Global Cash Access Holdings, Inc.
Form 10-Q
August 06, 2013
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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 JUNE 30, 2013

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	**20-0723270**
(State or Other Jurisdiction of	(I.R.S. Employer I.D. No.)

Incorporation or Organization)

7250 S. TENAYA WAY, SUITE 100 **LAS VEGAS, NEVADA**	**89113**
(Address of Principal Executive Offices)	(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 July 26, 2013 there were 65,385,676 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 STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in thousands, except per share)

(Unaudited)

	Three Months Ended June 30, 2013	Three Months Ended June 30, 2012	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Revenues	$ 149,066	$ 147,465	$ 295,887	$ 298,530
Costs and expenses				
Cost of revenues (exclusive of depreciation and amortization)	111,724	108,378	222,822	222,193
Operating expenses	19,479	18,958	38,463	36,446
Depreciation	1,945	1,820	3,513	3,564
Amortization	2,285	2,346	4,555	4,667
Total costs and expenses	135,433	131,502	269,353	266,870
Operating income	13,633	15,963	26,534	31,660
Other expenses				
Interest expense, net of interest income	2,733	4,063	5,896	8,547
Total other expenses	2,733	4,063	5,896	8,547
Income from operations before tax	10,900	11,900	20,638	23,113
Income tax provision	4,124	4,816	7,726	8,901
Net income	6,776	7,084	12,912	14,212
Foreign currency translation	(97)	(217)	(512)	(72)
Comprehensive income	$ 6,679	$ 6,867	$ 12,400	$ 14,140
Earnings per share				
Basic	$ 0.10	$ 0.11	$ 0.19	$ 0.22
Diluted	$ 0.10	$ 0.11	$ 0.19	$ 0.21
Weighted average common shares outstanding				
Basic	66,116	65,774	66,401	65,470
Diluted	66,993	67,383	67,425	66,786

See notes to unaudited condensed consolidated financial statements.

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GLOBAL CASH ACCESS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except par value)

(Unaudited)

	At June 30, 2013	At December 31, 2012
ASSETS		
Cash and cash equivalents	$ 65,448	$ 153,020
Restricted cash and cash equivalents	200	200
Settlement receivables	123,283	29,484
Other receivables, net of allowances for doubtful accounts of $5.1 million and $6.9 million, respectively	14,102	11,571
Inventory	7,567	7,126
Prepaid expenses and other assets	19,157	18,254
Property, equipment and leasehold improvements, net	19,491	15,441
Goodwill	180,097	180,141
Other intangible assets, net	31,821	33,994
Deferred income taxes, net	97,453	104,664
Total assets	$ 558,619	$ 553,895
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Settlement liabilities	$ 186,557	$ 182,446
Accounts payable and accrued expenses	55,870	51,190
Borrowings	112,000	121,500
Total liabilities	354,427	355,136
Commitments and Contingencies (Note 5)		
Stockholders Equity		
Common stock, $0.001 par value, 500,000 shares authorized and 88,561 and 87,545 shares issued at June 30, 2013 and December 31, 2012, respectively	88	87
Convertible preferred stock, $0.001 par value, 50,000 shares authorized and 0 shares outstanding at June 30, 2013 and December 31, 2012, respectively	-	-
Additional paid-in capital	222,797	217,990
Retained earnings	136,526	123,614
Accumulated other comprehensive income	2,046	2,558
Treasury stock, at cost, 22,425 and 20,724 shares at June 30, 2013 and December 31, 2012, respectively	(157,265)	(145,490)
Total stockholders equity	204,192	198,759
Total liabilities and stockholders equity	$ 558,619	$ 553,895

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)

	Six Months Ended June 30, 2013	2012
Cash flows from operating activities		
Net income	$ 12,912	$ 14,212
Adjustments to reconcile net income to cash (used in)/ provided by operating activities:		
Depreciation	3,513	3,564
Amortization of intangibles	4,555	4,667
Amortization of financing costs	852	710
Loss on sale or disposal of assets	115	177
Provision for bad debts	3,971	2,027
Stock-based compensation	2,455	2,109
Changes in operating assets and liabilities:		
Settlement receivables	(93,902)	12,838
Other receivables, net	(6,286)	3,150
Inventory	(441)	(837)
Prepaid and other assets	(1,238)	(1,445)
Deferred income taxes	7,211	8,678
Settlement liabilities	4,396	(25,198)
Accounts payable and accrued expenses	1,665	1,117
Net cash (used in)/provided by operating activities	(60,222)	25,769
Cash flows from investing activities		
Capital expenditures	(7,194)	(5,001)
Proceeds from sale of fixed assets	35	-
Changes in restricted cash and cash equivalents	-	255
Net cash used in investing activities	(7,159)	(4,746)
Cash flows from financing activities		
Issuance costs of amended credit facility	(764)	-
Repayments against credit facility	(9,500)	(40,000)
Proceeds from exercise of stock options	2,382	3,602
Purchase of treasury stock	(11,654)	(123)
Net cash used in financing activities	(19,536)	(36,521)
Effect of exchange rates on cash	(655)	(76)
Cash and cash equivalents		
Net decrease for the period	(87,572)	(15,574)
Balance, beginning of the period	153,020	55,535
Balance, end of the period	$ 65,448	$ 39,961
Supplemental cash flow disclosures		
Cash paid for interest	$ 5,184	$ 5,821
Cash paid for income tax, net of refunds	$ 181	$ 201
Non-cash tenant improvements paid by landlord	$ 2,930	$ -

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

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.

