Global Cash Access Holdings, Inc.
Form 10-Q
May 08, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission file no 001 32622

GLOBAL CASH ACCESS HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	**20-0723270** (I.R.S. Employer I.D. No.)
3525 EAST POST ROAD, SUITE 120 **LAS VEGAS, NEVADA** (Address of Principal Executive Offices)	**89120** (Zip Code)

Registrant s telephone number, including area code:

(800) 833-7110

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

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o	Smaller reporting company o

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

As of May 1, 2012 there were 65,762,867 shares of the Registrant s $0.001 par value per share common stock outstanding.

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PART I: FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except par value)

(unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Cash and cash equivalents	$ 40,566	$ 55,535
Restricted cash and cash equivalents	200	455
Settlement receivables	73,197	80,246
Other receivables, net	11,922	16,885
Inventory	7,930	7,087
Prepaid expenses and other assets	14,430	15,406
Property, equipment and leasehold improvements, net	14,942	15,577
Goodwill, net	180,141	180,122
Other intangible assets, net	36,648	38,216
Deferred income taxes, net	115,606	119,538
Total assets	$ 495,582	$ 529,067
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Settlement liabilities	$ 124,676	$ 141,827
Accounts payable	39,450	32,223
Accrued expenses	20,084	21,159
Borrowings	142,000	174,000
Total liabilities	326,210	369,209
COMMITMENTS AND CONTINGENCIES (Note 5)		
Stockholders Equity:		
Common stock, $0.001 par value, 500,000 shares authorized and 86,120 and 85,651 shares issued at March 31, 2012 and December 31, 2011, respectively	86	86
Convertible preferred stock, $0.001 par value, 50,000 shares authorized and 0 shares outstanding at March 31, 2012 and December 31, 2011, respectively		
Additional paid-in capital	207,030	204,735
Retained earnings	105,054	97,925

Accumulated other comprehensive income		2,485		2,340
Treasury stock, at cost, 20,696 and 20,686 shares at March 31, 2012 and December 31, 2011, respectively		(145,283)		(145,228)
Total stockholders equity		169,372		159,858
Total liabilities and stockholders equity	$	495,582	$	529,067

See notes to unaudited condensed consolidated financial statements.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(amounts in thousands, except per share)

(unaudited)

	Three Months Ended March 31, 2012		Three Months Ended March 31, 2011	
Revenues				
Cash advance	$	58,361	$	50,873
ATM		80,347		71,191
Check services		6,516		6,411
Other revenues		5,841		5,914
Total revenues		151,065		134,389
Cost of revenues (exclusive of depreciation and amortization)		113,815		105,233
Operating expenses		17,488		16,105
Amortization		2,321		1,625
Depreciation		1,745		2,121
Operating income		15,696		9,305
Interest expense, net of interest income		4,483		5,147
Loss on early extinguishment of debt				943
Interest expense, net		4,483		6,090
Income before income tax provision		11,213		3,215
Income tax provision		4,085		1,473
Net income		7,128		1,742
Foreign currency translation		145		21
Comprehensive income	$	7,273	$	1,763
Basic earnings per share:				
Net income per share - basic	$	0.11	$	0.03
Diluted earnings per share:				
Net income per share - diluted	$	0.11	$	0.03
Weighted average number of common shares outstanding:				
Basic		65,134		63,952
Diluted		66,190		64,182

See notes to unaudited condensed consolidated financial statements.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(amounts in thousands)

(unaudited)

	Three Months Ended March 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 7,128	$ 1,742
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Amortization of financing costs	355	278
Amortization of intangibles	2,321	1,625
Depreciation	1,745	2,121
Gain on sale or disposal of assets	(57)	(14)
Provision for bad debts	1,190	1,487
Loss on early extinguishment of debt		943
Stock-based compensation	843	1,097
Changes in operating assets and liabilities:		
Settlement receivables	7,115	4,473
Other receivables, net	5,246	(1,714)
Inventory	(843)	(397)
Prepaid and other assets	687	(1,577)
Deferred income taxes	3,935	1,319
Settlement liabilities	(17,241)	(15,435)
Accounts payable	7,224	5,050
Accrued expenses	(1,367)	(3,037)
Net cash provided by (used in) operating activities	18,281	(2,039)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash		(20)
Purchase of property, equipment, leasehold improvements and other intangibles	(1,800)	(1,885)
Changes in restricted cash and cash equivalents	255	
Net cash used in investing activities	(1,545)	(1,905)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments against old credit facility		(208,750)
Securing of new credit facility		214,000
Issuance costs of new credit facility		(6,941)
Repayments against new credit facility	(32,000)	(14,000)
Proceeds from exercise of stock options	1,005	87
Purchase of treasury stock	(55)	(52)
Net cash used in financing activities	(31,050)	(15,656)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(655)	(505)

