Spirit AeroSystems Holdings, Inc.
Form SC 13G
April 16, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No.)*

Spirit AeroSystems Holdings, Inc.
(Name of Issuer)

Class A Common Stock, $0.01 par value
(Title of Class of Securities)

848574109
(CUSIP Number)

April 4, 2018
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[_] Rule 13d-1(b)

[X] Rule 13d-1(c)

[_] Rule 13d-1(d)

____

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No 848574109

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Darsana Capital Partners LP

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [_]
(b) [X]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

6,000,000

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

6,000,000

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

6,000,000

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

[_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.23%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IA, PN

CUSIP No 848574109

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Darsana Capital Partners GP LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [_]
(b) [X]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

6,000,000

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

6,000,000

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

6,000,000

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

[_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.23%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

HC, OO

CUSIP No 848574109

1. NAME OF REPORTING PERSONS
   I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

   Darsana Master Fund LP

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

   (a) [_]
   (b) [X]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

   Cayman Islands

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

   0

6. SHARED VOTING POWER

   6,000,000

7. SOLE DISPOSITIVE POWER

   0

8. SHARED DISPOSITIVE POWER

   6,000,000

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

   6,000,000

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

    [_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.23%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

PN

12.

CUSIP No 848574109

1. NAME OF REPORTING PERSONS
   I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

   Darsana Capital GP LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

   (a) [_]
   (b) [X]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

   Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

   0

6. SHARED VOTING POWER

   6,000,000

7. SOLE DISPOSITIVE POWER

   0

8. SHARED DISPOSITIVE POWER

   6,000,000

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

   6,000,000

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

    [_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

    5.23%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

12. HC, OO

CUSIP No 848574109

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Anand Desai

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [_]
(b) [X]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

6,000,000

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

6,000,000

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

6,000,000

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

[_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.23%

TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

12. HC, IN

CUSIP No 848574109

Item 1. (a). Name of Issuer:

Spirit AeroSystems Holdings, Inc.

(b). Address of Issuer's Principal Executive Offices:

3801 South Oliver

Wichita, Kansas 67210

Item 2. (a). Name of Person Filing:

Darsana Capital Partners LP

Darsana Capital Partners GP LLC

Darsana Master Fund LP

Darsana Capital GP LLC

Anand Desai

(b). Address of Principal Business Office, or if None, Residence:

40 West 57th Street, 15th Floor

New York, New York 10019

(c). Citizenship:

Darsana Capital Partners LP - Delaware

Darsana Capital Partners GP LLC
-Delaware

Darsana Master Fund LP - Cayman Islands

Darsana Capital GP LLC - Delaware

Anand Desai – United States of America

(d). Title of Class of Securities:

Class A Common Stock, $0.01 par value

(e). CUSIP Number:

848574109

Item 3. If This Statement is filed pursuant to ss.240.13d-1(b) or 240.13d-2(b), or (c), check whether the person filing is a

(a) [_] Broker or dealer registered under Section 15 of the Exchange Act (15 U.S.C. 78c).

(b) [_] Bank as defined in Section 3(a)(6) of the Exchange Act (15 U.S.C. 78c).

(c) [_] Insurance company as defined in Section 3(a)(19) of the Exchange Act (15 U.S.C. 78c).

(d) [_] Investment company registered under Section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) [_] An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);

(f) [_] An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);

(g) [_] A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);

(h) [_] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);

(i) [_] A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(j) [_] Group, in accordance with s.240.13d-1(b)(1)(ii)(J).

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

6,000,000 shares deemed beneficially owned by Darsana Capital Partners LP

6,000,000 shares deemed beneficially owned by Darsana Capital Partners GP LLC

6,000,000 shares deemed beneficially owned by Darsana Master Fund LP

6,000,000 shares deemed beneficially owned by Darsana Capital GP LLC

6,000,000 shares deemed beneficially owned by Anand Desai

(b) Percent of class:

5.23% deemed beneficially owned by Darsana Capital Partners LP

5.23% deemed beneficially owned by Darsana Capital Partners GP LLC

5.23% deemed beneficially owned by Darsana Master Fund LP

5.23% deemed beneficially owned by Darsana Capital GP LLC

5.23% deemed beneficially owned by Anand Desai

(c) Number of shares as to which Darsana Capital Partners LP has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	6,000,000
(iii)	Sole power to dispose or to direct the disposition of	0
(iv)	Shared power to dispose or to direct the disposition of	6,000,000

Number of shares as to which Darsana Capital Partners GP LLC has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	6,000,000
(iii)	Sole power to dispose or to direct the disposition of	0
(iv)	Shared power to dispose or to direct the disposition of	6,000,000

Number of shares as to which Darsana Master Fund LP has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	6,000,000
(iii)	Sole power to dispose or to direct the disposition of	0
(iv)	Shared power to dispose or to direct the disposition of	6,000,000

Number of shares as to which Darsana Capital GP LLC has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	6,000,000
(iii)	Sole power to dispose or to direct the disposition of	0
(iv)	Shared power to dispose or to direct the disposition of	6,000,000

Number of shares as to which Anand Desai has:

(i)	Sole power to vote or to direct the vote	0
(ii)	Shared power to vote or to direct the vote	6,000,000
(iii)	Sole power to dispose or to direct the disposition of	0
(iv)	Shared power to dispose or to direct the disposition of	6,000,000

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [_].

N/A

Item 6. Ownership of More Than Five Percent on Behalf of Another Person.

If any other person is knownchange of control or there is a material reduction in his Base Salary in effect immediately prior to the change of control and, as a result of any of the foregoing, Mr. Wolfington resigns his employment hereunder within one year after the date of the change of control, then Mr. Wolfington shall be entitled to receive as severance payments, his Guaranteed Bonus, his Base Salary and his insurance benefits for a period equal to the greater of the initial term of the agreement or 24 months from the date of the termination or cessation of Mr. Wolfington's employment. For purposes of Mr. Wolfington's employment agreement, a change of control occurs if we sell all or substantially all of our assets or if shares of our capital stock representing more than 50% of the votes which all stockholders are entitled to cast are acquired, by purchase, merger, reorganization or otherwise) by any person or group of affiliated persons not an affiliate of iGames at the time of such acquisition. 29 Jason P. Walsh's 2006 compensation as our Chief Operating Officer, Chief Financial Officer, Secretary and Treasurer is governed by a May 2005 employment agreement, as amended in October 2005. Mr. Walsh's minimum annual salary is $145,000 and he receives annual bonus compensation of up to $25,000 per year. In addition, Mr. Walsh was granted options to purchase 200,000 shares of our common stock with an exercise price of $.42 per share, of which 50,000 vested immediately, 50,000 vested after one year and the remainder vested after two years. Effective December 31, 2006 (the original expiration date), Mr. Walsh's employment agreement was amended and restated to provide for an annual salary of $170,000 and no bonus compensation. Mr. Walsh also received options to purchase 500,000 shares of our common stock at an exercise price of $0.38 per share, based on the market price at the time of grant. 50% of these options vest July 1, 2007 with the remainder vesting December 31, 2007. In the event Mr. Walsh's employment is terminated prior to the then-current expiration date by us without good cause, as defined in the employment agreement, or Mr. Walsh elects early termination with good reason, as defined in the employment agreement, and such termination is within six months following a change in control, as defined in the employment agreement, Mr. Walsh will receive 100% of his annual salary in effect as of the date of such termination for a period of one year. In addition, Mr. Walsh would be entitled to payment of accrued but unused vacation time through the termination date and all unvested stock options held by Mr. Walsh would automatically vest. Repricing of Options We have not adjusted or amended the exercise price of any stock options. Outstanding Equity Awards at Fiscal Year-End --------------------- --- Option Awards --------------------- --------------------- ----------------------- ----------------- ------------------ Name Number of Securities Number of Securities Option Exercise Option Underlying Underlying Unexercised Unexercised Options Options Price (#) Exercisable (#) Unexercisable ($) Expiration Date --------------------- --------------------- ----------------------- ----------------- ------------------ Christopher 2,620,000 .01 1/2/2014 Wolfington --------------------- --------------------- ----------------------- ----------------- ------------------ Christopher 3,780,780 .01 12/28/2016 Wolfington --------------------- --------------------- ----------------------- ----------------- ------------------ Jason P. Walsh 100,000 100,000 .42 6/14/2014 --------------------- --------------------- ----------------------- ----------------- ------------------ Jason P. Walsh 100,000 .01 11/15/2016 --------------------- --------------------- ----------------------- ----------------- ------------------ Jason P. Walsh 200,000 .26 11/15/2016