We are a global provider of cash access and related equipment services and solutions to the gaming industry. Our services, equipment 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 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.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and six months ended June 30, 2013 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, 2012 (the 2012 10-K).

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.

Principles of Consolidation

All intercompany transactions and balances have been eliminated in consolidation.

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.

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ATM Funding Agreements

The Company obtains all of the cash required to operate its ATMs through various ATM Funding Agreements. 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. On our condensed 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, the Company s Contract Cash Solutions Agreement with Wells Fargo allows for the Company to utilize 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. 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. As the cash is never an asset of ours, supplied cash is not reflected on our condensed consolidated balance sheets. We are charged a cash usage fee for the cash used in these ATMs, which is included as interest expense on our condensed consolidated statements of income and comprehensive 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 our condensed consolidated balance sheets. The unpaid negotiable instrument amounts and electronic settlement amounts owing to gaming establishments are included within settlement liabilities on our condensed consolidated balance sheets.

Warranty Receivables

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. 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 receivables are defined as any amounts paid by TeleCheck or Central Credit to gaming establishments to purchase dishonored checks. 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.

The warranty receivables amount is recorded in other receivables, net on our condensed consolidated balance sheets. On a monthly basis, the Company 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) on our condensed consolidated statements of income and comprehensive income.

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, restricted cash and cash equivalents, other receivables, net, settlement receivables, settlement liabilities, accounts payable and accrued expenses approximates fair value due to the short-term maturities of these instruments. The fair value of our borrowings are estimated based on various inputs to determine a market price, such as: market demand and supply, size of tranche, maturity and similar instruments trading in more active markets.

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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):

	Level of Hierarchy(*)	Fair Value	Carrying Value
June 30, 2013			
Senior credit facility	2	$ 112,280	$ 112,000
December 31, 2012			
Senior credit facility	2	$ 122,715	$ 121,500

(*) 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.

Interest Rate Cap

In conjunction with the terms and conditions of the Senior Credit Facility, as described in Note 4, 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 London Interbank Offer Rate (LIBOR) above 1.5% during the term of the interest rate cap with respect to its variable rate debt obligations under the Senior Credit Facility and its obligations under the Contract Cash Solutions Agreement with Wells Fargo. This interest rate cap is recorded in prepaid expenses and other assets on our condensed consolidated balance sheets, and is marked-to-market based on a quoted market price with the effects offset in our condensed consolidated statements of income and comprehensive income. The interest rate cap carrying value and fair value approximate each other and these values are insignificant as of June 30, 2013 and December 31, 2012.

Inventory

Inventory primarily consists of parts as well as finished goods and work-in-progress. Inventory is stated at lower of cost or market accounted for using the average cost method. The cost of inventory includes cost of materials, labor, overhead and freight.

Goodwill and Other Intangible Assets

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. The Company does not believe that any of its goodwill was impaired as of June 30, 2013.

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. Customer contracts require the Company to make renewal assumptions, which impact the estimated useful lives of such assets. The acquisition cost of the 3-in-1 rollover patent is being amortized over the term of the patent, which expires in 2018.

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. Revenue is recognized as products are delivered and/or services are performed.

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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, cost of cash access devices and associated parts and check cashing warranties.

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 period. 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 our condensed consolidated statements of income and comprehensive income. Translation adjustments on intercompany balances of a long-term investment nature are recorded as a component of accumulated other comprehensive income on our condensed consolidated balance sheets.

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.

Share 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. The expense associated with restricted stock awards is 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.

3. ATM FUNDING AGREEMENTS

Wells Fargo Contract Cash Solutions Agreement

Our Contract Cash Solutions Agreement with Wells Fargo allows for the Company to utilize 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, we pay Wells Fargo a cash usage fee on the average daily balance of funds utilized multiplied by a contractually defined cash usage rate. 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. As the cash is never an asset of ours, supplied cash is not reflected on our condensed consolidated balance sheets.

The Contract Cash Solutions Agreement allows for a maximum amount of cash to be provided to GCA of $500.0 million, and the agreement terminates on November 30, 2014, unless otherwise amended or extended.

As of June 30, 2013 and December 31, 2012, the outstanding balances of ATM cash utilized by GCA from Wells Fargo were $316.6 million and $360.4 million, respectively.