NET DECREASE IN CASH AND CASH EQUIVALENTS		(14,969)		(20,105)
CASH AND CASH EQUIVALENTS - Beginning of Period		55,535		60,636
CASH AND CASH EQUIVALENTS - End of Period	$	40,566	$	40,531
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	$	3,955	$	6,938
Cash paid for taxes, net of refunds	$	191	$	170

See notes to unaudited condensed consolidated financial statements.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BUSINESS AND BASIS OF PRESENTATION

Overview

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

We are a global provider of 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.

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. The results of operations of Central Credit have been reflected in other revenues.

In May 2010, we completed the acquisition of Western Money Systems (Western Money), a manufacturer of redemption kiosk devices. The results of operations of Western Money have been reflected in other revenues.

In November 2011, we acquired substantially all of the assets of MCA Processing LLC (MCA), a provider of ATM, debit card and credit card cash access services to gaming establishments and also a manufacturer, seller, licensor and servicer of redemption kiosk devices.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Some of the information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary for a fair presentation of results for the interim periods have been made. The results for the three months ended March 31, 2012 are not necessarily indicative of results to be expected for the full fiscal year.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements and notes thereto included within the Company s Annual Report on Form 10-K for the year ended December 31, 2011 (the 2011 10-K).

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The unaudited condensed consolidated financial statements presented for the three months ended March 31, 2012 and 2011 and as of March 31, 2012 and December 31, 2011 include the accounts of Holdings and its subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Earnings Applicable to Common Stock

Basic earnings per share are 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 equity grants.

The weighted-average number of common shares outstanding used in the computation of basic and diluted earnings per share is as follows (in thousands):

	Three Months Ended March 31, 2012	2011
Weighted average number of common shares outstanding - basic(1)	65,134	63,952
Potential dilution from equity grants(2)	1,056	230
Weighted average number of common shares outstanding - diluted	66,190	64,182

(1) Included in the calculation of weighted average common shares outstanding basic are 9,400 and 23,000 unvested shares of restricted common stock of Holdings granted in share-based payment transactions for the three months ended March 31, 2012 and 2011, 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 stockholders.

(2) The potential dilution excludes the weighted average effect of stock options to acquire 6.3 million and 7.5 million shares of common stock of Holdings for the three months ended March 31, 2012 and 2011, respectively, because the application of the treasury stock method, as required, makes them anti-dilutive.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 condensed 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 generally older than one year in age.

A summary of the activity for the check warranty reserve for the three months ended March 31, 2012, is as follows (amounts in thousands):

		Amount
Balance, December 31, 2011	$	6,756
Warranty expense provision		1,211
Charge offs against reserve		(1,155)
Balance, March 31, 2012	$	6,812

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.

GCA uses the market approach when measuring the fair value of an asset or liability for recurring and nonrecurring fair value measurements categorized within Levels 1 and 2 of the fair value hierarchy. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted market prices that are directly or indirectly observable for the asset or liability. The market approach uses prices and other relevant information from market transactions involving identical or comparable assets or liabilities to measure fair value. Level 3 inputs indicate 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. The Company does not have any assets or liabilities categorized within Level 2 or 3 of the fair value hierarchy.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Interest Rate Cap

In conjunction with the terms and conditions of the New Senior Credit Facility, as described in footnote 6, 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. This interest rate cap is recorded in other assets in the balance sheet, and is marked-to-market based on a quoted market price with the effects offset in the income statement.

The following table presents the fair value and carrying value of GCA s borrowings and interest rate cap (amounts in thousands):

	Level of Hierarchy	Fair Value	Carrying Value
March 31, 2012			
New senior secured credit facility	1	$ 143,065	$ 142,000
Interest rate cap	1	$ 492	$ 492
December 31, 2011			
New senior secured credit facility	1	$ 173,565	$ 174,000

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 materials, labor, overhead and freight. Inventory is accounted for using the average cost method.