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In October 2006, the Compensation Committee determined to grant to Mr. Walsh options to purchase 100,000 shares of our common stock at an exercise price of $0.01 per share, and options to purchase 200,000 shares of our common stock at an exercise price of $0.26 per share, which equaled the market price as of the date of grant, based on an evaluation of his overall contribution to our business. 30 Long Term Incentive Plans We currently do not have any long-term incentive plans. Director Compensation ----------------------- ------------------------------ ------------------------- -------------- Name Fees Earned or Paid in Cash Option Awards Total ($) ($) ($) ----------------------- ------------------------------- ------------------------- ------------- Jonathan Robinson $2,500 $25,960(1) $28,460 ----------------------- ------------------------------- ------------------------- -------------- Jeremy Stein 0 $25,960 (2) $25,960 ------------------------ ------------------------------- ------------------------- -------------- Wayne DiMarco $2,500 $25,960 (3) $28,460 ----------------------- ------------------------------- ------------------------- -------------- Barry Bekkedam(5) $2,500 $25,960 (4) $28,460 ----------------------- ------------------------------ ------------------------- -------------- (1) As of December 31, 2006, Mr. Robinson held options to purchase 150,000 shares of common stock. (2) As of December 31, 2006, Mr. Stein held options to purchase 350,000 shares of common stock. (3) As of December 31, 2006, Mr. DiMarco held options to purchase 170,000 shares of common stock. Mr. DiMarco resigned as a director in March 2007. (4) As of December 31, 2006, Mr. Bekkedam held options to purchase 150,000 shares of common stock. (5) Mr. Bekkedam resigned as a director in November 2006. Our directors who are also employees do not receive any additional consideration for serving on our Board of Directors. Our outside directors, who are not employees, receive $2,500 for each meeting of the Board of Directors or any committee thereof that they attend. In addition, our outside directors receive an annual grant of options to purchase 100,000 shares of our common stock at an exercise price equal to the closing sales price of our common stock on the date of grant. 31 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS Information as to ownership of Common Stock by Officers, Directors and owners of 5% or more of our Common Stock The following table sets forth certain information with respect to beneficial ownership of our common stock as of May 31, 2007 by: o each person known to us to be the beneficial owner of more than 5% of our common stock; o each of our directors; o each of our executive officers; and o all of our executive officers and directors as a group. Unless otherwise specified, we believe that all persons listed in the table possess sole voting and investment power with respect to all shares of our common stock beneficially owned by them. As of May 31, 2007, 30,769,853 shares of our common stock were issued and outstanding. Name and Address of Beneficial Position Amount and Nature of Percentage of Class Owner (1) Beneficial Ownership (1) -------------------------------- --------------------- ----------------------------- ------------------------ Christopher M. Wolfington President, Chief 23,470,383 (2) 63.12 Executive Officer, 700 South Henderson Road, Chairman of the Ste. 325 Board King of Prussia, PA 19406 Jason P. Walsh Chief Operating 532,500 (3) 1.70 700 South Henderson Road Officer, Chief Ste. 325 Financial Officer, King of Prussia, PA 19406 Secretary & Treasurer Jeremy Stein Director 410,000 (4) 1.32 301 Yamato Road, Suite 2199 Boca Raton, FL 33431 Dennis Gomes Director 400,000(5) 1.28 615 E. Lost Pine Way Galloway, NJ 08205 Jonathan Robinson Director 175,000 (6) * 700 S. Henderson Road King of Prussia, PA 19406 John Ziegler, Jr. Director 115,000(7) * 21 E. 5th Avenue Conshohocken, PA 19428 --------------------------- --------------------------- All Executive Officers and 25,102,883 64.89 Directors as a group (6 persons) ------------------------------------ -------------------- * Less than 1% 32 (1) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. All shares are beneficially owned and sole voting and investment power is held by the persons named, except as otherwise noted. (2) Includes options to purchase 6,415,780 shares of Common Stock, and 3,108,772 shares of Common Stock owned by the Christopher M. Wolfington Grantor Retained Annuity Trust. Does not include 521,759 shares of Common Stock held by the Christopher M. Wolfington Irrevocable Trust as Mr. Wolfington is not the beneficial owner of these shares of Common Stock. (3) Includes options to purchase 500,000 shares of common stock and warrants to purchase 12,500 shares of common stock. (4) Includes options to purchase 350,000 shares of Common Stock. (5) Includes options to purchase 100,000 shares of Common Stock and warrants to purchase 300,000 shares of Common Stock held by Gomes Gaming Management, LLC. (6) Includes options to purchase 150,000 shares of Common Stock. (7) Includes options to purchase 100,000 shares of Common Stock. SELLING HOLDERS The following table sets forth the names of the selling stockholders, the number of shares of our common stock, to our knowledge, beneficially owned by each selling stockholder as of April 10, 2007 and the number of shares of our common stock which may be offered for sale pursuant to this prospectus by the selling stockholders. The number of shares set forth in this table represents an estimate of the number of shares of our common stock to be offered for resale by the selling stockholders. The selling stockholders either own: o shares of our common stock and common stock purchase warrants that they purchased from us in a private placement, or o shares of our common stock that they received pursuant to our redomestication merger. The selling stockholders named below may offer these shares from time to time. The selling stockholders are, however, under no obligation to sell all or any portion of these shares of our common stock. In addition, the selling stockholders are not obligated to sell such shares of our common stock immediately under this prospectus. Since the selling stockholders may sell all or part of the shares of common stock offered in this prospectus, we cannot estimate the number of shares of our common stock that will be held by the selling stockholders upon termination of this offering. Except as otherwise noted below, none of the selling stockholders is an officer or director of our company and none of the selling stockholders has had any material relationship with our company, affiliates or predecessors within the last three years. 33 Percentage Ownership(1) Number of --------------------------- Number of Shares of Shares of Common Stock Before Common Stock Number of Shares Before After Name Offering After Offering Being Sold Offering Offering --------------------- ---------------- ----------------- --------------- -------------- 2003 GRAT of Christopher M. 3,108,772 0 3,108,772 10.3% 0% Wolfington(2) J. Eustace Wolfington 415,157 0 415,157 1.4% 0% Sean J. Wolfington 392,157 0 392,157 1.3% 0% Whitehorse Capital Partners, 500,000 300,000 200,000 1.6% * L.P. David E. and Mary J. 80,000 0 80,000 * 0% Dickerson, Trustees Gabriel Ferrer 1,000,000 0 1,000,000 3.3% 0% Michael J. Wolfe 1,000,000 0 1,000,000 3.3% 0% Bomoseen Associates, LP 1,000,000 0 1,000,000 3.3% 0% Adam Runyan 220,000 0 220,000 * 0% Thomas Baldacchino 200,000 0 200,000 * 0% Samuel DeMaio 200,000 0 200,000 * 0% Norman Getz 200,000 0 200,000 * 0% Patrick Larbuisson 225,000 25,000 200,000 * * Thomas Smith 200,000 0 200,000 * 0% Gerald Jones 200,000 0 200,000 * 0% Michael and Amy Bernath 100,000 0 100,000 * 0% Zachary Gomes 100,000 0 100,000 * 0% Jeffrey and Shell MacNeil 100,000 0 100,000 * 0% Glenn Rose 90,000 0 90,000 * 0% Eric Rand 65,550 (3) 0 65,500 * 0% Jeremy Stein 60,000 0 60,000 * 0% Stephen Deblasio 50,000 0 50,000 * 0% Stanley Merdinger 25,000 0 25,000 * 0% Barry R. Bekkedam 148,000 125,000 23,000 * * Harry J. Wolfington 62,500 (3) 0 62,500 * 0% Jason P. Walsh 32,500 (4) 0 32,500 * 0% David Van Horn 25,000 (3) 0 25,000 * 0% VFinance Investments, Inc. 24,250 (3) 24,250 * 0% Steven Lloyd 12,500 (3) 0 12,500 * 0% Joseph Jaquinto 12,500 (3) 0 12,500 * 0% Lewis Levenstein 10,200 (3) 0 10,200 * 0% --------------------------------- --------------------- * Less then one percent (1%) (1) Calculated based on 30,524,853 shares of our common stock issued and outstanding as of December 31, 2006. (2) Mr. Wolfington is our Chairman, Chief Executive Officer and President. (3) Represents shares issuable on the exercise of warrants. (4) Includes 12,500 shares issuable on the exercise of warrants. 34 PLAN OF DISTRIBUTION As of the date of this prospectus, the selling stockholders have not determined how they will distribute the shares of our common stock that they or their respective pledgees, donees, transferees or other successors in interest are offering for resale. Accordingly, such shares may be sold from time to time in one or more of the following transactions: o block transactions; o transactions on the over-the-counter electronic bulletin board or on such other market on which our common stock may from time to time be trading; o privately negotiated transactions; o through the writing of options on the shares; o short sales; or o any combination of these transactions. The sale price to the public in these transactions may be: o the market price prevailing at the time of sale; o a price related to the prevailing market price; o negotiated prices; or o such other price as the selling stockholders determine from time to time. In the event that we permit or cause this registration statement to lapse, the selling stockholders may sell shares of our common stock pursuant to Rule 144 promulgated under the Securities Act of 1933. The selling stockholders or their respective pledgees, donees, transferees or other successors in interest, may also sell these shares of our common stock directly to market makers acting as principals and/or broker-dealers acting as agents for themselves or their customers. These broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling stockholders and/or the purchasers of these shares of our common stock for whom such broker-dealers may act as agents or to whom they sell as principal or both. As to a particular broker-dealer, this compensation might be in excess of customary commissions. Market makers and block purchasers purchasing these shares of our common stock will do so for their own account and at their own risk. It is possible that a selling stockholder will attempt to sell shares of our common stock in block transactions to market makers or other purchasers at a price per share that may be below the prevailing market price of our common stock. Alternatively, the selling stockholders may sell all or any part of the shares of our common stock offered hereby through an underwriter. We have no obligation to obtain or assist the selling stockholders in obtaining a commitment in connection with the sale of shares of our common stock covered by this prospectus. We have been informed by the selling stockholders that there are no existing arrangements between them and any other stockholders, broker, dealer, underwriter or agent relating to the distribution of the shares offered by this prospectus. If the selling stockholders enter into an agreement, after effectiveness of this registration statement, to sell their shares to a broker-dealer as principal and the broker-dealer is acting as an underwriter, then we will file a post-effective amendment to the registration statement identifying the broker-dealer, providing the required information on the plan of distribution and will revise the disclosures in the registration statement, and will file the broker-dealer agreement as an exhibit to the registration statement. 35 The selling stockholders will act independently of us in making decisions with respect to the form, timing, manner and size of each sale. The selling stockholders shall have the sole and absolute discretion not to accept any purchase offer or make any sale of these shares of our common stock if they deem the purchase price to be unsatisfactory at any particular time. There can be no assurance that all or any of these shares of our common stock offered hereby will be issued to, or sold by, the selling stockholders. Upon effecting the sale of any of these shares of our common stock offered pursuant to this prospectus, the selling stockholders and any brokers, dealers or agents, hereby, may be deemed "underwriters" as that term is defined under the Securities Act of 1933 or the Securities Exchange Act of 1934, or the rules and regulations thereunder. Any profits realized by the selling stockholders and the compensation of any broker-dealer may be deemed to be underwriting discounts and commissions. We have been advised that none of the selling stockholders are broker-dealers or affiliates of broker-dealers. The selling stockholders and any other persons participating in the sale or distribution of these shares of our common stock will be subject to applicable provisions of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder including, without limitation, Regulation M. These provisions may restrict activities of, and limit the timing of purchases and sales of any of these shares of our common stock by, the selling stockholders. Furthermore, pursuant to Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and other activities with respect to such securities for a specified period of time prior to the commencement of such distributions, subject to specified exceptions or exemptions. All of the foregoing may affect the marketability of the shares offered in this prospectus. We are and will continue to be subject to the penny stock rules. Broker-dealer practices in connection with transactions in "penny stocks" are regulated by certain rules adopted by the Securities and Exchange Commission. Penny stocks generally are equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or listed on the NASDAQ stock market provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). The rules require that a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in connection with the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the rules generally require that prior to a transaction in a penny stock, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the liquidity of penny stocks. We will assume no obligation or responsibility whatsoever to determine a method of disposition for our shares of common stock offered by the selling stockholders or to otherwise include such shares within the confines of any registered offering other than the registration statement of which this prospectus is a part. We have no obligation to assist or cooperate with the selling stockholders in the offering or disposition of our shares of common stock covered by this prospectus other than with respect to the filing of this prospectus and the filing of any amendments hereto pursuant to our agreement with the selling stockholders. We have no agreement with the selling stockholders or any other person requiring us to indemnify or hold harmless the holders of our shares of common stock covered by this prospectus. 36 We will pay substantially all of the expenses incident to the registration and offering of our common stock pursuant to this prospectus, other than commissions or discounts of underwriters, broker-dealers or agents. USE OF PROCEEDS We will not receive any proceeds from the sale of the shares of our common stock being offered for sale by the selling stockholders pursuant to this prospectus. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS IntuiCode, LLC provides us with product development, deployment and maintenance services on a monthly basis for cash compensation determined on a project-by-project basis. We paid IntuiCode approximately $168,280 during the year ended December 31, 2006. Jeremy Stein, a member of our Board of Directors, holds approximately 1.32% of our stock (including shares subject to options) is also the Chief Executive Officer and the holder of approximately 43% of the outstanding membership interests of IntuiCode. The value of Mr. Stein's interest in payments made to IntuiCode in 2006 was $72,360. We believe the terms of IntuiCode's engagement are at least as fair as those that we could have obtained from unrelated third parties in arms-length negotiations. Although we believe that IntuiCode is highly qualified to provide these services, we believe that other software developers are available to provide similar services should IntuiCode no longer be able or willing to do so. From September to December 2005 we borrowed $725,000 from seven individuals, including our Chief Financial Officer ($25,000) and our Chief Executive Officer's uncle and brother ($250,000 each). These loans bear interest at 10% per annum with terms of nine months. Warrants to purchase an aggregate of 112,500 shares of our common stock at an exercise price of $0.01 per share were issued to our Chief Financial Officer (12,500 shares) and four unaffiliated lenders (100,000 shares). From March to May 2006 we borrowed $75,000 from our Chief Executive Officer's father. These loans bear interest at 10% per annum with terms of nine months. Warrants to purchase an aggregate of 37,500 shares of our common stock at an exercise price of $0.01 per share were issued to the lender. On December 28, 2006, we entered into a Credit and Security Agreement (the "Credit Agreement") with Baena Advisors, LLC ("Baena") pursuant to which Baena advanced $4,750,000 to us. The proceeds of this loan were used to repay outstanding indebtedness, as described in "Management's Discussion and Analysis - Changes in Financial Position, Liquidity and Capital Resources." Baena is owned by Sean Wolfington, the brother of our Chief Executive Officer and Chairman. One of our directors, John Ziegler, Jr., is a manager of Baena Advisors, LLC. The loan bears interest at a rate equal to 30-day LIBOR plus 13%, payable monthly. The principal amount of the loan, together with accrued but unpaid interest, is due and payable February 28, 2009; provided that Baena may extend the term of the Loan to February 28, 2011. In addition, we pay Baena a monthly loan fee of $3,000. Our obligations under the Credit Agreement are secured by the grant of a security interest in all of our assets and are guaranteed by our Chief Executive Officer and his wife. This guaranty is secured by a pledge of all of the shares of our common stock held by our Chief Executive Officer. In connection with the making of the loan, we issued to Baena warrants to purchase an aggregate of 2,000,000 shares of our common stock at an exercise price of $0.01 per share. The warrants expire February 28, 2011. DESCRIPTION OF SECURITIES Our authorized capital stock currently consists of 170,000,000 shares, of which 150,000,000 shares are common stock, with a par value of $0.001 per share, and 20,000,000 shares are "blank check" preferred stock, with a par value of $0.001 per share. 37 As of the date of this prospectus, there are 30,162,353 issued and outstanding shares of our common stock, and no issued and outstanding shares of our Preferred Stock. All outstanding shares of capital stock are duly authorized, validly issued, fully paid, and non-assessable. No material potential liabilities are anticipated to be imposed on shareholders under state statutes. Common Stock. Each holder of our common stock is entitled to one vote for each share owned of record on all matters voted upon by our stockholders. Our common stock has no cumulative voting rights, preemption rights, and no redemption, sinking fund, or conversion privileges. Since the holders of our common stock do not have cumulative voting rights, holders of more than 50% of our total outstanding common shares can elect all of our directors, and holders of the remaining shares, by themselves, cannot elect any of our directors. Holders of our common stock are entitled to receive dividends if, as, and when declared by our board of directors out of funds legally available for such purpose. Upon the dissolution, liquidation or winding up of our company, the holders of our common stock are entitled to share equally and ratably our net assets, if any, available to such holders after distributions to holders of our preferred stock. Blank Check Preferred Stock. Our board of directors has the authority, without further stockholder approval, to issue up to 20,000,000 shares of preferred stock in one or more series and to fix the designations, rights, preferences, privileges and restrictions of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences. These shares of preferred stock may have rights senior to our common stock. The issuance of preferred stock could decrease the amount of earnings and assets available for distribution to the holders of common stock or could adversely affect the rights and powers, including voting rights, of the holders of our common stock. Transfer Agent and Registrar. Florida Atlantic Stock Transfer, Inc., 7130 N. Nob Hill Road, Tamarac, Florida 33321-1841 is our transfer agent and the registrar for our common stock. Our transfer agent's telephone number is (954) 726-6320. Possible Anti-Takeover Effects of Authorized but Unissued Stock. Our authorized but unissued capital stock consists of 126,033,336 shares of common stock and 20,000,000 shares of blank check preferred stock. One effect of the existence of authorized but unissued capital stock may be to enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest, or otherwise, and thereby to protect the continuity of our management. If, in the due exercise of its fiduciary obligations, for example, the board of directors were to determine that a takeover proposal was not in our best interests, such shares could be issued by our board of directors without stockholder approval in one or more private placements or other transactions that might prevent, or render more difficult or costly, completion of the takeover transaction by diluting the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group, by creating a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent board of directors, by effecting an acquisition that might complicate or preclude the takeover, or otherwise. 38 DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES Our Amended and Restated Certificate of Incorporation provides that all of our directors, officers, employees and agents shall be entitled to be indemnified to the fullest extent permitted by Section 145 of the Delaware General Corporation Law. Paragraph B of Article Seventh of our amended and restated certificate of incorporation provides: "The Corporation, to the full extent permitted by Section 145 of the GCL, as amended from time to time, shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, upon a plea of nolo contendere or equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful." Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS Our common stock is currently quoted on the Over-The-Counter Bulletin Board under the symbol "MCAM.OB." Market Information Our shares of common stock were first quoted on the Over-The-Counter Bulletin Board on October 14, 2002. The following table presents the high and low bid prices per share of our common stock as quoted for the years ended December 31, 2005, 2006 and 2007 (through March 31, 2007), which information was provided by NASDAQ Trading and Market Services. 39 Year ending December 31, 2007