Under the terms of the Contract Cash Solutions Agreement, we pay 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 exposed to interest rate risk to the extent that the applicable LIBOR increases, subject to the interest rate cap. For the three and six months ended June 30, 2013 and 2012, the cash usage fees incurred by the Company were $0.6 million and $1.1 million and $0.9 million and $1.8 million, respectively, and are reflected as interest expense within our condensed consolidated statements of income and comprehensive income.

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We are responsible for any losses of cash in the ATMs under our agreement with Wells Fargo and we are self-insured for this risk. For the three and six months ended June 30, 2013 and 2012, we incurred no material losses related to this self-insurance.

Site Funded ATMs

We operate ATMs at certain customer gaming establishments where the gaming establishments provide the cash required for the ATMs operational needs. We are 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 on our condensed consolidated balance sheets and was $113.0 million and $107.5 million as of June 30, 2013 and December 31, 2012, respectively.

4. BORROWINGS

Senior Credit Facility

We have 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 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 swing-line loans.

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. The Credit Agreement contains mandatory prepayment provisions which, under certain circumstances, such as asset or equity sales, obligate us to apply defined portions of our cash flow to prepayment of the Senior Credit Facility.

In May 2013, Holdings and GCA entered into a second amendment to its Credit Agreement, dated March 1, 2011, among Deutsche Bank Trust Company Americas, as administrative agent and the various lenders who are a party thereto (the Amended Credit Agreement). The Amended Credit Agreement reduced the interest rate on borrowings under the term loan facility from LIBOR plus a margin of 5.5% (subject to a minimum LIBOR rate of 1.50%) to LIBOR plus a margin of 3.0% (subject to a minimum LIBOR rate of 1.0%). In addition, the original Credit Agreement provided for an increase option permitting us to arrange with existing and/or new lenders for them to provide up to an aggregate of $50.0 million in additional term loan commitments. The Amended Credit Agreement now provides for an increase option permitting us to arrange with existing and/or new lenders additional term loan and/or revolving credit facility loan amounts in excess of $50.0 million so long as our total leverage ratio after giving effect to such additional loan amount does not exceed 2.50:1.00 (as such leverage ratio is calculated and defined under the Amended Credit Agreement).

As of June 30, 2013, we had $112.0 million of outstanding indebtedness under the Senior Credit Facility, all of which was outstanding under the term loan facility.

The weighted average interest rate was 5.7% and 6.4%, respectively, for the three and six months ended June 30, 2013. We also had no amounts outstanding under our letter of credit sub facility that is part of our revolving credit facility as of June 30, 2013. The Senior Credit Facility is unconditionally guaranteed by Holdings and each direct and indirect domestic subsidiary of GCA. All amounts owing under the 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 us and a first priority perfected security interest in all other tangible and intangible assets owned by us and our guarantors.

The Credit Agreement contains customary affirmative and negative covenants, financial covenants, representations and warranties and events of defaults. As of June 30, 2013, we were in compliance with the required covenants.

5. COMMITMENTS AND CONTINGENCIES

We are 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.

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6. SHAREHOLDERS EQUITY

Common Stock Repurchase Program

In October 2012, our Board of Directors authorized a new two year Common Stock Repurchase Program that superseded all outstanding share repurchase authorizations. This new share repurchase program grants us the authority to repurchase up to $40.0 million of our outstanding common stock over a two year period, which commenced in the first quarter of 2013. We completed the share repurchases with cash on hand and we intend to continue to use cash on hand for these share repurchases. The repurchase program authorizes us to buy our common stock from time to time through open market, privately negotiated or other transactions, including pursuant to trading plans established in accordance with Rules 10b5-1 and 10b-18 of the Securities Exchange Act of 1934, as amended, or by a combination of such methods. The share repurchase program is subject to prevailing market conditions and other considerations and may be suspended or discontinued at any time.

We have repurchased approximately 1.0 million shares and 1.7 million shares of common stock for cash of $7.0 million and $11.7 million, respectively, under the share repurchase program during the three and six months ended June 30, 2013.

Treasury Stock

In addition to open market purchases of common stock authorized under the Common Stock Repurchase Program, employees may direct us to withhold vested shares of restricted stock to satisfy the minimum statutory withholding requirements applicable to their restricted stock vesting. We repurchased or withheld from restricted stock awards approximately 4,000 shares and 11,000 shares of common stock at an aggregate purchase price of approximately $29,000 and $78,000, respectively, to satisfy the minimum applicable tax withholding obligations incident to the vesting of such restricted stock awards during the three and six months ended June 30, 2013.

7. WEIGHTED AVERAGE COMMON SHARES

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 June 30,		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
Weighted average number of common shares outstanding - basic	66,116	65,774	66,401	65,470
Potential dilution from equity grants(1)	877	1,609	1,024	1,316
Weighted average number of common shares outstanding - diluted	66,993	67,383	67,425	66,786

(1) The potential dilution excludes the weighted average effect of stock options to acquire 7.7 million and 6.0 million and 5.6 million and 6.6 million of common stock of Holdings for the three and six months ended June 30, 2013 and 2012, respectively, because the application of the treasury stock method, as required, makes them anti-dilutive.