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.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. ATM FUNDING AGREEMENTS

The Company s Contract Cash Solutions Agreement with Wells Fargo 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. Pursuant to the Contract Cash Solutions Agreement, 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.

As of March 31, 2012 and December 31, 2011, the outstanding balances of ATM cash utilized by GCA from Wells Fargo were $412.2 million and $467.8 million, respectively. For the three months ended March 31, 2012 and 2011, the cash usage fees incurred by the Company were $0.9 million and $0.6 million, respectively, and are reflected as interest expense within the condensed consolidated statements of income.

The Company is responsible for any losses of cash in the ATMs under its agreement with Wells Fargo. The Company is self-insured related to this risk. For the three months ended March 31, 2012 and 2011, the Company 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 $79.7 million and $85.9 million as of March 31, 2012 and December 31, 2011, respectively.

4. BENEFIT PLANS

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.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

A summary of award activity under the 2005 Plan as of March 31, 2012 and changes during the three months ended is as follows:

	Number of Common Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Life Remaining (Years)	Aggregate Intrinsic Value (in thousands)
Balance outstanding - December 31, 2011	9,227,541	$ 6.87	6.9	$ 6,118
Granted	1,980,000			
Exercised	(426,710)			
Canceled or forfeited	(140,239)			
Balance outstanding - March 31, 2012	10,640,592	$ 6.78	7.2	$ 23,724
Balance exercisable - March 31, 2012	6,050,683	$ 8.30	5.8	$ 11,221

The fair value of options was determined as of the date of grant using Black-Scholes option pricing model with the following weighted-average assumption in the period ended March 31, 2012 and 2011, respectively.

	Three Months Ended March 31, 2012	2011
Risk-free interest rate	1.1%	2.5%
Expected life of options (in years)	6.3	6.3
Expected volatility	62.2%	62.9%
Expected dividend yield	0.0%	0.0%

As of March 31, 2012, there was $11.1 million in unrecognized compensation expense related to options expected to vest. This cost is expected to be recognized on a straight-line basis over a weighted average period of 2.3 years. During the three months ended March 31, 2012, the Company granted options to acquire approximately 2.0 million shares of common stock, received $1.0 million in proceeds from the exercise of options and recorded $0.7 million in non-cash compensation expense related to options granted that are expected to vest.

As of March 31, 2011, there was $12.0 million in unrecognized compensation expense related to options expected to vest. This cost was expected to be recognized on a straight-line basis over a weighted average period of 1.3 years. During the three months ended March 31, 2011, the Company granted options to acquire approximately 1.9 million shares of common stock, received $0.1 million in proceeds from the exercise of options and recorded $1.6 million in non-cash compensation expense related to options granted that are expected to vest.

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.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

A summary of all non-vested awards for the Company s time-based restricted stock awards as of March 31, 2012 is as follows:

	Shares Outstanding	Weighted Average Grant Date Fair Value (Per Share)	Aggregate Fair Value (in thousands)
Balance outstanding - December 31, 2011	198,279	$ 2.20	$ 437
Granted			
Vested	(42,226)		(94)
Forfeited	(2,710)		(6)
Balance outstanding - March 31, 2012	153,343	$ 2.20	$ 337

As of March 31, 2012, there was $0.4 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest. This cost is expected to be recognized on a straight-line basis over a weighted average period of 0.9 years. During the three months ended March 31, 2012, there were 42,226 shares of time-based restricted shares vested, and we recorded $0.1 million in non-cash compensation expense related to restricted stock granted that is expected to vest.

As of March 31, 2011, there was $1.0 million in unrecognized compensation expense related to shares of time-based restricted shares expected to vest. This cost was expected to be recognized on a straight-line basis over a weighted average period of 0.9 years. During the three months ended March 31, 2011, there were 61,508 shares of time-based restricted shares vested, and we recorded a reduction of $0.5 million in non-cash compensation expense related to the restricted stock granted that is expected to vest.

5. COMMITMENTS AND CONTINGENCIES

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 tortuous interference and defamation per se. The plaintiff seeks damages in excess of $2.0 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. The plaintiff subsequently filed an amended complaint alleging substantially similar claims to those contained in the original complaint. 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.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. 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.