Quarter ended: High Bid Low Bid June 30, 2007(1) 0.60 0.32 March 31, 2007 0.55 0.33 (1) Through May 31, 2007 -- Year ending December 31, 2006 Quarter ended: High Bid Low Bid December 31, 2006 0.64 0.14 September 30, 2006 0.38 0.28 June 30, 2006 0.43 0.25 March 31, 2006 0.37 0.32 -- Year ended December 31, 2005 Quarter ended: High Bid Low Bid March 31, 2005 1.15 0.51 June 30, 2005 0.55 0.30 September 30, 2005 0.67 0.34 December 31, 2005 0.45 0.34 -- The above quotations reflect inter-dealer prices, without retail mark-up, markdown or commission and may not reflect actual transactions. On May 31, 2007, the closing bid price for our common stock was $0.36 per share. Holders As of May 31, 2007, we had 70 stockholders of record of our common stock. Such number of record holders was derived from the records maintained by our transfer agent, Florida Atlantic Stock Transfer. Dividends To date, we have not declared or paid any cash dividends and do not intend to do so for the foreseeable future. Prior to our acquisition by iGames in January 2004, we paid dividends to our shareholders. In January 2004, prior to the acquisition, these dividends were approximately $270,010. In the future we intend to retain all earnings, if any, to finance the continued development of our business. Any future payment of dividends will be determined solely in the discretion of our Board of Directors. 40 Securities Authorized for Issuance Under Equity Compensation Plans --------------------------------------- -------------------- ---------------------- --------------------------- Number of securities to be issued upon exercise of Weighted average Number of securities outstanding exercise price of remaining available for options, warrants outstanding options, future issuance under and rights warrants and rights equity compensation plans --------------------------------------- -------------------- ---------------------- --------------------------- Equity compensation plans approved by 7,960,780 $0.10 0 security holders --------------------------------------- -------------------- ---------------------- --------------------------- Equity compensation plans not approved by security holders - N/A 0 --------------------------------------- -------------------- ---------------------- --------------------------- Total - N/A 0 --------------------------------------- -------------------- ---------------------- --------------------------- There were no other securities authorized for issuance under equity compensation plans at December 31, 2006. EXPERTS The consolidated financial statements of Money Centers of America, Inc. as of December 31, 2006 and for the fiscal years ended December 31, 2005 and 2006 have been included herein and in the registration statement in reliance upon the report of Sherb & Co., LLP independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing. LEGAL MATTERS Certain legal matters, including the legality of the issuance of the shares of common stock offered herein, are being passed upon for us by our counsel, Klehr, Harrison, Harvey, Branzburg & Ellers LLP, Philadelphia, Pennsylvania. WHERE YOU CAN FIND MORE INFORMATION We are required to comply with the reporting requirements of the Exchange Act of 1934. Accordingly, we are required to file quarterly and annual reports and other information with the Securities and Exchange Commission. We have filed with the Securities and Exchange Commission a registration statement on Form SB-2 to register the securities offered by this prospectus. The prospectus is part of the registration statement, and, as permitted by the Securities and Exchange Commission's rules, does not contain all of the information in the registration statement. For future information about us and the securities offered under this prospectus, you may refer to the registration statement and to the exhibits and schedules filed as a part of the registration statement. You can review the registration statement and its exhibits at the public reference facility maintained by the Securities and Exchange Commission at 100 F Street N.E., Washington, D.C. 20549. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference room. The registration statement is also available electronically on the World Wide Web at http://www.sec.gov. 41 MONEY CENTERS OF AMERICA, INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS Page

 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM To the Audit Committee Money Centers of America, Inc. We have audited the accompanying consolidated balance sheet of Money Centers of America, Inc. and Subsidiaries as of December 31, 2006 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years ended December 31, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Money Centers of America, Inc. and Subsidiaries as of December 31, 2006 and the results of their operations and their cash flows for the years ended December 31, 2006 and 2005, in conformity with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 14 to the financial statements, the Company has suffered recurring losses from operations, has net cash used in operations, a net working capital deficit, a stockholders' deficit and an accumulated deficit that raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 14. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. /s/ Sherb & Co, LLP Certified Public Accountants Boca Raton, Florida April 8, 2007 F-1 MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET DECEMBER 31, 2006 ASSETS Current assets: Restricted cash $4,619,383 Accounts receivable 30,184 Prepaid expenses and other current assets 270,598 ----------------- Total current assets 4,920,165 Property and equipment, net 1,063,124 Other assets Intangible assets, net 1,172,219 Deferred financing costs 1,149,547 Deposits 55,397 ----------------- Total other assets 2,377,163 ----------------- Total assets $8,360,452 ================= LIABILITIES AND STOCKHOLDERS' DEFICIT Current liabilities: Accounts payable $499,663 Accrued interest 109,028 Accrued expenses 702,203 Current portion of capital lease 209,620 Convertible notes payable, related party 250,000 Lines of credit 3,045,177 Due to officer 119,130 Commissions payable 855,781 ----------------- ----------------- Total current liabilities 5,790,602 Long-term liabilities: Capital lease, net of current portion 483,263 Note payable, related party 4,750,000 Notes payable, net of debt discount 2,467,668 ----------------- ----------------- Total long-term liabilities 7,700,931 Total liabilities 13,491,533 Stockholders' Deficit: Preferred stock; $.001 par value, 20,000,000 shares authorized 0 shares issued and outstanding -- Common stock; $.01 par value, 150,000,000 shares authorized 30,524,853 shares issued and outstanding 305,248 Additional paid-in capital 15,383,334 Accumulated deficit (20,819,663) ----------------- Total stockholders' deficit (5,131,081) ----------------- Total liabilities and stockholders' deficit $8,360,452 ================= See accompanying notes to consolidated financial statements. F-2 MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, -- 2006 2005 -- Revenues $11,721,752 $19,409,238 Cost of revenues 9,471,763 15,801,366 ------------------------- ------------------------- Gross profit 2,249,989 3,607,872 Selling, general and administrative expenses 1,968,572 2,238,904 Noncash Compensation 2,111,402 91,225 Depreciation and amortization 355,309 941,079 Loss on impairment of goodwill 203,124 -- Settlement Expenses 210,000 -- ------------------------- ------------------------- Operating income (loss)

(2,598,418) 336,664 Other income (expenses): Interest income 16,471 18,130 Interest expense (1,718,309) (1,947,283) Noncash interest expense (147,902) (68,285) ------------------------- ------------------------- Total Interest expense, net (1,849,740) (1,997,438) ------------------------- ------------------------- Other income 234,068 1,650 Other expenses (128,376) (7,043) ------------------------- ------------------------- Total other income (expenses) 105,692 (5,393) ------------------------- ------------------------- Net loss $(4,342,466) $(1,666,167) ========================= ========================= Net loss per common share-basic $(0.14) $(0.07) ========================= ========================= Net loss per common share-diluted $(0.14) $(0.07) ========================= ========================= Weighted Average Common Shares Outstanding During the period -Basic 30,524,853 25,179,895 ========================= ========================= -Diluted 30,524,853 25,179,895 ========================= ========================= See accompanying notes to consolidated financial statements. F-3 MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES COLSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT Common Stock Additional Total ($.01 par value) Paid-In Accumulated Stockholders' Shares Amount Capital Deficit Deficit --------------- ----------- ------------ ------------- ------------- Balance, December 31, 2004 23,967,664 $239,676 $10,445,133 $(14,811,030) $(4,126,221) Issuance of common stock for services 75,000 750 57,000 -- 57,750 Sale of common stock, net of offering costs 984,314 9,843 469,657 479,500 Exercise of stock options 180,000 1,800 -- 1,800 Beneficial conversion feature for 162,500 warrants 190,337 190,337 Issuance of 60,000 warrants to consultants 27,414 27,414 Net Loss (1,666,167) (1,666,167) --------------- ----------- ------------ ------------- ------------- Balance, December 31, 2005 25,206,978 252,069 11,189,541 (16,477,197) (5,035,587) --------------- ----------- ------------ ------------- ------------- Issuance of common stock for services 15,375 154 5,587 5,741 Sale of common stock, net of offering costs 5,100,000 51,000 1,062,390 1,113,390 Exercise of stock options 202,500 2,025 4,000 6,025 Note discount 37,500 warrants issued 10,305 10,305 Issuance of warrants to consultants/lender -- -- 1,014,582 1,014,582 Vesting of employee stock options 27,487 27,487 Issuance of options for services -- -- 2,069,442 2,069,442 Net Loss (4,342,466) (4,342,466) --------------- ----------- ------------ ------------- ------------- Balance, December 31, 2006 30,524,853 $305,248 $15,383,334 $(20,819,663) $(5,131,081) =============== =========== ============ ============= ============= See accompanying notes to consolidated financial statements. F-4 MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS Years Ended December 31, --------------------------- 2006 2005 --------------------------- Cash flows from operating activities: Net loss $(4,342,466) $(1,666,167) Adjustments used to reconcile net loss to net cash (used in) provided by operating activities: Depreciation and amortization 355,309 941,079 Amortization of debt discount 138,156 68,313 Issuance of warrants for services 15,782 27,414 Issuance of common stock for services 5,741 57,750 Issuance of stock options for services 2,096,929 -- Write off of goodwill 203,123 -- Settlement with vendor other income (181,576) -- Changes in operating assets and liabilities: Increase (decrease) in: Accounts payable (519,530) (45,219) Accrued interest (7,933) 34,071 Accrued expenses 516,601 54,187 Commissions payable (82,119) 197,144 (Increase) decrease in: Prepaid expenses and other current assets (29,334) 34,074 Accounts receivable 312,558 465,424 Proceeds from refundable deposit 126,000 43,200 Deposits (500) (100,000) --------------------------- Net cash (used in) provided by operating activities (1,393,259) 111,270 Cash flows from investing activities: Purchases of property and equipment (105,990) (171,338) Cash paid for acquisition and intangible assets (294,470) (496,176) Cash paid for loan cost on convertible debt (124,100) (15,525) --------------------------- Net cash used in investing activities (524,560) (683,039) Cash flows from financing activities: Net change in lines of credit (4,450,643) 1,919,869 Payments on capital lease obligations (152,960) (105,515) Repayments of loans payable -- (500,000) Advances to officer (251,200) (164,575) Proceeds from notes payable 7,350,000 25,000 Payments on notes payable (3,342,259) (140,135) Proceeds from issuance of convertible promissory notes -- 700,000 Sale of common stock, net of $161,620 and $22,500 of offering costs, respectively 1,113,391 479,500 Exercise of stock options and warrants 6,025 1,800 ---------------------------- Net cash provided by financing activities 272,354 2,215,944 NET (DECREASE) INCREASE IN CASH (1,645,465) 1,644,175 CASH, beginning of period 6,264,848 4,620,673 ---------------------------- CASH, end of period $4,619,383 $6,264,848 ============================ Supplemental disclosure of cash flow information: Cash paid during the period for interest $1,718,309 $1,947,283

============================ Supplemental disclosure on non-cash investing and financing activities: Acquisition of software $ -- $43,000 ============================ Acquisition of equipment under capital lease $563,288 $6,246,388 ============================ Exchange for reduction in note payable due to litigation $ -- $150,000 ============================ Exchange for reduction in loan payable due to litigation $ -- $1,500,000 ============================ Reduction of loan payable officer in exchange for related accrual $43,750 $4,175,000 ============================ Record beneficial conversion feature for convertible debt and detachable warrants $ -- $190,337 ============================ Settlement with vendor $ -- $170,000 ============================ Record beneficial conversion feature for convertible debt and detachable warrants $10,305 $ -- ============================ Issuance of warrants to lender $998,800 $ -- ============================ See accompanying notes to consolidated financial statements. F-5 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Note 1 - Organization Money Centers of America Inc. (the "Company" or "MCA"), a Delaware corporation, was incorporated in October 1997. The Company is a single source provider of cash access services, ONSwitch(TM) Transaction Management System, and the Omni Network to the gaming industry. The Company has combined advanced technology with personalized customer services to deliver ATM, Credit Card Advance, POS Debit, Check Cashing Services, CreditPlus (outsourced marker services), cash access host program, customer data sharing and merchant card processing. Note 2 - Basis of Presentation and Significant Accounting Policies (A) Basis of Presentation The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions have been eliminated. The Company and its subsidiaries have fiscal years ending on December 31. (B) Principles of Consolidation The Company consolidates its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. (C) Use of Estimates In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods presented. Actual results may differ from these estimates. Significant estimates during 2006 and 2005 include depreciable lives on equipment, the valuation of stock options granted for services, the value of warrants issued in connection with debt related financing, valuation of intangible assets not having finite lives and the valuation allowance for deferred tax assets since the Company had continuing operating losses. (D) Cash and Cash Equivalents and Compensating Balances For purposes of the statements of cash flows, the Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At December 31, 2006, the balance exceeded the federally insured limit by $4,387,355. In addition, the Company maintains a significant amount of cash at each of the casinos. Management believes that the Company has controls in place to safeguard these on-hand amounts, and that no significant credit risk exists with respect to cash. Additionally, the Company had $30,000 maintained under a compensating balance agreement. The $30,000 is retained due to potential dishonorment of bad checks that are unforeseen. There is an informal agreement between our bank and our lender that requires this compensating balance agreement. F-6 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (E) Restricted Cash Restricted cash is the balance of cash that is in the Company's bank accounts and network that is used as collateral for our asset based lender (See Note 5). The Company does not have access to this cash unless there is an amount over and above the required amount of collateral. In order to pay operating expenses, the Company requests that the asset based lender transfer funds into the Company's unrestricted cash accounts. The restricted cash balance at December 31, 2006 was $4,619,383. (F) Accounts Receivable Accounts receivable arise primarily from ATM, credit card advances and check cashing services provided at casino locations. Concentration of credit risk related to ATM and credit card advances are limited to the processors who remit the cash advanced back to the Company along with the Company's allocable share of fees earned. The Company believes these processors are financially stable and no significant credit risk exists with respect to accounts receivable arising from credit card advances. No allowance was considered necessary at December 31, 2006 and 2005. (G)

