS, INC.](#)
[CERTIFICATION](#)

GLOBAL CASH ACCESS HOLDINGS, INC.

CERTIFICATION

I, Mary E. Higgins, certify that:

1. I have reviewed this annual report on Form 10-K 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; and
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: March 12, 2012

By: /s/ MARY E. HIGGINS

Mary E. Higgins

Chief Financial Officer

QuickLinks

[EXHIBIT 31.2](#)

[GLOBAL CASH ACCESS HOLDINGS, INC.](#)
[CERTIFICATION](#)

[QuickLinks](#) -- Click here to rapidly navigate through this document

EXHIBIT 32.1

GLOBAL CASH ACCESS HOLDINGS, INC.

CERTIFICATION

In connection with the periodic report of Global Cash Access Holdings, Inc. (the "Company") on Form 10-K for the period ended December 31, 2011 as filed with the Securities and Exchange Commission (the "Report"), I, Scott Betts, 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.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: March 12, 2012

By: /s/ SCOTT BETTS

Scott Betts

Chief Executive Officer

QuickLinks

[EXHIBIT 32.1](#)

[GLOBAL CASH ACCESS HOLDINGS, INC.](#)
[CERTIFICATION](#)

GLOBAL CASH ACCESS HOLDINGS, INC.

CERTIFICATION

In connection with the periodic report of Global Cash Access Holdings, Inc. (the "Company") on Form 10-K for the period ended December 31, 2011 as filed with the Securities and Exchange Commission (the "Report"), I, Mary E. Higgins, Chief Financial 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.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: March 12, 2012

By: /s/ MARY E. HIGGINS

Mary E. Higgins
Chief Financial Officer

QuickLinks

[EXHIBIT 32.2](#)

[GLOBAL CASH ACCESS HOLDINGS, INC.](#)
[CERTIFICATION](#)