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 March 31, 2012, we had $142.0 million of outstanding indebtedness under the New Senior Credit Facility, all of which is outstanding under the term loan 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 March 31, 2012. 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 March 31, 2012, the Company is in compliance with the required covenants.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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 swing-line 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%. As of December 31, 2010, the balance of this financial instrument was $81.0 million with $0 under the revolving portion and $2.8 million in letters of credit issued and outstanding.

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, 2011. 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.

7. RELATED PARTY TRANSACTIONS

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 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.

8. INCOME TAXES

The Company s effective income tax rate for the three months ended March 31, 2012 and 2011 was 36.4% and 45.8%, respectively. The higher effective tax rate for the three months ended March 31, 2011 was due primarily to the expiration of non-qualified stock options, combined with a greater impact from incentive stock options.

GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company accounts for uncertain tax positions in accordance with the applicable accounting guidance. As of March 31, 2012, there has been no material change to the balance of unrecognized tax benefits reported at December 31, 2011.

9. 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 or services that can be, and often are, marketed and 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 does not allocate depreciation and amortization expenses to the business segments. Certain corporate overhead expenses have been allocated to the segments for identifiable items related to such segments or based on a reasonable methodology.

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

Major Customers

For the three months ended March 31, 2012, none of our customers had combined revenues from all segments equal to or exceeding 10.0%. For the three months ended March 31, 2012 and 2011, our five largest customers accounted for approximately 31.3% and 29.8%, respectively, of our total revenue.

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

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The tables below present the results of operations by operating segment for the three months ended March 31, 2012 and 2011, respectively (amounts in thousands):

	Cash Advance	ATM	Check Services	Other	Corporate	Total
Three Months Ended March 31, 2012						
Revenues	$ 58,361	$ 80,347	$ 6,516	$ 5,841	$	$ 151,065
Operating income	15,847	8,956	3,413	3,111	(15,631)	15,696
Three Months Ended March 31, 2011						
Revenues	$ 50,873	$ 71,191	$ 6,411	$ 5,914	$	$ 134,389
Operating income	8,175	8,690	3,430	2,780	(13,770)	9,305

The table below presents total assets by operating segment as of March 31, 2012 and December 31, 2011, respectively (amounts in thousands):

	March 31, 2012	December 31, 2011
Cash Advance	$ 154,606	$ 164,515
ATM	96,209	98,418
Check services	34,261	37,231
Other	39,659	39,570
Corporate	170,847	189,333
Total Assets	$ 495,582	$ 529,067

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

Our Management s Discussion and Analysis of our Financial Condition and Results of Operations (MD&A) begins with an overview of our business which includes our business goals, certain trends, risks and challenges. We then discuss our results of operations for the three months ended March 31, 2012 as compared to the same period for 2011, respectively. This is followed by a description of our liquidity and capital resources, including discussions about sources and uses of cash, our borrowings, deferred tax asset, other liquidity needs and off-balance sheet arrangements. We conclude with a discussion of critical accounting policies and their impact on our unaudited condensed consolidated financial statements.

You should read the following discussion together with our condensed consolidated financial statements and the notes to those financial statements included in this Quarterly Report on Form 10-Q and our 2011 Annual Report on Form 10-K (our 2011 10-K). When reviewing our MD&A, you should also refer to the description of our Critical Accounting Policies and Estimates in our 2011 10-K because understanding these policies and estimates is important in order to fully understand our reported financial results and our business outlook for future periods. In addition to historical information, this discussion contains forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as expect, anticipate, intend, plan, believe, seek, or will. These forward-looking statements are subject to risks and uncerta 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, continued 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 our press releases, reports and other filings made with the 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. All forward-looking statements are subject to various risks and uncertainties that could cause our actual future results to differ materially from those presently anticipated due to a variety of factors, including those discussed in Item 1A of our 2011 10-K.

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.

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.

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- 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.
- 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 industries to respond to these legislative acts by changing other fees and costs, which may negatively impact our business in the future.