Equipment Equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Equipment consists primarily of cash access devices and computer equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from five to seven years. (H) Long Lived Assets The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No.144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell the asset. There were no impairment charges taken during the year ended December 31, 2006. (I) Goodwill, Intangibles and Related Impairment Goodwill is assumed to have an indefinite life pursuant to statement of Financial Accounting Standards No. SFAS 142, "Goodwill and Other Intangible Assets" and accordingly is not amortized but subject to periodic impairment tests. Acquired contract rights are considered to have a finite life, pursuant to SFAS 142, to be amortized over the period the asset is expected to contribute to future cash flows. The Company expects the period to be 1 to 4 years. The contract rights will also be subject to periodic impairment tests. In accordance with SFAS No. 142, the Company is required to evaluate the carrying value of its intangible assets (goodwill) subsequent to their acquisition. During 2006, the Company evaluated the carrying value of goodwill and wrote off the remaining balance. An impairment charge of $203,124 was recorded. (J) Internal Use Software and Website Development Costs The Company has adopted the provisions of AICPA Statement of Position ("SOP") 98-1, "Accounting for the Costs of Software Developed or Obtained for Internal Use," and Emerging Issues Task Force ("EITF") Consensus #00-2. "Accounting for Web Site Development Costs." The type of costs incurred by the Company in developing its internal use software and Web site include, but are not limited to payroll-related costs (e.g., fringe benefits) for employees who devote time to the internal use computer software or Web site project, consulting fees, the price of computer software purchased from third parties and travel expenses incurred by employees or consultants in their duties directly associated with developing the software. These costs are either expensed or capitalized depending on the type of cost and the stage of development of the software and Web site. The Company makes ongoing evaluations of the recoverability of its capitalized internal use software and Web site by comparing the amount capitalized for each module or component of software to their estimated net realizable values. If such evaluations indicate that the unamortized costs exceed the net realizable values, the Company writes off the amount by which the unamortized costs exceed the net realizable values. At December 31, 2006 and 2005, no such write-offs were required. At December 31, 2006, the net book value of capitalized software was $1,171,977. Amortization expense for the years ended December 31, 2006 and 2005 was $7,897 and $7,897, respectively. F-7 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (K) Deferred Financing Costs Deferred financing costs are capitalized and amortized over the term of the related debt. At December 31, 2006, the gross amount of deferred financing costs was $1,299,183 and related accumulated amortization was $149,636. At December 31, 2006 the Company reflects in the accompanying consolidated balance sheet net deferred financing costs of $1,149,547. Amortization of deferred financing costs was $38,701 and $47,501 for the years ended December 31, 2006 and 2005, respectively. (L) Derivative Liabilities In order to determine whether the Company has derivative liabilities, the Company reviewed SFAS No.133, SFAS No.150, EITF No.00-19, EITF No.00-19-2 and EITF No.05-02, "The Meaning of Convertible Debt Instrument in Issue No.00-19." Pursuant to the terms of the Company outstanding convertible debt and the associated detachable freestanding warrants, management determined that no instruments should be classified as derivative liabilities. Additionally, there are no other issued and outstanding instruments which require the application of the aforementioned references. (M) Revenue Recognition The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin No.104 for revenue recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The following policies reflect specific criteria for the various revenue streams of the Company: (1) ATM's and Credit Cards Fees earned from ATM and credit card advances are recorded on the date of transaction. (2) Check Cashing Revenue is recorded from fees on check cashing services on the date the check is cashed. If a customer's check is returned by the bank on which it is drawn, the full amount of the check is charged as bad debt loss. The check is subsequently resubmitted to the bank for payment. If the bank honors it, the amount of the check is recognized as a negative bad debt expense. Based on the quick turnaround of the check being returned by the bank on which it is drawn and the resubmission to the bank for payment, the Company feels this method approximates the allowance method, which is a Generally Accepted Accounting Principle. Based upon past history no allowance was considered necessary at December 31, 2006 and 2005, respectively. F-8 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (N) Cost of Revenues The cost of revenues primarily includes commissions paid, non management wages, employee benefits, bad debts, rents paid to contract lessors, transaction processing costs, cash replenishment fees, non-capitalizable operating lease fees for ATM's and repairs and maintenance of ATM's. (O) Advertising In accordance with Accounting Standards Executive Committee Statement of Position 93-7, ("SOP 93-7") costs incurred for producing and communicating advertising of the Company, are charged to operations as incurred. Advertising expense for the years ended December 31, 2006 and 2005 were $45,755 and $44,744, respectively. (P) Income Taxes The Company accounts for income taxes under the Financial Accounting Standards No.109 "Accounting for Income Taxes" ("Statement 109"). Under Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period, which includes the enactment date. (Q) Fair Value of Financial Instruments Statement of Financial Accounting Standards No.107, "Disclosures about Fair Value of Financial Instruments," requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amounts of the Company's short-term financial instruments, including accounts receivable, accounts payable and accrued expenses, commissions payable, notes payable, convertible notes payable, net of debt discount, line of credit and due to related party approximate fair value due to the relatively short period to maturity for these instruments. (R) Earnings per Share In accordance with Statement of Financial Accounting Standards No.128, "Earnings per Share," basic earnings per share is computed by dividing the net income (loss) less preferred dividends for the period by the weighted average number of shares outstanding. Diluted earnings per share is computed by dividing net income (loss) less preferred dividends by the weighted average number of shares outstanding including the effect of share equivalents. Common share equivalents consist of shares issuable upon the exercise of certain common stock purchase warrants, stock options, and convertible preferred stock. The Company has excluded these common share equivalents from its computation of earnings per share due to their antidilutive effect as the Company has reflected a net loss at December 31, 2006 and 2005, respectively. Accordingly, the basic and diluted EPS are the same. At December 31, 2006 and 2005 there were 9,683,836 and 6,671,111 shares of issuable common stock underlying the options, warrants and convertible debt securities, respectively. F-9 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 The following table summarizes all common stock equivalents outstanding at December 31, 2006 and 2005, respectively. 2006 2005 ---- ---- Common stock options 3,565,000 3,602,500 Common stock warrants 7,960,780 1,457,500 Convertible notes payable 555,556 1,611,111 Total Common Stock Equivalents 12,081,336 6,671,111 (S) Stock Based Compensation Effective January 1, 2006, the Company adopted the provisions of SFAS No.123(R), "Share-Based Payment," under the modified prospective method. SFAS No.123(R) eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed under APB Opinion No.25 "Accounting for Stock Issued to Employees," and requires instead that such transactions be accounted for using a fair-value-based method. Under the modified prospective method, the Company is required to recognize compensation cost for share-based payment to employees based on their grant date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. For periods prior to adoption, the financial statements are unchanged, and the pro forma disclosures previously required by SFAS No.123, as amended by SFAS No.148, will continue to be required under SFAS No.123(R) to the extent those amounts differ from those in the Statement of Operations. During 2006 and 2005, the Company granted 4,480,780 and 477,500 options, respectively to employees that were accounted for pursuant to SFAS No.123(R) and 123, respectively. During 2006 and 2005, the Company granted 2,182,500 and 672,500 warrants, respectively to non-employees that were accounted for pursuant to SFAS No.123(R) and 123, respectively. See detailed discussion of stock based compensation in Note 9. (T) Recent Accounting Pronouncements In February 2006, the Financial Accounting Standards Board issued Statement No.155 ("FAS No 155"), "Accounting for Certain Hybrid Instruments: An Amendment of FASB Statements No.133 and 140." Management does not believe that this statement will have a significant impact as the Company does not use such instruments. In May 2006, the SEC announced that the compliance date for non-accelerated filers pursuant to Section 404 of the Sarbanes-Oxley Act had been extended. Under the latest extension, a company that is not required to file its annual and quarterly reports on an accelerated basis must begin to comply with the internal control over financial reporting requirements for its first fiscal year ending on or after July 15, 2008, which, for us, is effective for fiscal 2008 beginning January 1, 2008. This is a one-year extension from the previously established July 15, 2007 compliance date established in September 2005. The SEC similarly extended the compliance date for these companies relating to requirements regarding evaluation of internal control over financial reporting and management certification requirements. We are currently evaluating the impact of Section 404 of the Sarbanes-Oxley Act on our results of operations, cash flows or financial condition. In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No.48, "Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No.109" ("FIN 48"), which provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position may be recognized only if it is "more likely than not" that the position is sustainable based on its technical merits. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company does not expect FIN 48 will have a material effect on its consolidated financial condition or results of operations. F-10 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 In September 2006, the SEC issued Staff Accounting Bulletin ("SAB") 108 which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for the first interim period following the first fiscal year ending after November 15, 2006, which, for us, is effective for fiscal 2007 beginning January 1, 2007. We believe that the adoption of SAB 108 will not have a material impact on the Company's results of operations, cash flows or financial condition. The Company does not believe that any other recently issued, but not yet effective accounting standards will have a material effect on the Company's consolidated financial position, results of operations or cash flows. Note 3 - Equipment The major classes of property and equipment at December 31, 2006 are as follows: Classification Estimated Life ------------------ ------------------ Equipment 5 years $1,912,052 Furniture 5-7 years 101,578 ------------------ 2,013,630 Less: accumulated depreciation (950,506) ------------------ Equipment, net $1,063,124 ================== Depreciation expense for property and equipment for the years ended December 31, 2006 and 2005 was $249,349 and $227,041 respectively. Of the totals presented above, capitalized equipment under capital leases had a gross carrying value of $1,064,050 and accumulated depreciation of $287,800 at December 31, 2006. Note 4 - Acquisition, Intangible Assets and Goodwill On January 6, 2004, iGames acquired the capital stock of Available Money, Inc. ("Available Money") a provider of ATM cash access services. This expanded our casino ATM business but it also propelled the Company into non-casino related ATM businesses, such as strip malls. The acquisition was accounted for under the purchase method of accounting and the results of operations of Available Money are included in the operations of the Company from January 6, 2004. The purchase price was $6,000,000. The initial goodwill recorded on this purchase was approximately $3,800,000 (see Note 1(I)). The remaining $2,100,000 was assigned to contract rights based on the discounted projected cash flow from the contracts through their expiration dates, using a 15% discount rate. At December 31, 2006, the net book value of contract rights was $242. During 2004, certain of the Available Money contracts were not renewed and the Company has canceled 1,470,589 shares of stock issued to the former Available Money shareholders, representing a $2,000,002 reduction in the purchase price, the