8. SHARE-BASED COMPENSATION

Equity Incentive Awards

In January 2005, we 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 our 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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The vesting provisions of restricted stock 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.

A summary of award activity under the 2005 Plan is as follows (in thousands):

	Stock Options Granted	Restricted Stock Granted	Equity Awards Available for Grant
Outstanding, December 31, 2012	9,449	111	2,629
Additional authorized shares	-	-	3,174
Granted	1,205	370	(1,575)
Exercised options or vested shares	(538)	(42)	-
Canceled or forfeited	(116)	(2)	118
Outstanding, June 30, 2013	10,000	437	4,346

Stock Options

The fair value of options was determined as of the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Six Months Ended June 30, 2013	2012
Risk-free interest rate	1%	1%
Expected life of options (in years)	4	6
Expected volatility	61%	62%
Expected dividend yield	0%	0%

The following table presents the options activity under the 2005 Plan:

	Number of Common Shares (in thousands)	Weighted Average Exercise Price (per share)	Weighted Average Life Remaining (years)	Aggregate Intrinsic Value (in thousands)
	9,449	$ 7.19	6.4	$ 16,626

Outstanding, December 31, 2012							
Granted	1,205		7.09				
Exercised	(538)		4.38				
Canceled or forfeited	(116)		7.27				
Outstanding, June 30, 2013	10,000	$	7.33	6.5	$	6,898
Vested and expected to vest, June 30, 2013	9,462	$	7.42	6.3	$	6,419
Exercisable, June 30, 2013	6,610	$	8.07	5.3	$	4,204

There were no options granted during the three months ended June 30, 2013. The weighted average grant date fair value per share of the options granted was $3.32 for the six months ended June 30, 2013. The weighted average grant date fair value per share of the options granted was $3.95 and $2.87, respectively, for the three and six months ended June 30, 2012. The total intrinsic value of options exercised was $0.8 million and $1.5 million and $0.9 million and $2.2 million, respectively, for the three and six months ended June 30, 2013 and 2012.

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As of June 30, 2013, there was $9.4 million in unrecognized compensation expense related to options expected to vest. This cost is expected to be recognized on a straight-line basis over a weighted average period of 2.7 years. During the six months ended June 30, 2013, the Company granted options to acquire approximately 1.2 million shares of common stock, received $2.4 million in proceeds from the exercise of options and recorded $2.2 million in non-cash compensation expense related to options granted that are expected to vest.

As of June 30, 2012, there was $10.9 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 2.1 years. During the six months ended June 30, 2012, the Company granted options to acquire approximately 2.3 million shares of common stock, received $3.6 million in proceeds from the exercise of options and recorded $1.9 million in non-cash compensation expense related to options granted that are expected to vest.

Restricted Stock

The following table presents a summary of non-vested share awards for the Company s time-based restricted shares:

	Shares Outstanding (in thousands)	Weighted Average Grant Date Fair Value (per share)	
Outstanding, December 31, 2012	111	$	5.72
Granted	370		7.09
Vested	(42)		3.90
Forfeited	(2)		7.09
Outstanding, June 30, 2013	437	$	7.05

There was no restricted stock granted during the three months ended June 30, 2013. The weighted average grant date fair value per share of restricted stock granted was $7.09 for the six months ended June 30, 2013. The weighted average grant date fair value per share of restricted stock granted was $6.62 for both the three and six months ended June 30, 2012. The total fair value of shares vested were $0.1 million and $0.3 million and $0.3 million and $0.6 million for the three and six months ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, there was $2.4 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 3.6 years. During the six months ended June 30, 2013, there were 42,245 shares of time-based restricted shares vested, and we recorded $0.3 million in non-cash compensation expense related to the restricted stock granted that is expected to vest.

As of June 30, 2012, there was $0.6 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 1.0 year. During the six months ended June 30, 2012, there were 84,954 shares of time-based restricted shares vested, and we recorded $0.2 million in non-cash compensation expense related to the restricted stock granted that is expected to vest.

9. INCOME TAXES

The Company s effective income tax rate for the three and six months ended June 30, 2013 and 2012 was 37.8% and 37.4% and 40.5% and 38.5%, respectively, both of which were greater than the statutory federal rate of 35.0% due in part to state taxes and the non-cash compensation expenses related to stock options.

The Company accounts for uncertain tax positions in accordance with the applicable accounting guidance. As of June 30, 2013, there has been no material change to the balance of unrecognized tax benefits from December 31, 2012.

10. 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.

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We operate 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 our internal management reporting. Other lines of business, none of which exceed the established materiality for segment reporting, include kiosk sales and services and credit reporting services, among others.

We do 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.