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Results of Operations

Three months ended March 31, 2012 compared to three months ended March 31, 2011

The following table presents our unaudited condensed consolidated results of operations for the three months ended March 31, 2012 and 2011, respectively (dollars in thousands):

	Three Months Ended					
	March 31, 2012		March 31, 2011		Mar-12 vs Mar-11	
	$	%	$	%	$ Variance	% Var
Revenues						
Cash advance	$ 58,361	38.6%	$ 50,873	37.9%	$ 7,488	15%
ATM	80,347	53.2%	71,191	53.0%	9,156	13%
Check services	6,516	4.3%	6,411	4.7%	105	2%
Other revenues	5,841	3.9%	5,914	4.4%	(73)	(1)%
Total revenues	151,065	100.0%	134,389	100.0%	16,676	12%
Cost of revenues (exclusive of depreciation and amortization)	113,815	75.3%	105,233	78.3%	8,582	8%
Operating expenses	17,488	11.6%	16,105	12.0%	1,383	9%
Amortization	2,321	1.5%	1,625	1.2%	696	43%
Depreciation	1,745	1.2%	2,121	1.6%	(376)	(18)%
Operating income	15,696	10.4%	9,305	6.9%	6,391	69%
Operating margin	10%		7%		3%	
Interest expense, net of interest income	4,483	3.0%	5,147	3.8%	(664)	(13)%
Loss on early extinguishment of debt		0.0%	943	0.7%	(943)	(100)%
Net interest expense	4,483	3.0%	6,090	4.5%	(1,607)	(26)%
Income before income tax provision	11,213	7.4%	3,215	2.4%	7,998	249%
Income tax provision	4,085	2.7%	1,473	1.1%	2,612	177%
Net income	$ 7,128	4.7%	$ 1,742	1.3%	$ 5,386	309%
Other data (unaudited):						
Aggregate dollar amount processed (in billions):						
Cash advance	$ 1.2		$ 1.1		$ 0.1	9%
ATM	$ 3.5		$ 3.1		$ 0.4	13%
Check warranty	$ 0.3		$ 0.3		$	0%
Number of transactions completed (in millions):						

Cash advance	2.3	2.1	0.2	10%
ATM	19.3	17.7	1.6	9%
Check warranty	1.1	1.1		0%

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Total Revenues

Total revenues for the three months ended March 31, 2012 were $151.1 million, an increase of $16.7 million, or 12%, as compared to the three months ended March 31, 2011. This was primarily due to the revenues derived from the contracts acquired in the MCA asset acquisition and represented approximately 8% of the percentage increase for the three months ended March 31, 2012, as compared to the same period in the prior year.

Cash advance revenues for the three months ended March 31, 2012 were $58.4 million, an increase of $7.5 million, or 15%, as compared to the three months ended March 31, 2011. This was primarily due to the revenues derived from the contracts acquired in the MCA asset acquisition and represented approximately 8% of the percentage increase for the three months ended March 31, 2012, as compared to the same period in the prior year.

ATM revenues for the three months ended March 31, 2012 were $80.3 million, an increase of $9.2 million, or 13%, as compared to the three months ended March 31, 2011. This was primarily due to the revenues derived from the contracts acquired in the MCA asset acquisition and represented approximately 8% of the percentage increase for the three months ended March 31, 2012, as compared to the same period in the prior year.

Check services revenues for the three months ended March 31, 2012 were $6.5 million, an increase of $0.1 million, or 2%, as compared to the three months ended March 31, 2011.

Other revenues for the three months ended March 31, 2012 were $5.8 million, a decrease of $0.1 million, or 1%.

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, although there was growth in our base businesses, the primary driver of the increase in revenue was due to the MCA asset acquisition for the three months ended March 31, 2012, as compared to the same period of 2011.

Costs and Expenses

Costs of revenues (exclusive of depreciation and amortization) for the three months ended March 31, 2012 were $113.8 million, an increase of $8.6 million, or 8%, as compared to the three months ended March 31, 2011. This increase was primarily due to the increase in revenues discussed previously; however, the other significant impact on our cost of revenues was a decrease in the interchange costs associated with the implementation of the Durbin amendment in October of 2011.

Operating expenses for the three months ended March 31, 2012 were $17.5 million, an increase of $1.4 million, or 9%, as compared to the three months ended March 31, 2011. The increase in operating expenses is primarily due to higher payroll and related costs of $0.7 million and other operating expenses such as: professional services fees, ATM, cash advance and check services related expenses and repairs and maintenance charges.

Depreciation and amortization expense for the three months ended March 31, 2012 was $4.1 million, an increase of $0.3 million, or 9%, as compared to the three months ended March 31, 2011. This was primarily due to an increase in amortization expenses associated with the MCA asset acquisition, 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 three months ended March 31, 2012 was $15.7 million, an increase of $6.4 million, or 69%, as compared to the three months ended March 31, 2011. The operating margin for the Company increased to 10% for the three months ended March 31, 2012 from 7% for the same period in 2011.