Company has accordingly lowered the goodwill recorded on the purchase by $2,000,002, to approximately $1,831,000. As part of the settlement with the former owners of AM, the purchase price was reduced by $150,000 and the Company reduced goodwill by $150,000 in March of 2005. As a result of the July 2005 settlements of litigation with Equitex, Inc. and Chex Services, Inc. goodwill was reduced by $1,500,000 to approximately $200,000. The $1,500,000 reduction was offset against a corresponding reduction in loans payable. During 2006 the remaining balance of approximately $200,000 was written off. F-11 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Intangible assets and Goodwill at December 31, 2006 are as follows: (a) Intangible assets Estimated Life ---------------------- -------------- Software 15 Years $9,928 Software development costs 5-7 years 1,194,510 Website development costs 3 years 24,000 Contract rights 1 - 3 years 2,100,306 Other 3 years 5,108 --------------- 3,333,852 Less: accumulated amortization (2,161,633) -------------- Intangibles, net $ 1,172,219 =============== Amortization expense, for intangible assets, for the years ended December 31, 2006 and 2005 was $67,259 and $666,537 respectively. The following table represents the balance of intangible assets over the next 5 years and thereafter: Intangible assets Total 2007 2008 2009 2010 2011 Thereafter ----- ---- ---- ---- ---- ---- ---------- subject to amortization Gross capitalized amount 3,333,851 3,333,851 3,333,851 3,333,851 3,333,851 3,333,851 3,333,851 Accumulated amortization (2,161,633) (2,283,270) (2,401,370) (2,517,892) (2,634,387) (2,750,882) (3,333,851) --------------- --------------- --------------- --------------- --------------- --------------- -------------- Intangibles, net of accumulated amortization 1,172,218 1,050,581 932,481 815,959 699,464 582,969 0 =============== =============== ================ =============== =============== =============== ============== Amortization expense 67,259 121,637 118,100 116,522 116,495 116,495 582,969 F-12 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Note 5 - Convertible Notes Payable and Notes Payable (A) Convertible Notes Payable During 2005, the Company borrowed $250,000 from a relative of the Company's President and CEO and issued a convertible promissory note. In connection with the issuance of this convertible promissory note, the Company issued warrants to purchase an aggregate of 125,000 shares of its common stock at an exercise price of $0.01. The note bears interest at 10% with default interest at 25%. The note is unsecured and was due in September 2006. The debt is convertible at the option of the holder into shares of our common stock at a conversion price equal to 85% of the average of the mean of the closing bid and ask prices for the 10 trading days immediately preceding the conversion by the holder, but not less than a floor amount of $0.45 ("floor"). As a result of the established floor price on these convertible debt instruments, the Company has determined that it has enough authorized and unissued shares to settle all potential conversions related to this debt instrument as well any other outstanding equity instruments that are convertible. This convertible debt instrument is not considered a derivative liability. Rather, pursuant to the literature in APB No.14, EITF No.98-5 and EITF No.00-27, this instrument is considered convertible debt that requires an allocation of proceeds between the convertible debt and related warrants. At December 31, 2006, the Company was in default with respect to the repayment of this promissory note. Terms of repayment are currently being negotiated. Management used the following weighted average assumptions on the date of issue when determining the fair value of the freestanding warrants issued in connection with the convertible debt: Expected dividend yield 0% Expected volatility 175.48% - 176.68% Risk free interest rate 4.25% Expected life of option 2 years At December 31, 2006, the Company had the following outstanding convertible notes payable: Convertible notes payable - related party $250,000 Total convertible notes payable $250,000 At December 31, 2006, the Company had the following outstanding accrued interest payable for all convertible and non-convertible debt instruments: Convertible notes payable - related party - accrued interest $ 33,810 Interest accrued on Notes Payable and Lines of Credit 70,965 Interest accrued on non convertible related note (see Note 5(B)) 4,253 ---------------- Total accrued interest payable, Convertible notes $109,028 ================= F-13 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (B) Notes Payable Notes payable at December 31, 2006 consisted of the following: -- -------------------------------- In March 2006 the Company borrowed an aggregate $50,000 evidenced by two separate $25,000 promissory notes. The Company recorded a debt discount of $6,682 related to the beneficial conversion feature attributed to the 25,000 warrants issued in connection with these notes. At December 31, 2006, the Company recorded amortization of debt discount for these notes totaling $6,682 as a component of $ 25,000 interest expense. In December 2006, one of these $25,000 notes had been paid in full. -- -------------------------------- In December 2006 the Company borrowed an aggregate $4,750,000 from a related party, Baena Advisors, LLC ("Baena"), evidenced by a promissory note. Baena is owned by Sean Wolfington, the brother of our Chief Executive Officer and 4,750,000 Chairman. Interest on the note is payable monthly and bears interest at 30-day LIBOR plus 13% per annum. Monthly payments consist of interest only with the full amount of the note due at the end of the two year term. -- -------------------------------- In December 2006 the Company borrowed an aggregate $2,525,000 evidenced by a promissory note. Interest on the note is payable monthly and bears interest at a rate of 12.75% per annum. Monthly payments consist of interest only with the full amount of the note due at the end of the two year term. 2,412,668 -- -------------------------------- On September 10, 2004, the Company borrowed $210,000 from a family member of our chief executive officer to pay an advance on commissions to a casino. The note bears interest at 10% per annum and is payable monthly, beginning October 1, 2004. The principal amount of this note is repayable in monthly payments payable on the 1st day of each month commencing with the second month following the month in which the Company commences operations at the casino. As additional 30,000 consideration for extending the principal amount of this loan to the Company, the Company issued warrants to purchase 50,000 of the Company's common stock at an exercise price of $0.33 per share. In March 2006 the Company recorded additional interest expense of $9,300 on this note related to the warrants. During 2006, the Company repaid this related party $40,000 in connection with this promissory note. -- -------------------------------- Notes Payable $7,217,668 -- -------------------------------- During 2006, the Company reflected aggregate principal repayments of $2,892,259 for all non-convertible promissory notes. Note 6 - Capital Leases In February 2006, the Company entered into a new capital lease for 4 ATM machines at a Casino in California. The capitalized cost of the ATM machines is $63,685. The terms of this lease require an approximately $19,000 down payment 90 days from installation with the remaining balance of approximately $44,685 financed over 59 months, at 15.15% for $949 per month. This note is collateralized by the equipment. F-14 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 In February 2006, the Company entered into a new capital lease for 1 additional ATM machine at a Casino in New Mexico. The capitalized cost of the ATM machine is $15,894. The terms of this lease require an approximately $5,000 down payment 90 days from installation with the remaining balance of approximately $10,894 financed over 59 months, at 14.53% for $237 per month. This note is collateralized by the equipment. In April 2006, the Company entered into a new capital lease for 4 additional ATM machines at a Casino in Wisconsin. The capitalized cost of the ATM machines is $63,574. The terms of this lease require an approximately $19,000 down payment 90 days from installation with the remaining $44,574 financed over 59 months, at 8.61% for $928 per month. This note is collateralized by the equipment. In April 2006, the Company entered into a new capital lease for 2 ATM machines at a Casino in California. The capitalized cost of the ATM machines is $39,644. The terms of this lease require an approximately $12,000 down payment 90 days from installation with the remaining $27,644 financed over 59 months, at 8.61% for $579 per month. This note is collateralized by the equipment. In April 2006, the Company entered into a new capital lease for 4 additional ATM machines at a Casino in Colorado. The capitalized cost of the ATM machines is $77,129. The terms of this lease require an approximately $23,000 down payment 90 days from installation with the remaining $54,129 financed over 59 months, at 8.61% for $1,126 per month. This note is collateralized by the equipment. In April 2006, the Company entered into a new capital lease for 2 ATM machines at retail locations in New York. The capitalized cost of the ATM machines is $32,986. The terms of this lease require an approximately $10,000 down payment 90 days from installation with the remaining $22,986 financed over 59 months, at 8.61% for $482 per month. This note is collateralized by the equipment. In September 2006, the Company entered into a new capital lease for 5 ATM machines at retail locations in California. The capitalized cost of the ATM machine is $131,679. The terms of this lease require an approximately $39,500 down payment 90 days from installation with the remaining $92,179 financed over 59 months, at 8.25% for $1,906 per month. This note is collateralized by the equipment. In October 2006, the Company entered into a new capital lease for 4 ATM machines at retail locations in California. The capitalized cost of the ATM machine is $100,063. The terms of this lease require an approximately $28,500 down payment 90 days from installation with the remaining $71,563 financed over 59 months, at 5.06% for $1,374 per month. This note is collateralized by the equipment. In October 2006, the Company entered into a new capital lease for 1 ATM machine at a retail location in Florida. The capitalized cost of the ATM machine is $19,331. The terms of this lease require an approximately $5,800 down payment 90 days from installation with the remaining $13,531 financed over 59 months, at 8.23% for $280 per month. This note is collateralized by the equipment. In November 2006, the Company entered into a new capital lease for 1 ATM machine at a retail location in California. The capitalized cost of the ATM machine is $19,301. The terms of this lease require an approximately $5,800 down payment 90 days from installation with the remaining $13,501 financed over 59 months, at 8.33% for $280 per month. This note is collateralized by the equipment. F-15 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Capital lease obligations at December 31, 2006 consisted of the following: ------------- Obligation under capital lease, imputed interest rate at 20,482 12.78%; due May 2007; collateralized by equipment Obligation under capital lease, imputed interest rate at 27,958 8.21%; due December 2009; collateralized by equipment Obligation under capital lease, imputed interest rate at 27,958 8.21%; due December 2009; collateralized by equipment Obligation under capital lease, imputed interest rate at 59,208 7.95%; due March 2010; collateralized by equipment Obligation under capital lease, imputed interest rate at 8.3%; 10,704 due March 2010; collateralized by equipment Obligation under capital lease, imputed interest rate at 20,943 11.63%; due July 2010; collateralized by equipment Obligation under capital lease, imputed interest rate at 53,602 9.74%; due July 2010; collateralized by equipment Obligation under capital lease, imputed interest rate at 10,738 14.53%; due March 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 42,537 15.15%; due March 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 44,502 8.61%; due April 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 27,751 8.61%; due April 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 53,990 8.61%; due March 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 22,136 8.61%; due March 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 131,679 8.25%; due August 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 100,063 5.060%; due September 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 19,301 8.33%; due October 2011; collateralized by equipment Obligation under capital lease, imputed interest rate at 19,331 8.23%; due September 2011; collateralized by equipment Less: current maturities (209,620) ------------ Long term obligation, net of current portion 483,263 ============= Future minimum lease payments for equipment acquired under capital leases at December 31, 2006 are as follows: 2007 257,330 2008 165,759 2009 164,222 2010 127,814 2011 87,503 ----------- Total minimum lease payments 802,628 Less amount representing interest (109,745) ----------- Present value of net minimum lease 692,883 Less current portion (209,620) ------------ $483,263 =========== F-16 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Note 7 - Lines of Credit Lines of credit at December 31, 2006 consisted of the following: Line of credit, interest is payable monthly at 9% per annum, the line is unsecured and due on demand. This line has been established with one of our $922,827 casino customers. Line of credit, non-interest bearing, the line is unsecured and due on demand. This line has been established with one of our casino customers. 1,399,040 Line of credit, the line is unsecured and due on demand. The Company pays a fixed stated amount of interest totaling $1,000 per month. The payments are recorded and charged to interest expense. This line has been established with one of our casino customers. At December 31, 2006, the Company had 723,310 recorded related accrued interest payable of $1,000 in connection with this line of credit. --------------- Lines of Credit $3,045,177 =============== Note 8 - Due to Officer During 2006, the Company issued a $45,019 note to its CEO in payment of the CEO's 2005 guaranteed bonus. This loan and other notes to our CEO bear interest at 10%, are unsecured and due on demand. The outstanding principal and related accrued interest balance on these notes at December 31, 2006 was $122,710. Of the total, $3,580 represented accrued interest payable. Note 9 - Stockholders' Deficit Year Ended December 31, 2006 (A) Common Stock Issuances (1) Cash In August 2006, the Company issued 4,800,000 shares of common stock to investors at $.25 per share. The Company received proceeds of $1,038,390 from the transaction net of offering costs. In November 2006, the Company issued 300,000 shares of common stock to investors at $.25 per share. The Company received proceeds of $75,000 from the transaction. (2) Services In February 2006, the Company issued 9,158 shares of common stock to employees for services rendered in lieu of cash bonuses. The Company valued the shares at the fair value on the date of issuance which was $.43 per share based on the quoted closing trading price and recorded non-cash compensation expense of $3,938. In September 2006, the Company issued 6,217 shares of common stock to employees for services rendered in lieu of cash bonuses. The Company valued the shares at the fair value on the date of issuance which was $.29 per share based on the quoted closing trading price and recorded non-cash compensation expense of $1,803. F-17 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (3) Exercise of Options/Warrants In February 2006, an employee and a consultant exercised options and warrants to purchase 75,000 shares of the Company's common stock at $.01 per share. The Company received proceeds of $750 from the transaction and issued 75,000 shares. In April 2006, an employee exercised options to purchase 15,000 shares of the Company's common stock at $.01 per share, The Company received proceeds of $150 from the transaction and issued 15,000 shares of common stock. In April 2006, an employee exercised options to purchase 25,000 shares of the Company's common stock at $.01 per share, The Company received proceeds of $250 from the transaction and issued 25,000 shares of common stock. In July 2006, a lender exercised warrants to purchase 25,000 shares of the Company's common stock at $.01 per share The Company received proceeds of $250 from the transaction and issued 25,000 shares. In October 2006, a lender exercised warrants to purchase 50,000 shares of the Company's common stock at $.01 per share The Company received proceeds of $500 from the transaction and issued 50,000 shares. In December 2006, an employee exercised warrants to purchase 12,500 shares of the Company's common stock at $.33 per share The Company received proceeds of $4,125 from the transaction and issued 12,500 shares. (B) Accrued Penalty Shares At December 31, 2006, pursuant to the terms of a prior common stock offering with registration rights, the Company has accrued penalties in the amount of 135,000 shares. The Company has valued these shares at $81,048 based on the quoted closing trading price every two weeks when the penalty accrues. The fair value of the penalty has been recorded as a component of accrued expenses. In February 2006, the Company's Form SB-2 was declared effective. Pursuant to the terms of the original agreement once a registration statement had been declared effective, accrual of penalty shares is no longer required. As of February 2006, the penalty shares have ceased accruing. (C) Stock Options The Company follows SFAS No.123R for all share based payment awards. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option pricing model. The following is a summary of all stock option and warrant activity with employees and non-employees during 2006: (1) Option Grants - Employees In November 2006, 100,000 options at an exercise price of $0.01 per share were issued to the Company's Chief Financial Officer according to a board resolution. The Company valued these shares at $25,960, the fair market value based on the Black-Scholes model, and accordingly recorded a noncash compensation expense in the same amount. In November 2006, 200,000 options at an exercise price of $0.26 per share were issued to the Company's Chief Financial Officer according to a board resolution. The Company valued these shares at $51,520, the fair market value based on the Black-Scholes model, and accordingly recorded a noncash compensation expense in the same amount. F-18 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 In November 2006, 400,000 options at an exercise price of $0.01 per share were issued to the Company's Board of Directors according to a board resolution. The Company valued these shares at $103,840, the fair market value based on the Black-Scholes model, and accordingly recorded a noncash compensation expense in the same amount. In December 2006, 3,780,780 options at an exercise price of $0.01 per share issued to the Company's Chief Executive Officer vested according to the executive's employment agreement. The Company valued these shares at $1,888,122, the fair market value based on the Black-Scholes model, and accordingly recorded a noncash compensation expense in the same amount. (2) Options/ Warrants Exercised - Employees/Consultants In February 2006, a consultant exercised warrants to purchase 5,000 shares of the Company's common stock at $.01 per share. The Company received proceeds of $50 from the transaction and issued 5,000 shares of common stock. In February 2006, an employee exercised options to purchase 70,000 shares of the Company's common stock at $.01 per share. The Company received proceeds of $700 from the transaction and issued 70,000 shares of common stock. In April 2006, an employee exercised options to purchase