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

Major Customers

For the three and six months ended June 30, 2013 and 2012, none of our customers had combined revenues from all segments equal to or exceeding 10%. For the three and six months ended June 30, 2013 and 2012, our five largest customers accounted for approximately 33% and 33% and 32% and 32%, respectively, of our total revenues.

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

The following tables present the Company s segment information (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Revenues				
Cash advance	$ 57,292	$ 56,675	$ 115,987	$ 115,036
ATM	72,972	76,603	148,247	156,950
Check services	5,530	6,605	11,401	13,121
Other	13,272	7,582	20,252	13,423
Corporate	-	-	-	-
Total revenues	$ 149,066	$ 147,465	$ 295,887	$ 298,530
Operating income				
Cash advance	$ 15,568	$ 16,755	$ 31,313	$ 32,602
ATM	6,230	8,715	13,211	17,669
Check services	3,403	3,781	6,799	7,196
Other	6,350	3,778	9,796	6,890
Corporate	(17,918)	(17,066)	(34,585)	(32,697)
Total operating income	$ 13,633	$ 15,963	$ 26,534	$ 31,660

	At	
	June 30, 2013	December 31, 2012
Total assets		
Cash advance	$ 179,070	$ 149,113
ATM	118,974	59,781
Check services	35,406	35,216
Other	44,836	39,838
Corporate	180,333	269,947
Total assets	$ 558,619	$ 553,895

11. SUBSEQUENT EVENTS

As of August 6, 2013, the Company had not identified, and was not aware of, any subsequent events for the three and six months ended June 30, 2013.

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

Management s Discussion and Analysis of our Financial Condition and Results of Operations (MD&A) begins with an overview of our business and certain trends, risks and challenges. We then discuss our results of operations for the three and six months ended June 30, 2013 as compared to the same period for 2012, 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 2012 Annual Report on Form 10-K (our 2012 10-K). When reviewing our MD&A, you should also refer to the description of our Critical Accounting Policies and Estimates in our 2012 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. 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 2012 10-K.

Overview

We are a global provider of cash access services and related equipment and services 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.

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:

- Although the gaming sector in the United States has experienced revenue declines over the last several years, in 2012, it stabilized and modestly improved, and this is expected to continue for 2013.
- Gaming activity continues to expand into more domestic and international markets.
- There continues to be 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 cash access industry in the gaming sector has become increasingly competitive and is having an adverse effect on our business with respect to customer retention and our operating margins.

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- 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.

Results of Operations

Three months ended June 30, 2013 compared to three months ended June 30, 2012

The following table presents our unaudited condensed consolidated results of operations (amounts in thousands):

	Three Months Ended June 30, 2013		June 30, 2012		Jun-13 vs. Jun-12	
	$	%	$	%	$ Var	% Var
Revenues						
Cash advance	$ 57,292	38%	$ 56,675	39%	$ 617	1%
ATM	72,972	49%	76,603	52%	(3,631)	(5)%
Check services	5,530	4%	6,605	4%	(1,075)	(16)%
Other revenues	13,272	9%	7,582	5%	5,690	75%
Total revenues	149,066	100%	147,465	100%	1,601	1%
Costs and expenses						
Cost of revenues (exclusive of depreciation and amortization)	111,724	75%	108,378	73%	3,346	3%
Operating expenses	19,479	13%	18,958	13%	521	3%
Depreciation	1,945	1%	1,820	1%	125	7%
Amortization	2,285	2%	2,346	2%	(61)	(3)%
Total costs and expenses	135,433	91%	131,502	89%	3,931	3%
Operating income	13,633	9%	15,963	11%	(2,330)	(15)%
Other expenses						
Interest expense, net of interest income	2,733	2%	4,063	3%	(1,330)	(33)%
Total other expenses	2,733	2%	4,063	3%	(1,330)	(33)%
Income from operations before tax	10,900	7%	11,900	8%	(1,000)	(8)%
Income tax provision	4,124	3%	4,816	3%	(692)	(14)%
Net income	$ 6,776	4%	$ 7,084	5%	$ (308)	(4)%

Total Revenues

Total revenues increased by $1.6 million, or 1%, to $149.1 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to higher kiosk sales, partially offset by lower ATM revenues during the three months ended June 30, 2013 as compared to the same period in the prior year.

Cash advance revenues increased by $0.6 million, or 1%, to $57.3 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to higher international cash advance revenues.

ATM revenues decreased by $3.6 million, or 5%, to $73.0 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to lost business and lower transaction volume.

Check services revenues decreased by $1.1 million, or 16%, to $5.5 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to lost business and a decrease in the number of check services transactions processed.

Other revenues increased by $5.7 million, or 75%, to $13.3 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to increased kiosk sales during the three months ended June 30, 2013 as compared to the same period in the prior year.

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Costs and Expenses

Cost of revenues (exclusive of depreciation and amortization) increased by $3.3 million, or 3%, to $111.7 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to higher kiosk related costs associated with the increased revenues discussed previously.

Operating expenses increased by $0.5 million, or 3%, to $19.5 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses and occupancy expenses.