Interest expense, net, was $4.5 million for the three months ended March 31, 2012, a decrease of $1.6 million, or 26%, as compared to same period in 2011. This decrease was related to defeasance costs associated with the repayment of the senior subordinated notes in 2011 of approximately $0.8 million, the refinancing of the debt in March 2011 that generated a loss on the early extinguishment of debt of approximately $0.9 million and a reduction in interest charges due to the lower outstanding debt balance of approximately $0.4 million. This decrease in interest expense was partially offset by higher interest charges related to the vault cash agreement and the larger outstanding balances from customer cash usage at gaming establishments of approximately $0.3 million and an interest charge associated with the change in fair value of the interest rate cap acquired during the quarter of approximately $0.4 million.

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Non-recurring Interest-Related Costs Associated with the Refinancing of Debt in 2011 (in thousands)

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

Income tax expense for the three months ended March 31, 2012 was $4.1 million, an increase of $2.6 million, or 177%, as compared to the three months ended March 31, 2011. The increase in income tax expense for the three months ended March 31, 2012 was directly related to the increase in income from operations before income tax expense of $8.0 million, or 249%. The provision for income tax reflected an effective income tax rate of 36.4% for the three months ended March 31, 2012, as compared to 45.8% for the three months ended March 31, 2011. The decrease in effective income tax rate for the three months ended March 31, 2012 was primarily due to a decrease in the expiration of non-qualified stock options, and a decrease in the non-cash compensation expense related to incentive stock options.

Primarily as a result of the foregoing, net income was $7.1 million, an increase of $5.4 million, or 309%, for the three months ended March 31, 2012, as compared to the same period in 2011.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Information about our financial position as of March 31, 2012 and December 31, 2011 is presented below:

		March 31, 2012		December 31, 2011
Balance sheet data (at end of period):				
Cash and cash equivalents	$	40,566	$	55,535
Total assets		495,582		529,067
Total borrowings		142,000		174,000
Stockholders equity		169,372		159,858

Cash Resources

Our cash balance, cash flows and credit facilities are expected to be sufficient to meet our recurring operating commitments and to fund our planned capital expenditures. Cash and cash equivalents at March 31, 2012 included cash in non-U.S. jurisdictions of approximately $6.4 million. Generally, these funds are available for operating and investment purposes within the jurisdiction in which they reside but are subject to taxation in the U.S. upon repatriation.

We provide cash settlement services to our customers. These services involve the movement of funds between the various parties associated with cash access transactions, and this activity results in a balance due to us at the end of each business day that we recoup over the next few business days. The balances due to us are included in settlement receivables. As of March 31, 2012, approximately $73.2 million was due to us, and we received these funds in early April 2012. As of March 31, 2012, we had approximately $124.7 million in settlement liabilities due to our customers for these settlement services that were paid in early April 2012.

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Sources and Uses of Cash

The following table sets forth a summary of our cash flow activity for the three month period ended March 31, 2012 and 2011, respectively (in thousands), and should be read in conjunction with our unaudited condensed consolidated statements of cash flows:

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
Cash flow data:		
Net cash provided by (used in) operating activities	$ 18,281	$ (2,039)
Net cash used in investing activities	(1,545)	(1,905)
Net cash used in financing activities	(31,050)	(15,656)
Net effect of exchange rates on cash and cash equivalents	(655)	(505)
Net decrease in cash and cash equivalents	(14,969)	(20,105)
Cash and cash equivalents, beginning of period	55,535	60,636
Cash and cash equivalents, end of period	$ 40,566	$ 40,531

Net cash provided by operating activities was approximately $18.3 million for the three months ended March 31, 2012, while net cash used in operating activities was approximately $2.0 million for the three months ended March 31, 2011. This was primarily due to an increase in net income of $5.4 million and the impact on cash from the change in operating assets and liabilities of $16.1 million.

Net cash used in investing activities was approximately $1.5 million and $1.9 million for the three months ended March 31, 2012 and 2011, respectively, a decrease of $0.4 million. This decrease was primarily due to a reduction in restricted cash and cash equivalents of $0.3 million.