15,000 shares of the Company's common stock at $.01 per share, The Company received proceeds of $150 from the transaction and issued 15,000 shares of common stock. In April 2006, an employee exercised options to purchase 25,000 shares of the Company's common stock at $.01 per share, The Company received proceeds of $250 from the transaction and issued 25,000 shares of common stock. In December 2006, an employee exercised options to purchase 12,500 shares of the Company's common stock at $.33 per share. The Company received proceeds of $4,125 from the transaction and issued 12,500 shares (3) Options Vested - Employees In May, 2006, options to purchase 12,500 shares of the Company's common stock at an exercise price of $0.33 per share previously issued to an employee vested according to their stock option agreement. The Company valued these shares at $4,266, the fair market value based on the Black-Scholes model, and accordingly recorded a noncash compensation expense in the same amount. In June 2006, options to purchase 50,000 shares of the Company's common stock at an exercise price of $0.42 per share previously issued to the Company's Chief Financial Officer vested according to the executive's employment agreement. The Company valued these shares at $18,955, the fair market value based on the Black-Scholes model, and accordingly recorded a noncash compensation expense in the same amount. In December 2006, options to purchase 12,500 shares of the Company's common stock at an exercise price of $0.33 per share previously issued to an employee vested according to their stock option agreement. The Company valued these shares at $4,266, the fair market value based on the Black-Scholes model, and accordingly recorded a noncash compensation expense in the same amount. F-19 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (4) Option Forfeitures - Employees None (5) Weighted Average Assumptions for 2006 Option Grants - Employees ---------------------------------- ----------------- Exercise prices on grant dates $0.01 - $0.26 ---------------------------------- ----------------- Expected dividend yields 0% ---------------------------------- ----------------- Expected Volatility 157 - 199 ---------------------------------- ----------------- Risk free interest rates 4% ---------------------------------- ----------------- Expected lives of options 10 years ---------------------------------- ----------------- Employee stock option activity for the years ended December 31, 2006 and 2005 are summarized as follows: Number of Shares Weighted Average Exercise Price ------------------ --------------------- Outstanding at December 31, 2004 3,161,250 $ .15 Granted 477,500 .49 Exercised (30,000) .01 Cancelled/Expired (6,250) .40 Outstanding at December 31, 2005 3,602,500 $ .19 Granted 4,480,780 .02 Exercised (122,500) .01 Cancelled/Expired - - Outstanding at December 31, 2006 7,960,780 $.10 F-20 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 The following table summarizes the Company's employee stock options outstanding at December 31, 2006: Options Outstanding ------------------- ------------------ ------------------- Weighted Average Weighted Average Range of Exercise Remaining Life Exercise Price Price Number ----------------- ------------------- ------------------- ------------------- .01 7,045,780 7.01-10.00 .01 ----------------- ------------------- ------------------- -------------------- .26-.33 315,000 1.00-9.88 .28 .42 200,000 7.46 .42 .70-.77 212,500 7.34-8.05 .75 2.00-2.28 187,500 6.50-6.84 2.11 ------------------- 7,960,780 =================== The exercise prices of all options granted by the Company equal the market price at the dates of the grant. Had compensation cost for the stock option plan been determined based on the fair value of the options at the grant dates consistent with the valuation method of SFAS No.123R, "Accounting for Stock Based Compensation," the Company's net loss and loss per share would have been changed to the pro forma amounts indicated below for the year ended December 31, 2005. Twelve Months Ended December 31, 2005 Net loss reported $(1,666,167) Add: total stock based (49,675) compensation expense determined under fair value based method, net of related tax effect Pro forma net loss $(1,715,842) Basic loss per share As Reported $(.07) Proforma $(.07) The above pro forma disclosures may not be representative of the effects on reported net earnings for future years as options vest over several years and the Company may continue to grant options to employees. F-21 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (D) Warrants In March 2006 the Company borrowed an aggregate $50,000 evidenced by two separate $25,000 promissory notes. The Company recorded a debt discount of $6,682 related to the beneficial conversion feature attributed to the warrants to purchase 25,000 shares of the Company's common stock issued in connection with these notes. In March 2006, the warrants to purchase 25,000 shares of the Company's common stock previously issued to a related party lender pursuant to a promissory note became exercisable as the original principal and interest was not paid in full by March 1, 2006. In May, 2006, the Company issued warrants to purchase 20,000 shares of the Company's stock at an exercise price of $0.33 per share to a consultant for services rendered. According to the issuance warrants to purchase 10,000 shares of the Company's common stock vested June 29, 2006 and the remaining warrants to purchase 10,000 shares of the Company's common stock vested August 28, 2006. The Company valued the 10,000 vested warrants at $3,241 and accordingly recorded a noncash compensation expense in the same amount. Also in May 2006, the Company issued warrants to purchase 12,500 shares of the Company's stock at $0.01 to a lender. In August 2006, in connection with the 4.8 million shares sold the Company issued warrants to purchase 100,000 shares of the Company's common stock at a strike price of $.36 to various consultants. The Company valued the shares using the Black-Scholes method at the fair value on the date of issuance which was $.33 per share and recorded offering cost of $33,010. In December 2006, in connection with the refinancing with our new lender Baena Advisors, LLC, the Company issued warrants to purchase 2,000,000 shares of the Company's common stock at a strike price of $.01 to Baena. The Company valued the shares using the Black-Scholes method at the fair value on the date of issuance which was $.33 per share and recorded deferred financing cost of $998,800. Number of Weighted Average Shares Exercise Price --------------- --------------- Outstanding at December 31, 2004 2,079,438 $ 3.13 Granted 172,500 .41 Exercised (150,000) .01 Cancelled (644,438) 4.00 --------------- --------------- Outstanding at December 31, 2005 1,457,500 2.72 Granted 2,182,500 .03 Exercised (75,000) .01 Cancelled - - --------------- --------------- Outstanding at December 31, 2006 3,565,000 $ 1.13 --------------- --------------- Warrant activity for the year ended December 31, 2006 is summarized as follows: F-22 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Warrants Outstanding ------------------ ------------------ ----------------- Range of Exercise Weighted Average Weighted Average Price Number Remaining Life Exercise Price -------------------- ------------------ ------------------- ----------------- .01 2,290,000 5.73-7.06 .01 .30-.36 270,000 2.70-7.80 .35 .40-.44 30,000 8.76 .42 .47-.51 30,000 8.67-8.76 .49 1.00 75,000 1.50 1.00 2.40 112,500 1.82-6.25 2.40 4.00-6.00 757,500 .25-1.50 4.68 ------------------ 3,565,000 All outstanding warrants are exercisable at December 31, 2006, with the exception of 1million of Baena's warrants. Year Ended December 31, 2005 (A) Common Stock Issuances (1) Cash In January 2005, the Company raised $479,500, net of offering costs of $22,500, from the sale of 984,314 shares of common stock at the price of $0.51 per share. Offering costs have been recorded as a reduction of additional paid-in capital. (2) Services In January 2005, the Company issued 75,000 shares of common stock to its board of directors for services rendered. The Company valued the shares at the fair value on the date of issuance which was $.77 per share based on the quoted closing trading price and recorded non-cash compensation of $57,750. (3) Exercise of Options/Warrants During the year 2005, the Company's former chief executive officer, an affiliate, and an employee exercised an aggregate of options and warrants to purchase 180,000 shares of the Company's common stock and warrants at $.01 per share. The Company received proceeds of $1,800 from the transaction and issued 180,000 shares. (B) Accrued Penalty Shares At December 31, 2005, pursuant to the terms of a prior common stock offering with registration rights, the Company has accrued penalties in the amount of 135,000 shares. The Company has valued these shares at $78,798 based on the quoted closing trading price every two weeks when the penalty accrues. The fair value of the penalty has been recorded as a component of accrued expenses. In February 2006, the Company's Form SB-2 was declared effective. Pursuant to the terms of the original agreement once a registration statement had been declared effective, accrual of penalty shares is no longer required. As of February 2006, the penalty shares have ceased accruing. F-23 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (C) Stock Options In 2005 the Company followed fair value accounting and the related provisions of APB No.25 for employees and SFAS No.123 for all share based payment awards to its non-employees. Beginning in January of 2006 the Company adopted the provisions of SFAS No.123R. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option pricing model. The following is a summary of all stock options and warrants activity with employees and non-employees during 2005: (1) Option Grants - Employees During 2005, the Company granted options to purchase 477,500 shares of the Company's common stock to employees. The grants had exercise prices ranging from $0.33 to $0.77 per share. Of the total, options to purchase 225,000 shares of the Company's common stock had specific vesting provisions. Options to purchase 200,000 shares of the Company's common stock vest ratable over a two year period and the remaining options to purchase 25,000 shares of the Company's common stock vest 50% in June 2006 and 50% in December 2006. These options had expiration dates ranging from 3 years to 10 years from the date of issuance. (2) Options/ Warrants Exercised - Employees In February 2005, the Company's former chief executive officer and an affiliate exercised warrants to purchase 150,000 shares of the Company's common stock at $.01 per share. The Company received proceeds of $1,500 from the transaction and issued 150,000 shares of common stock. In June 2005, an employee exercised options to purchase 30,000 shares of the Company's common stock at $.01 per share. The Company received proceeds of $300 from the transaction and issued 30,000 shares of common stock. (3) Option Forfeitures - Employees In August 2005, a previous employee's option to purchase 6,250 shares of the Company's common stock at an exercise price of $.40 expired. (4) Weighted Average Assumptions for 2005 Option Grants - Employees Exercise prices on grant dates $0.01 - $0.77 ---------------------------------- -------------------- Expected dividend yield 0% ---------------------------------- -------------------- Expected Volatility 150% - 205% ---------------------------------- -------------------- Risk free interest rates 3%-4% ---------------------------------- -------------------- Expected lives of options 2-10 years ---------------------------------- -------------------- F-24 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Note 10 - Commitments and Contingencies (1) Operating Leases In connection with converting all of the Available Money ATM's, the Company now pays rent to various mall properties where it has ATM machines. These monthly rents average $36,000 per month in the aggregate. The Company is party to a 39-month lease agreement pursuant to which it rents office space in Pennsylvania at a monthly rent of $2,635. This lease expires February 2008. The Company's total rent expense under operating leases was $474,106 and $556,686 for the years ended December 31, 2006 and 2005, respectively. Estimated rent expense under non-cancelable operating leases over the next five years is as follows: ---------- ---------------- 2007 332,663 ---------- ---------------- 2008 295,588 ---------- ---------------- 2009 289,848 ---------- ---------------- 2010 120,770 ---------- ---------------- 2011 - ---------- ---------------- Total 1,038,869 ---------- ---------------- (2) Casino Contracts The Company operates at a number of Native American owned gaming establishments under contracts requiring the Company to pay commissions to operate at the respective gaming locations. Typically, the fees are earned by the gaming establishment over the life of the contract based on one of the following scenarios: (A) A dollar amount, as defined by the contract, per transaction volume processed by the Company. (B) A percentage of the Company's profits at the respective location. As of December 31, 2006 the Company has recorded $571,640 of accrued commissions on casino contracts. Pursuant to the contracts, the Native American owned casinos have not waived their sovereign immunity. (3) Employment Agreements (A) CEO (1) Employment Agreement In January 2004, the Company entered into a five-year employment agreement with its Chairman, President and Chief Executive Officer. In addition to an annual salary of $350,000 per year (subject to annual increases at the discretion of the Board of Directors) (the "Base Salary"), the employment agreement provides for a $200,000 signing bonus, a guaranteed bonus equal to 50% of his Base Salary in any calendar year (the "Guaranteed Bonus") and a discretionary incentive bonus of up to 50% of his Base Salary in any calendar year pursuant to a bonus program to be adopted by the Board of Directors (the "Incentive Bonus"). Pursuant to his employment agreement, the officer is entitled to fringe benefits including participation in retirement plans, life insurance, hospitalization, major medical, paid vacation, a leased automobile and expense reimbursement. Effective March 2006, the Company amended the executive's agreement to reduce his guaranteed bonus for 2005 from 50% of his salary to 12.5% of his salary. At December 31, 2006, the Company had accrued $175,000 for bonus. F-25 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 (2) Commissions Payable The Company pays sales commission to sales persons closing various contracts. The CEO was paid $29,994 in sales commission for 2006. (B) CFO/COO In March 2007, the Company entered into an amended and restated employment agreement, dated March 1, 2007 which amended and restated the employment agreement, dated June 14, 2005, by and between the Company and its Chief Financial Officer. Mr. Walsh shall serve as the Company's Chief Financial Officer and Chief Operating Officer. The term of the Employment Agreement was retroactive to December 31, 2006 and continues until the earlier of CFO's death or termination by either the Company or the CFO. The CFO/COO annual salary shall be no less than $170,000. Upon termination of the Employment Agreement within six (6) months following a change in control of the Company either by the Company without cause or by the CFO/COO, the CFO/COO will receive severance pay equal to one year's salary. In addition, the CFO was granted options to purchase 500,000 shares of the Company's common stock with an exercise price of $.38 per share. The Options have a term of ten years and are exercisable as follows: (i) options to purchase

250,000 shares of the Company's common stock are exercisable on July 1, 2007; and (ii) options to purchase 250,000 shares of the Company's common stock are exercisable on December 31, 2007, in each case as long as the CFO is employed by the Company. The Options are immediately exercisable following a change in control of the Company. If CFO's employment by the Company is terminated by the Company without good cause or CFO elects early termination with good reason, all unvested Options automatically vest. (4) Litigation On or about October 14, 2004, Lake Street Gaming, LLC ("Lake Street") filed a Complaint against iGames Entertainment, Inc. and Money Centers of America, Inc. ("MCA") (collectively referred to hereinafter as "iGames") in the United States District Court for the Eastern District of Pennsylvania, alleging that iGames breached an Asset Purchase Agreement ("APA") that the parties executed on or about February 14, 2003. By virtue of the APA, Lake Street sold to iGames all of Lake Street's right, title and interest in a casino game called "Table Slots." Lake Street alleges that it is entitled to additional compensation for the game. The parties in this matter reached a settlement in principal which is in the drafting stage. The court, having been notified of the settlement, dismissed the action on March 12, 2007. Pursuant to the terms of the settlement agreement, Money Centers of America, Inc. ("MCA") will pay Lake Street Gaming, LLC ("Lake Street") a total of $160,000.00. Under the agreement reached, MCA will make an initial payment of $30,000.00 followed by monthly payments of $4,333.33 for thirty (30) months. The settlement also requires that certain stock be held in escrow and has a contingency for early payment. F-26 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 On or about October 26, 2006, Money Centers of America, Inc. ("MCA") served a demand for arbitration on The Campo Band of Kumeyaay Indians d/b/a The Golden Acorn Casino (the "Casino") and on Ralph Goff, the tribe Vice Chairman, individually, and requested that the Casino and Mr. Goff consent to the jurisdiction of the JAMS arbitrator in Philadelphia. MCA filed the demand to recover damages it suffered as a result of having its Financial Services Agreement wrongfully terminated by the Casino and from being evicted from the Casino without sufficient notice. The Casino has refused to consent to the jurisdiction of JAMS (i.e., the chosen arbitration service) in Philadelphia. On or about March 1, 2007, the Casino served MCA with a demand for arbitration which it purportedly filed with JAMS in San Diego, California. The Casino allegedly seeks in excess of $922,826.73 in damages which it claims resulted from MCA's breach of the same Financial Service Agreement that MCA alleges was wrongfully terminated. MCA has not consented to the jurisdiction of JAMS in San Diego, California. On March 2, 2007, the trial of Ameristar Casino v. Money Centers of America and Available Money was held in Gilpin County District Court. Ameristar Casino alleged that they permitted Defendants to operate their ATM's on its property and that Defendants never paid the plaintiff the agreed-upon fee structure for those ATM's. Ameristar Casino alleged that Defendants breached their agreement with Plaintiff by refusing to make payments for the ATM's on casino premises in January and February, 2005. In addition, Ameristar Casinos also alleged that Defendants' ATM's on casino premises in January and February 2005 generated revenue which conferred a benefit on Defendants that would be inequitable for Defendants to retain without payment of its value to Plaintiff. The one-day trial concluded on March 2, 2007. The Court ruled in favor of Money Centers on the Plaintiff's breach of contract claim. The Court ruled against money Centers on the Plaintiff's unjust enrichment claim and a judgment was entered in the amount of $56,879 plus statutory interest in favor of the Ameristar Casinos. With interest through March 20, 2007 the value of the debt owed by Money Centers of America as a result of the judgment is $67,019. The advisability of appeal is being considered. The exposure to further loss on appeal is interest on the judgment at 9% compounded annually while the appeal is pending, assuming the verdict is not reversed. On or about November 8, 2006, Plaintiffs GFM LLC, The Grove Cinemas, LLC and the Commons at Calabasas, LLC (collectively, "Plaintiffs") filed a Complaint against Available Money, Inc. and Money Centers of America (collectively, "MCA"), alleging that MCA breached lease agreements executed on February 15, 2002 and January 7, 2004. Under the agreements, MCA rented from Plaintiffs a portion of certain locations for purposes of an ATM machine. Due to Money Centers' acquisition of Available Money, Inc, the original party to the lease, Plaintiffs allege that the transfer was "unpermitted" and therefore a breach of the lease. This case has just entered the discovery stage and a trial date has not been set. Note 11 - Customer Concentrations For the year ended December 31, 2006, approximately 62% of total revenues were derived from operations at three full service casinos. No other customers represented more than ten percent of the Company's total revenues for the year ended December 31, 2006. One of these casinos did not renew its contract in May of 2006, but still represented 16.7 percent of our revenues in 2006. For the year ended December