Primarily as a result of the factors described above, operating income decreased by $2.3 million, or 15%, to $13.6 million for the three months ended June 30, 2013 as compared to the same period in the prior year. The operating margin for the Company decreased to 9% for the three months ended June 30, 2013 from 11% for the same period in the prior year.

Interest expense, net, decreased by $1.3 million, or 33%, to $2.7 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to a $0.7 million reduction in interest charges due to the lower outstanding debt balance and an amendment to the Company s credit facility in late May 2013, which reduced the interest rate from 7% to 4%; a $0.3 million reduction in interest charges related to a lower average outstanding balance on the vault cash supplied by Wells Fargo and a slightly lower average cash usage rate; and a decrease in the interest charge associated with the change in fair value of the interest rate cap of approximately $0.3 million.

Income tax expense decreased by $0.7 million, or 14%, to $4.1 million for the three months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to the decrease in income from operations before income tax expense of $1.0 million. The provision for income tax reflected an effective income tax rate of 37.8% for the three months ended June 30, 2013, which was greater than the statutory federal rate of 35.0% due in part to state taxes and the non-cash compensation expenses related to incentive stock options. The provision for income tax reflected an effective income tax rate of 40.5% for the same period in the prior year, which was greater than the statutory federal rate of 35.0% due in part to state taxes and the non-cash compensation expenses related to incentive stock options.

Primarily as a result of the foregoing, net income decreased by $0.3 million, or 4%, to $6.8 million for the three months ended June 30, 2013 as compared to the same period in the prior year.

Six months ended June 30, 2013 compared to six months ended June 30, 2012

The following table presents our unaudited condensed consolidated results of operations (amounts in thousands):

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	Six Months Ended June 30, 2013 $	%	June 30, 2012 $	%	Jun-13 vs. Jun-12 $ Var	% Var
Revenues						
Cash advance	$ 115,987	39%	$ 115,036	39%	$ 951	1%
ATM	148,247	50%	156,950	53%	(8,703)	(6)%
Check services	11,401	4%	13,121	4%	(1,720)	(13)%
Other revenues	20,252	7%	13,423	4%	6,829	51%
Total revenues	295,887	100%	298,530	100%	(2,643)	(1)%
Costs and expenses						
Cost of revenues (exclusive of depreciation and amortization)	222,822	75%	222,193	74%	629	0%
Operating expenses	38,463	13%	36,446	12%	2,017	6%
Depreciation	3,513	1%	3,564	1%	(51)	(1)%
Amortization	4,555	2%	4,667	2%	(112)	(2)%
Total costs and expenses	269,353	91%	266,870	89%	2,483	1%
Operating income	26,534	9%	31,660	11%	(5,126)	(16)%
Other expenses						
Interest expense, net of interest income	5,896	2%	8,547	3%	(2,651)	(31)%
Total other expenses	5,896	2%	8,547	3%	(2,651)	(31)%
Income from operations before tax	20,638	7%	23,113	8%	(2,475)	(11)%
Income tax provision	7,726	3%	8,901	3%	(1,175)	(13)%
Net income	$ 12,912	4%	$ 14,212	5%	$ (1,300)	(9)%

Total Revenues

Total revenues decreased by $2.6 million, or 1%, to $295.9 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to lower ATM and Check Services revenues, partially offset by higher kiosk sales during the six months ended June 30, 2013 as compared to the same period in the prior year.

Cash advance revenues increased by $1.0 million, or 1%, to $116.0 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to higher international cash advance revenues.

ATM revenues decreased by $8.7 million, or 6%, to $148.2 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to a $3.1 million decrease in revenue attributable to the reduction in interchange reimbursement rates that were implemented by various card associations in the second quarter 2012, lost business and lower transaction volume.

Check services revenues decreased by $1.7 million, or 13%, to $11.4 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to lost business and a decrease in the number of check services transactions processed.

Other revenues increased by $6.8 million, or 51%, to $20.3 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to increased kiosk sales during the six months ended June 30, 2013 as compared to the same period in the prior year.

Costs and Expenses

Cost of revenues (exclusive of depreciation and amortization) increased by $0.6 million, or 0%, to $222.8 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to higher kiosk related costs associated with the increased revenues, partially offset by lower ATM variable costs associated with the lower ATM revenue.

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Operating expenses increased by $2.0 million, or 6%, to $38.5 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to higher payroll and related expenses, noncash stock compensation expense and occupancy expenses.

Primarily as a result of the factors described above, operating income decreased by $5.1 million, or 16%, to $26.5 million for the six months ended June 30, 2013 as compared to the same period in the prior year. The operating margin for the Company decreased to 9% for the six months ended June 30, 2013 from 11% for the same period in the prior year.