Net cash used in financing activities was approximately $31.1 million and $15.7 million for the three months ended March 31, 2012 and 2011, respectively, an increase of $15.4 million. This increase was primarily due to additional principal payments on our existing credit facility for the three months ended March 31, 2012 as compared to the same period last year.

Deferred Tax Asset

At March 31, 2012, we had a net deferred income tax asset of $115.6 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 $687.4 million that was generated as part of the conversion to a corporation plus approximately $97.6 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 $133.9 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. 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.

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. Under the terms of the Contract Cash Solutions 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 the applicable LIBOR increases, subject to the interest rate cap purchased in January 2012. On March 31, 2012, the currency supplied by Wells Fargo pursuant to the Contract Cash Solutions Agreement was $412.2 million.

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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 March 31, 2012, the total currency obtained from Wells Fargo pursuant to this agreement was $412.2 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 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 March 31, 2012, there were no amounts outstanding on the Bank of America letter of credit. As of March 31, 2012, 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.

Critical Accounting Policies

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect our reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in our consolidated financial statements. The SEC has defined a company s critical accounting policies as the ones that are most important to the portrayal of the financial condition and results of operations, and which require management to make its most difficult and subjective judgments, often as a result of the need to make estimates about matters that are inherently uncertain.

There were no material changes to the critical accounting policies and estimates discussed in the Company s audited consolidated financial statements for the year ended December 31, 2011, included in the Company s Annual Report on Form 10-K filed on March 12, 2012.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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 March 31, 2012, the currency supplied by Wells Fargo pursuant to this agreement was $412.2 million. Based upon the average outstanding amount of currency to be supplied by Wells Fargo pursuant to this agreement during the three months ended March 31, 2012, which was $352.0 million, each 1% increase in the applicable LIBOR would have a $3.5 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 March 31, 2012, the weighted average interest rate, inclusive of the applicable margin of 550 basis points, was 7.0%. Based upon the outstanding balance on the New Senior Credit Facility of $142.0 million on March 31, 2012, each 1% increase in the applicable LIBOR would have a $1.4 million impact on interest expense over a 12-month period.

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 partially 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.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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 March 31, 2012 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 March 31, 2012.

We believe the Company s disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company s management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

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 first quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. 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 tortuous interference and defamation per se. The plaintiff seeks damages in excess of $2.0 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. The plaintiff subsequently filed an amended complaint alleging substantially similar claims to those contained in the original complaint. 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 1A. RISK FACTORS

There are a number of factors that may affect the Company s business and financial results or stock price. A complete description of these factors is set forth in our Annual Report on Form 10-K for the year ended December 31, 2011. There have been no material changes to those factors in the three months ended March 31, 2012.

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

ISSUER PURCHASES AND WITHHOLDING OF EQUITY SECURITIES

	Total Number of Shares Withheld	Average Share 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				
1/1/12 1/31/12	(1)		(1)	$ 17,324,976(4)
2/1/12 2/29/12	(1)		(1)	$ 17,324,976(4)
3/1/12 3/31/12	(1)		(1)	$ 17,324,976(4)
Sub-Total	(1)		(1)	
Tax Withholdings				
1/1/12 1/31/12	3,525(2)	$ 4.65(3)	3,525(2)	$ (4)
2/1/12 2/29/12	3,473(2)	5.44(3)	3,473(2)	$ (4)
3/1/12 3/31/12	3,254(2)	6.02(3)	3,254(2)	$ (4)
Sub-Total	10,252(2)	5.35(3)	10,252(2)	
Total	10,252	$ 5.35	10,252	

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(1) For the three months ended March 31, 2012, there were no repurchases of common stock pursuant to the Rule 10b-18 share repurchases 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 March 31, 2012, 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.

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ITEM 6. EXHIBITS

Exhibit No.	**Description.**
31.1*	Certification of Scott Betts, Chief Executive Officer of Global Cash Access Holdings, Inc. dated May 8, 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.
31.2*	Certification of Mary E. Higgins, Chief Financial Officer of Global Cash Access Holdings, Inc. dated May 8, 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 May 8, 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 May 8, 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.

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* Filed herewith.

** 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.

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SIGNATURES

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

May 8, 2012	**GLOBAL CASH ACCESS HOLDINGS, INC.**	
(Date)	(Registrant)	
	By:	/s/ Mary E. Higgins Mary E. Higgins Chief Financial Officer (For the Registrant and as Principal Financial Officer)

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