31, 2005, approximately 44 % of total revenues were derived from operations at two full service casinos. No other customers represented more than ten percent of the Company's total revenues for the year ended December 31, 2005. Note 12 - Cash Rental Program and Related Interest Expense Included in interest expense are monies owed to an unrelated vendor for interest charges. The interest is based on the amount of cash in the Company's Available Money ATM machines and network and is calculated on a daily basis. The balance of this cash funded by the vendor in the Company's ATM machines at December 31, 2006 was approximately $845,000. The interest rate on the $845,000 is prime plus zero. Effectively the company rents this cash. The Company does not reflect this cash as an asset or the loan as a liability on its balance sheet at year end. Interest expense from this cash was $270,068 for 2006. F-27 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Note 13 - Income Taxes Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets (liabilities) are as follows: December 31, ------------------------------------ Deferred tax assets: 2006 2005 --------------- --------------- Net operating loss carryforwards $ 2,779,000 $ 2,198,000 --------------- --------------- Accrued expenses 325,000 251,000 --------------- --------------- Depreciation and amortization 60,000 57,000 --------------- --------------- Stock option compensation 739,000 --------------- --------------- Less valuation allowance (3,903,000) (2,506,000) --------------- --------------- Net deferred tax assets $ - $ - =============== =============== The reconciliation of the income tax computed at the U.S. federal statutory rate to income tax expense for the periods ended December 31, 2006 and 2005: December 31, ------------------------------------ 2006 2005 --------------- --------------- Tax benefit at federal statutory $ 1,520,000 $ 620,000 rate (34%) --------------- --------------- Non-deductible stock compensation - (85,000) --------------- --------------- Non-deductible expenses (123,000) (75,000) Net operating losses related to 0 0 mergers Change in valuation allowance (1,397,000) (460,000) --------------- --------------- Net income tax benefit $ - $ - =============== =============== FASB No.109 requires a valuation allowance to reduce the deferred tax assets reported if, based on weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management has determined that a full valuation allowance at December 31, 2006 is necessary to reduce the deferred tax assets to the amount that will more likely than not be realized. At December 31, 2006, the Company has available net operating loss carryforwards of approximately $6,465,000, which expire in the year 2021-2025. $2,425,000 of the Net Operating Losses are subject to the limitations under Section 382 of the Internal Revenue Code relating to changes in ownership in the amount of $231,000 annually as calculated under code Section 382 of the Internal Revenue Code. F-28 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2006 Note 14 - Going Concern The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a working capital deficit of $870,437, a stockholders' deficit of $5,130,886 and an accumulated deficit of $20,819,468 at December 31, 2006. The Company also reflected a net loss of $4,342,466 and net cash used in operations of $1,393,453, for the year ended December 31, 2006. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of implementing its business plan. Additionally, management is actively seeking additional sources of capital, but no assurance can be made that capital will be available on reasonable terms. Management believes the actions it is taking allow the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Note 15 - Subsequent Events In January 2007, the Company paid in full a bridge loan in the amount of $25,000 to a non-related party. In February 2007, 2 board members exercised 200,000 options at $.01 per share. The Company received proceeds of $2,000 from the transaction and issued 200,000 shares. In February 2007, our Chief Financial officer exercised 12,500 warrants at $.01 per share. The Company received proceeds of $125 from the transaction and issued 12,500 shares. The Company and the CFO entered into a retroactive new employment agreement described in Note 10 3(b). In February 2007, the Company granted an aggregate 500,000 stock options to an employee. The grants have an exercise price of $0.83 per share. Of the total, 250,000 options will vest in July 2007, and the remaining 250,000 options will vest in December 2006. These options have expiration dates of February 28, 2017. In January 2007, the Company issued to a consultant warrants to purchase and aggregate 900,000 shares of our common stock at an exercise price ranging from $0.35 to $0.70 per share. 300,000 of these warrants vested on January 31, 2007. An additional 300,000 warrants will vest on January 31, 2008 with remaining 300,000 warrants vesting on January 31, 2009. These warrants have expiration dates of January 31, 2017. In February 2007, the Company granted an aggregate 100,000 stock options to an employee. The grants have an exercise price of $0.83 per share. All 100,000 options vested immediately. These options have expiration dates of February 28, 2017. In March 2007, the Company granted options to purchase and aggregate 400,000 options of the Company's common stock to its Board of Directors. The options have an exercise price of $0.01. F-29 MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARY CONSOLIDATED BALANCE SHEET MARCH 31, 2007 (UNAUDITED) ASSETS Current assets: Restricted cash $3,495,467 Accounts receivable 18,471 Prepaid expenses and other current assets 292,088 ------------------- Total current assets 3,806,026 Property and equipment, net 999,530 Other assets Intangible assets, net 1,218,929 Deferred financing costs 1,005,095 Deposits 55,398 ------------------- Total other assets 2,279,422 ------------------- $7,084,978 =================== LIABILITIES AND STOCKHOLDERS' DEFICIT Current liabilities: Accounts payable $470,122 Accrued interest 151,905 Accrued expenses 486,256 Current portion of capital lease 219,684 Convertible notes payable, related party 250,000 Lines of credit 2,401,688 Due to officer 281,032 Commissions payable 828,950 ------------------- Total current liabilities 5,089,637 Long-term liabilities: Capital lease, net of current portion 473,199 Note payable, related party 4,750,000 Notes payable, net of debt discount 2,540,000 ------------------- Total long-term liabilities 7,763,199 TOTAL LIABILITIES 12,852,836 Stockholders' Deficit: Preferred stock; $.001 par value, 20,000,000 shares authorized 0 shares issued and outstanding - Common stock; $.01 par value, 150,000,000 shares authorized 30,769,853 shares issued and outstanding 306,373 Additional paid-in capital 15,969,329 Accumulated deficit (22,043,560) ------------------- Total stockholders' deficit (5,767,858) ------------------- TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT $7,084,978 =================== See accompanying notes to unaudited consolidated financial statements. F-30 MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) THREE MONTHS ENDED MARCH 31, --- 2007 2006 --- Revenues $ 2,169,683 $ 3,839,067 Cost of revenues 1,703,219 3,056,745 --- Gross profit 466,464 782,322 Selling, general and administrative expenses 527,384 607,657 Noncash Compensation 585,995 6,188 Depreciation and amortization 222,532 75,109 --- Operating income (loss) (869,447) 93,368 Other income (expenses): Interest income 4,386 4,193 Interest expense (368,119) (447,532) Noncash interest expense - (73,488) --- Total Interest expense, net (363,733) (516,827) --- Other income 9,788 19,152 --- Total other income 9,788 19,152 --- Net loss $ (1,223,392) $ (404,307) == Net loss per common share basic $ (0.04) $ (0.02) == Net loss per common share diluted $ (0.04) $ (0.02) == Weighted Average Common Shares Outstanding During the Period -Basic 30,769,853 25,179,895 == -Diluted 30,769,853 25,179,895 == See accompanying notes to unaudited consolidated financial statements. F-31 MONEY CENTERS OF AMERICA, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) Three Months Ended March 31, ------------------------ 2007 2006 ----------- ----------- Cash flows from operating activities: Net loss $ (1,223,392) $ (404,307) Adjustments used to reconcile net loss to net cash (used in) provided by operating activities: Depreciation and amortization 222,532 74,632 Amortization of debt discount - 65,228 Issuance of common stock for services 990 3,938 Issuance of stock options for services 585,005 - Changes in operating assets and liabilities: Increase (decrease) in: Accounts payable (29,541) (193,068) Accrued interest 42,877 32,025 Accrued expenses (40,947) 29,818 Commissions payable (26,831) 88,165 (Increase) decrease in: Prepaid expenses and other current assets (21,490) 14,437 Accounts receivable 11,713 144,888 ----------- ----------- Net cash (used in) operating activities (479,084) (144,244) Cash flows from investing activities: Purchases of property and equipment (12,445) (9,706) Cash paid for acquisition and intangible assets (48,750) (60,000) ----------- ----------- Net cash used in investing activities (61,195) (69,706) Cash flows from financing activities: Net change in lines of credit (643,489) (1,532,533) Payments on capital lease obligations - (35,328) Advances to officer (13,098) (58,135) Proceeds from notes payable 72,329 50,000 Payments on notes payable - (40,374)