Interest expense, net, decreased by $2.7 million, or 31%, to $5.9 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to a $1.4 million reduction in interest charges due to the lower outstanding debt balance and an amendment to the Company s credit facility in late May 2013, which reduced the interest rate from 7% to 4%; a $0.6 million reduction in interest charges related to a lower average outstanding balance on the vault cash supplied by Wells Fargo and a slightly lower average cash usage rate; and a decrease in the interest charge associated with the change in fair value of the interest rate cap of approximately $0.7 million.

Income tax expense decreased by $1.2 million, or 13%, to $7.7 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to the decrease in income from operations before income tax expense of $2.5 million. The provision for income tax reflected an effective income tax rate of 37.4% for the six months ended June 30, 2013, which was greater than the statutory federal rate of 35.0% due in part to state taxes and the non-cash compensation expenses related to incentive stock options. The provision for income tax reflected an effective income tax rate of 38.5% for the same period in the prior year, which was greater than the statutory federal rate of 35.0% due in part to state taxes and the non-cash compensation expenses related to incentive stock options.

Primarily as a result of the foregoing, net income decreased by $1.3 million, or 9%, to $12.9 million for the six months ended June 30, 2013 as compared to the same period in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The following table presents selected information about our financial position (in thousands):

	At June 30, 2013	At December 31, 2012
Balance sheet data		
Cash and cash equivalents	$ 65,448	$ 153,020
Total assets	558,619	553,895
Total borrowings	112,000	121,500
Stockholders equity	204,192	198,759

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 for the foreseeable future. Cash and cash equivalents at June 30, 2013 included cash in non-U.S. jurisdictions of approximately $7.7 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. 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 and classify as settlement receivables. This activity also results in a balance due to our customers at the end of each business day that we remit over the next few business days and classify as settlement liabilities. As of June 30, 2013, we had $123.3 million in settlement receivables for which we received these funds in July 2013. As of June 30, 2013, we had $186.6 million in settlement liabilities due to our customers for these settlement services that were paid in July 2013.

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Sources and Uses of Cash

The following table presents a summary of our cash flow activity (in thousands):

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Incr./(Decr.) Jun-13 vs. Jun-12
Cash flow activities			
Net cash (used in)/provided by operating activities	$ (60,222)	$ 25,769	$ (85,991)
Net cash used in investing activities	(7,159)	(4,746)	(2,413)
Net cash used in financing activities	(19,536)	(36,521)	16,985
Effect of exchange rates on cash	(655)	(76)	(579)
Cash and cash equivalents			
Net decrease for the period	(87,572)	(15,574)	(71,998)
Balance, beginning of the period	153,020	55,535	97,485
Balance, end of the period	$ 65,448	$ 39,961	$ 25,487

Cash flows used in operating activities were $60.2 million for the six months ended June 30, 2013 as compared to cash flows provided by operating activities of $25.8 million for the same period in the prior year. This was primarily due to a decrease in working capital of $86.9 million mostly associated with the timing of our settlement receivables and settlement liabilities based on the number of business days outstanding prior to the settlement of our cash access transactions at the end of each period and a decrease in net income of $1.3 million; partially offset by an increase in non-cash expenses of $2.2 million for the six months ended June 30, 2013 as compared to the same period in the prior year.

Cash flows used in investing activities increased by $2.4 million, or 51%, to $7.2 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to increased capital expenditures of $2.2 million associated with our corporate office relocation and a reduction in restricted cash and cash equivalents of $0.3 million for the six months ended June 30, 2013 as compared to the same period in the prior year.

Cash flows used in financing activities decreased by $17.0 million, or 47%, to $19.5 million for the six months ended June 30, 2013 as compared to the same period in the prior year. This was primarily due to lower principal payments on our existing credit facility for the six months ended June 30, 2013 as compared to the same period last year; partially offset by an increase in the purchase of treasury stock associated with our stock repurchase program.

Deferred Tax Asset

At June 30, 2013, we had a net deferred income tax asset of $97.5 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 $687.4 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 36.4%, this results in tax payments being approximately $19.1 million less than the annual provision for income taxes shown on our condensed consolidated statements of income and comprehensive income for financial accounting purposes, or the amount of the annual provision, if less. There is an expected aggregate of $111.2 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.

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Other Liquidity Needs and Resources

The Company s Contract Cash Solutions Agreement with Wells Fargo allows for the Company to utilize 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. 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. As the cash is never an asset of ours, supplied cash is not reflected on our condensed consolidated balance sheets.

The Contract Cash Solutions Agreement allows for a maximum amount of cash to be provided to GCA of $500.0 million, and the agreement terminates on November 30, 2014, unless otherwise amended or extended.

As of June 30, 2013 and December 31, 2012, the outstanding balances of ATM cash utilized by GCA from Wells Fargo were $316.6 million and $360.4 million, respectively.

Under the terms of the Contract Cash Solutions Agreement, we pay 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 exposed to interest rate risk to the extent that the applicable LIBOR increases, subject to the interest rate cap purchased in January 2012.

For the three and six months ended June 30, 2013 and 2012, the cash usage fees incurred by us were $0.6 million and $1.1 million and $0.9 million and $1.8 million, respectively, and are reflected as interest expense within our condensed consolidated statements of income and comprehensive income.

We are responsible for any losses of cash in the ATMs under our agreement with Wells Fargo and we self-insure for this risk. For the three and six months ended June 30, 2013 and 2012, we incurred no material losses related to this self-insurance.

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. As we look to 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.

In May 2013, Holdings and GCA entered into a second amendment to its Credit Agreement, dated March 1, 2011, among Deutsche Bank Trust Company Americas, as administrative agent and the various lenders who are a party thereto (the Amended Credit Agreement). The Amended Credit Agreement reduced the interest rate on borrowings under the term loan facility from LIBOR plus a margin of 5.5% (subject to a minimum LIBOR rate of 1.50%) to LIBOR plus a margin of 3.0% (subject to a minimum LIBOR rate of 1.0%). In addition, the original Credit Agreement provided for an increase option permitting us to arrange with existing and/or new lenders for them to provide up to an aggregate of $50.0 million in additional term loan commitments. The Amended Credit Agreement now provides for an increase option permitting us to arrange with existing and/or new lenders additional term loan and/or revolving credit facility loan amounts in excess of $50.0 million so long as our total leverage ratio after giving effect to such additional loan amount does not exceed 2.50:1.00 (as such leverage ratio is calculated and defined under the Amended Credit Agreement).

We believe that borrowings available under the 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 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.

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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 condensed consolidated balance sheets. At June 30, 2013, the total currency obtained from Wells Fargo pursuant to this agreement was $316.6 million. Since Wells Fargo obtains an interest in our settlement receivables, there is no liability corresponding to the supplied cash reflected on our condensed consolidated balance sheets. 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.

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.

For the three and six months ended June 30, 2013, 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, 2012, included in the Company s Annual Report on Form 10-K filed on March 12, 2013.

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 June 30, 2013, the currency supplied by Wells Fargo was $316.6 million. Based upon this outstanding amount of currency supplied by Wells Fargo, each 1% increase in the applicable LIBOR would have a $3.2 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 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. The weighted average interest rate, inclusive of the applicable weighted average margin of 443 basis points, was 5.7% during the three months ended June 30, 2013. The weighted average interest rate, inclusive of the applicable weighted average margin of 496 basis points, was 6.4% during the six months ended June 30, 2013. Based upon the outstanding balance on the Credit Facility of $112.0 million on June 30, 2013, each 1% increase in the applicable LIBOR would have a $1.1 million impact on interest expense over a 12-month period.

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In January 2012, we entered into a three year $150.0 million interest rate cap agreement pursuant to the terms and conditions of the 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 June 30, 2013 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 June 30, 2013.

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.

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 six months ended June 30, 2013 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

We are 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, 2012. There have been no material changes to those factors in the six months ended June 30, 2013.

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

ISSUER PURCHASES AND WITHHOLDING OF EQUITY SECURITIES

	Total Number of Shares Purchased or Withheld (000 s)		Average Price per Share Purchased or Withheld	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (000 s)		Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ($000 s)
Rule 10b-18 Repurchases						
4/1/13 4/30/13	426(1)	$	6.89(2)	426(1)	$	32,384(3)
5/1/13 5/31/13	205(1)	$	7.05(2)	205(1)	$	30,939(3)
6/1/13 6/30/13	409(1)	$	6.45(2)	409(1)	$	28,304(3)
Sub-Total	1,040(1)	$	6.75(2)	1,040(1)		
Tax Withholdings						
4/1/13 4/30/13	-(4)	$	-(5)	-	$	-
5/1/13 5/31/13	-(4)	$	-(5)	-	$	-
6/1/13 6/30/13	4(4)	$	6.49(5)	-	$	-
Sub-Total	4(4)	$	6.49(5)	-		
Total	1,044	$	6.75	1,040		

(1) Represents the number of shares repurchased during the three months ended June 30, 2013 pursuant to the share repurchase program that our Board of Directors has authorized and approved giving us the authority to repurchase up to $40.0 million of our outstanding common stock over a two year period, which commenced in this first quarter of 2013. This share repurchase program supersedes all prior share repurchase programs.

(2) Represents the weighted average price per share of common stock repurchased pursuant to the Rule 10b-18 share buyback program.

(3) Represents the maximum approximate dollar value of shares of common stock available for repurchase pursuant to the Rule 10b-18 share repurchase authorization at the end of the stated period.

(4) 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.

(5) Represents the average price per share of common stock withheld from restricted stock awards on the date of withholding.

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ITEM 6. EXHIBITS

Exhibit Number	Description
31.1*	Certification of David Lopez, Chief Executive Officer of Global Cash Access Holdings, Inc. dated August 6, 2013 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 August 6, 2013 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 David Lopez, Chief Executive Officer of Global Cash Access Holdings, Inc. dated August 6, 2013 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 August 6, 2013 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.

August 6, 2013	**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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