Exercise of stock options and warrants 621 750 ------------ ----------- Net cash used in financing activities (583,637) (1,615,620) NET (DECREASE) IN CASH (1,123,916) (1,829,570) CASH, beginning of period 4,619,383 6,264,848 ------------ ----------- CASH, end of period $ 3,495,467 $4,435,278 ============ =========== Supplemental disclosure of cash flow information: Cash paid during the period for interest $ 368,119 $ 447,532 ============ =========== Supplemental disclosure on non-cash investing and financing activities: Acquisition of equipment under capital lease $ - $ 79,580 ============ =========== Reduction of loan payable officer in exchange for related accrual $ 175,000 $ 743,750 ============ =========== Record beneficial conversion feature for convertible debt Detachable warrants $ - $ 6,682 ============ =========== See accompanying notes to unaudited consolidated financial statements. F-32 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Money Centers of America Inc. (the "Company" or "MCA"), a Delaware corporation, was incorporated in October 1997. The Company is a single source provider of cash access services, OnSwitch TM Transaction Management System, and the Omni Network TM. The Company has combined advanced technology with personalized customer services to deliver ATM, Credit Card Advance, POS Debit, Check Cashing Services, CreditPlus (outsourced marker services), cash access host program, customer data sharing and merchant card processing. (A) Basis of Presentation The unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP"). The unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. The Company and its subsidiaries have fiscal years ending on December 31. (B) Principles of Consolidation The Company consolidates its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. (C) Use of Estimates In preparing financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the periods presented. Actual results may differ from these estimates. Significant estimates during 2007 and 2006 include depreciable lives on equipment, the valuation of stock options granted for services, the value of warrants issued in connection with debt related financing, valuation of intangible assets not having finite lives and the valuation allowance for deferred tax assets since the Company had continuing operating losses. (D) Reclassification Certain prior periods balances have been reclassified to conform to the current period's financial statement presentation. These reclassifications had no impact on previously reported results of operations or stockholders' deficit. (E) Cash and Cash Equivalents and Compensating Balances For purposes of the statements of cash flows, the Company considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. The Company minimizes its credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. At March 31, 2007, the balance exceeded the federally insured limit by $3,436,586. In addition, the Company maintains a significant amount of cash at each of the casinos. Management believes that the Company has controls in place to safeguard these on-hand amounts, and that no significant credit risk exists with respect to cash. Additionally, the Company had $30,000 maintained under a compensating balance agreement. The $30,000 is retained due to potential dishonorment of bad checks that are unforeseen. There is an informal agreement between our bank and our lender that requires this compensating balance agreement. F-33 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 (F) Restricted Cash Restricted cash is the balance of cash that is in the Company's bank accounts and network that is used as collateral for our asset based lender (See Note 3). The Company does not have access to this cash unless there is an amount over and above the required amount of collateral. In order to pay operating expenses, the Company requests that the asset based lender transfer funds into the Company's unrestricted cash accounts. The restricted cash balance at March 31, 2007 was $3,495,467. (G) Accounts Receivable Accounts receivable arise primarily from ATM, credit card advances and check cashing services provided at casino locations. Concentration of credit risk related to ATM and credit card advances are limited to the processors who remit the cash advanced back to the Company along with the Company's allocable share of fees earned. The Company believes these processors are financially stable and no significant credit risk exists with respect to accounts receivable arising from credit card advances. Accordingly, no allowance was considered necessary at March 31, 2007 and 2006. (H) Equipment Equipment is stated at cost, less accumulated depreciation. Expenditures for maintenance and repairs are charged to expense as incurred. Equipment consists primarily of cash access devices and computer equipment. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from five to seven years. (I) Long Lived Assets The Company accounts for long-lived assets in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell the asset. There were no impairment charges taken during the periods ended March 31, 2007 and 2006. (J) Intangibles and Related Impairment Based on the discounted estimated cash flows of the Company over the remaining amortization period, the Company's carrying values of the assets would be reduced to their estimated fair values. Goodwill is assumed to have an indefinite life pursuant to statement of Financial Accounting Standards No. SFAS 142, "Goodwill and Other Intangible Assets" and accordingly is not amortized but subject to periodic impairment tests. Acquired contract rights are considered to have a finite life, pursuant to SFAS 142, to be amortized over the period the asset is expected to contribute to future cash flows. The Company expects the period to be 1 to 4 years. The contract rights will also be subject to periodic impairment tests. (K) Internal Use Software and Website Development Costs The Company has adopted the provisions of AICPA Statement of Position ("SOP") 98-1, "Accounting for the Costs of Software Developed or Obtained for Internal Use", and Emerging Issues Task Force ("EITF") Consensus #00-2. "Accounting for Website Development Costs." The type of costs incurred by the Company in developing its internal use software and Website include, but are not limited to payroll-related costs (e.g., fringe benefits) for employees who devote time to the internal use computer software or Website project, consulting fees, the price of computer software purchased from third parties and travel expenses incurred by employees or consultants in their duties directly associated with developing the software. These costs are either expensed or capitalized depending on the type of cost and the stage of development of the software and Website. F-34 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 The Company makes ongoing evaluations of the recoverability of its capitalized internal use software and Web site by comparing the amount capitalized for each module or component of software to their estimated net realizable values. If such evaluations indicate that the unamortized costs exceed the net realizable values, the Company writes off the amount by which the unamortized costs exceed the net realizable values. At March 31, 2007 and 2006, no such write-offs were required. At March 31, 2007, the net book value of capitalized software was $1,218,929. Amortization expense for the periods ended March 31, 2007 and 2006 was $1,798 and $2,077, respectively. (L) Deferred Financing Costs Deferred financing costs are capitalized and amortized over the term of the related debt. At March 31, 2007, the gross amount of deferred financing costs was $1,299,183 and related accumulated amortization was $294,088. At March 31, 2007 the Company reflects in the accompanying consolidated balance sheet net deferred financing costs of $1,005,095. Amortization of deferred financing costs was $144,452 and $16,364 at March 31, 2007 and 2006, respectively. (M) Derivative Liabilities In order to determine whether the Company has derivative liabilities, the Company reviewed SFAS No. 133, SFAS No. 150, EITF No. 00-19 and EITF No. 05-02, "The Meaning of Convertible Debt Instrument in Issue No. 00-19". Pursuant to the terms of the Company's outstanding convertible debt and the associated detachable freestanding warrants, management determined that no instruments should be classified as a derivative liability. Additionally, there are no other issued and outstanding instruments which require the application of the aforementioned accounting guidance. (N) Revenue Recognition The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin No. 104 for revenue recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. The following policies reflect specific criteria for the various revenues streams of the Company: (1) ATM's and Credit Cards Fees earned from ATM and credit card advances are recorded on the date of transaction. (2) Check Cashing Revenue is recorded from fees on check cashing services on the date the check is cashed. If a customer's check is returned by the bank on which it is drawn, the full amount of the check is charged as bad debt loss. The check is subsequently resubmitted to the bank for payment. If the bank honors it, the amount of the check is recognized as a negative bad debt expense. Based on the quick turnaround of the check being returned by the bank on which it is drawn and the resubmission to the bank for payment, the Company feels this method approximates the allowance method, which is a Generally Accepted Accounting Principle. Based upon past history no allowance was considered necessary at March 31, 2007 and 2006, respectively. F-35 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 (O) Cost of Revenues The cost of revenues primarily includes commissions paid, non management wages, employee benefits, bad debts, rents paid to contract lessors, transaction processing costs, cash replenishment fees, non-capitalizable operating lease fees for ATM's and repairs and maintenance of ATM's. (P) Advertising In accordance with Accounting Standards Executive Committee Statement of Position 93-7, ("SOP 93-7") costs incurred for producing and communicating advertising of the Company, are charged to operations as incurred. Advertising expense for the periods ended March 31, 2007 and 2006 were $12,903 and $25,224, respectively. (Q) Income Taxes The Company accounts for income taxes under the Financial Accounting Standards No. 109 "Accounting for Income Taxes" ("Statement 109"). Under Statement 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period, which includes the enactment date. (R) Fair Value of Financial Instruments Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosures of information about the fair value of certain financial instruments for which it is practicable to estimate the value. For purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The carrying amounts of the Company's short-term financial instruments, including accounts receivable, accounts payable and accrued expenses, commissions payable, notes payable, convertible notes payable, net of debt discount, line of credit and due to related party approximate fair value due to the relatively short period to maturity for these instruments. (S) Earnings per Share In accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share," basic earnings per share is computed by dividing the net income (loss) less preferred dividends for the period by the weighted average number of shares outstanding. Diluted earnings per share is computed by dividing net income (loss) less preferred dividends by the weighted average number of shares outstanding including the effect of share equivalents. Common share equivalents consist of shares issuable upon the exercise of certain common stock purchase warrants, stock options, and convertible preferred stock. The Company has excluded these common share equivalents from its computation of earnings per share due to their antidilutive effect as the Company has reflected a net loss at March 31, 2007 and 2006, respectively. Accordingly, the basic and diluted EPS are the same. F-36 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 At March 31, 2007 and 2006 there were 10,476,336 and 6,595,556 shares of issuable common stock underlying the options, warrants and convertible debt securities, respectively. The following table summarizes all common stock equivalents outstanding at March 31, 2007 and 2006, respectively. 2007 2006 ---- ---- Common stock options 8,013,280 3,532,500 Common stock warrants 1,907,500 1,507,500 Convertible notes payable 555,556 1,555,556 ------------------ --------------- Total Common Stock Equivalents 10,476,336 6,595,556 ================== =============== (T) Stock Based Compensation Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123(R), "Share-Based Payment," under the modified prospective method. SFAS No. 123(R) eliminates accounting for share-based compensation transactions using the intrinsic value method prescribed under APB Opinion No. 25 "Accounting for Stock Issued to Employees," and requires instead that such transactions be accounted for using a fair-value-based method. Under the modified prospective method, the Company is required to recognize compensation cost for share-based payment to employees based on their grant date fair value from the beginning of the fiscal period in which the recognition provisions are first applied. For periods prior to adoption, the financial statements are unchanged, and the pro forma disclosures previously required by SFAS No. 123, as amended by SFAS No. 148, will continue to be required under SFAS No. 123(R) to the extent those amounts differ from those in the Statement of Operations. During the first three months of 2007, the Company granted 1,265,000 options to employees that were accounted for pursuant to SFAS No. 123(R) and 123, respectively. During the first three months of 2007, the Company granted 900,000 warrants to non-employees that were accounted for pursuant to SFAS No. 123(R) and 123, respectively. Three Months Ended March 31 2007 2006 ---- ---- Net income (loss) - as reported $ (1,222,392) $ (404,307) Add: stock-based employee compensation determined under the -- -- fair value method Less: stock-based employee compensation determined under the -- -- intrinsic value method (APB #25) Net loss (1,223,392) (404,307) Basic and Diluted loss per share-as reported $ (0.04) $ (0.02) Basic and Diluted loss per share-pro forma $ (0.04) $ (0.02) 2. UNAUDITED INTERIM INFORMATION The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The accompanying unaudited consolidated financial statements for the interim periods reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the unaudited consolidated financial position, operating results and cash flows for the periods presented. These unaudited consolidated financial statements should be read in conjunction with the financial statements and related footnotes for the year ended December 31, 2006 and notes thereto contained in the annual report on Form 10-KSB as filed with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results for the full year ending December 31, 2007. F-37 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 3. CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE (A) Convertible Notes Payable During 2005, the Company borrowed $250,000 from a relative of the Company's President and CEO and issued a convertible promissory note. In connection with the issuance of this convertible promissory note, the Company issued warrants to purchase an aggregate of 125,000 shares of its common stock at an exercise price of $0.01. The note bears interest at 10% with default interest at 25%. The note is unsecured and was due in September 2006. The debt is convertible at the option of the holder into shares of our common stock at a conversion price equal to 85% of the average of the mean of the closing bid and ask prices for the 10 trading days immediately preceding the conversion by the holder, but not less than a floor amount of $0.45 ("floor"). As a result of the established floor price on these convertible debt instruments, the Company has determined that it has enough authorized and unissued shares to settle all potential conversions related to this debt instrument as well any other outstanding equity instruments that are convertible. This convertible debt instrument is not considered a derivative liability. Rather, pursuant to the literature in APB No. 14, EITF No. 98-5 and EITF No. 00-27, this instrument is considered convertible debt that requires an allocation of proceeds between the convertible debt and related warrants. At March 31, 2007, the Company was in default with respect to the repayment of this promissory note. We have reached an agreement in principle to refinance the remaining $250,000, together with accrued interest, by a $300,000 increase in the Baena Advisors, LLC facility. Management used the following weighted average assumptions on the date of issue when determining the fair value of the freestanding warrants issued in connection with the convertible debt: Expected dividend yield 0% Expected volatility 119 - 127% Risk free interest rate 5% Expected life of option 10 years At March 31, 2007, the Company had the following outstanding convertible notes payable: Convertible notes payable - related party $250,000 ---------- Total convertible notes payable $250,000 ========== F-38 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 At March 31, 2007, the Company had the following outstanding accrued interest payable for all convertible and non-convertible debt instruments: Convertible notes payable - related party - accrued interest $ 40,864 Interest accrued on Notes Payable and Lines of Credit 108,529 Interest accrued on non-convertible related note (see Note 3(B)) 2,512 ----------- Total accrued interest payable, Convertible notes $ 151,905 =========== (B) Notes Payable Notes payable at March 31, 2007 consisted of the following: In December 2006 the Company borrowed an aggregate $4,750,000 from a related party, Baena Advisors, LLC ("Baena"), evidenced by a promissory note. Baena is owned by Sean Wolfington, the brother of our Chief Executive Officer and Chairman. Interest on the note is payable monthly and bears interest at 30-day LIBOR plus 13% per annum. Monthly payments consist of interest only with the full amount of the note due at the end of the two year term. $4,750,000 In December 2006 the Company borrowed an aggregate $2,525,000 evidenced by a promissory note. Interest on the note is payable monthly and bears interest at a rate of 12.75% per annum. Monthly payments consist of interest only with the full amount of the note due at the end of the two year term. 2,525,000 On September 10, 2004, the Company borrowed $210,000 from a family member of our chief executive officer to pay an advance on commissions to a casino. The note bears interest at 10% per annum and is payable monthly, beginning October 1, 2004. The principal amount of this note is repayable in monthly payments payable on the 1st day of each month commencing with the second month following the month in which the Company commences operations at the casino. As additional 15,000 consideration for extending the principal amount of this loan to the Company, the Company issued warrants to purchase 50,000 of the Company's common stock at an exercise price of $0.33 per share. In March 2006 the Company recorded additional interest expense of $9,300 on this note related to the warrants. During the first quarter of 2007, the Company repaid this related party $15,000 in connection with this promissory note. 15,000 Notes Payable $7,290,000 During the first quarter of 2007, the Company reflected aggregate principal repayments of $15,000 for all non-convertible promissory notes. F-39 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 4. CAPITAL LEASES Capital lease obligations at March 31, 2007 consisted of the following: Obligation under capital lease, imputed interest rate at 12.78%; due May 2007; collateralized by equipment 20,482 Obligation under capital lease, imputed interest rate at 8.21%; due December 2009; collateralized by equipment 27,958 Obligation under capital lease, imputed interest rate at 8.21%; due December 2009; collateralized by equipment 27,958 Obligation under capital lease, imputed interest rate at 7.95%; due March 2010; collateralized by equipment 59,208 Obligation under capital lease, imputed interest rate at 8.3%; due March 2010; collateralized by equipment 10,704 Obligation under capital lease, imputed interest rate at 11.63%; due July 2010; collateralized by equipment 20,943 Obligation under capital lease, imputed interest rate at 9.74%; due July 2010; collateralized by equipment 53,602 Obligation under capital lease, imputed interest rate at 14.53%; due March 2011; collateralized by equipment 10,738 Obligation under capital lease, imputed interest rate at 15.15%; due March 2011; collateralized by equipment 42,537 Obligation under capital lease, imputed interest rate at 8.61%; due April 2011; collateralized by equipment 44,502 Obligation under capital lease, imputed interest rate at 8.61%; due April 2011; collateralized by equipment 27,751 Obligation under capital lease, imputed interest rate at 8.61%; due March 2011; collateralized by equipment 53,990 Obligation under capital lease, imputed interest rate at 8.61%; due March 2011; collateralized by equipment 22,136 Obligation under capital lease, imputed interest rate at 8.25%; due August 2011; collateralized by equipment 131,679 Obligation under capital lease, imputed interest rate at 5.060%; due September 2011; collateralized by equipment 100,063 Obligation under capital lease, imputed interest rate at 8.33%; due October 2011; collateralized by equipment 19,301 Obligation under capital lease, imputed interest rate at 8.23%; due September 2011; collateralized by equipment 19,331 Less: current maturities (219,684) ---------------- Long term obligation, net of current portion 473,199 ================= 5. DUE TO OFFICER During the first quarter of 2007, the Company issued a note to its CEO totaling $175,000. The note was issued in lieu of cash payment of the CEO's 2006 guaranteed bonus, which was accrued over the course of the fiscal year. This loan and other notes to our CEO bear interest at 10%, are unsecured and due on demand. The outstanding principal and related accrued interest balance at March 31, 2007 was $283,417. Of the total, $2,385 represented accrued interest payable. F-40 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 6. LINES OF CREDIT Lines of credit at March 31, 2007 consisted of the following: Line of credit, interest is payable monthly at 9% per annum, the line is unsecured and due on demand. This line has been established with one of our casino customers. $922,827 Line of credit, non-interest bearing, the line is unsecured and due on demand. This line has been established with one of our casino customers. 1,052,431 Line of credit, the line is unsecured and due on demand. The Company pays a fixed stated amount of interest totaling $1,000 per month. The payments are recorded and charged to interest expense. This line has been established with one of our casino customers. At March 31, 2007, the Company had recorded related accrued interest payable of $1,000 in connection with this line of credit. 426,430 -------------- Lines of Credit $2,401,688 ============== 7. STOCKHOLDERS' DEFICIT Three Months Ended March 31, 2007 (A) Common Stock Issuances (1) Cash None (2) Services In February 2007, the Company issued 1,833 shares of common stock to employees for services rendered in lieu of cash bonueses otherwise due. The Company valued the shares at the fair price on the date of issuance which was $0.54 per share based on the quoted closing trading price and recorded non-cash compensation expense of $990. (3) Exercise of Options/Warrants In February 2007, 2 directors exercised 200,000 options at $0.01 per share. The Company received proceeds of $2,000 from the transaction and issued 200,000 shares of common stock. In February 2007, our CFO/COO exercised 12,500 warrants at $0.01 per share. The Company received proceeds of $125 from the transaction and issued 12,500 shares of common stock. In March 2007, a former employee exercised 12,500 options at $0.33 per share. The Company received proceeds of $4,125 from the transaction and issued 12,500 shares of common stock. F-41 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 (B) Accrued Penalty Shares At March 31, 2007, pursuant to the terms of a prior common stock offering with registration rights, the Company has accrued penalties in the amount of 142,500 shares. The Company has valued these shares at $81,048 based on the quoted closing trading price every two weeks when the penalty accrues. The fair value of the penalty has been recorded as a component of accrued expenses. The penalty shares have ceased accruing in February 2006. (C) Stock Options The Company follows SFAS No. 123(R) for all share based payment awards. The fair value of each option or warrant granted is estimated on the date of grant using the Black-Scholes option pricing model. The following is a summary of all stock option and warrant activity with employees and non-employees during 2007: (1) Option Grants - Employees In February 2007, 500,000 options at an exercise price of $0.38 per share were issued to the Company's CFO/COO according to his employment agreement. 250,000 options vest July 1, 2007 and 250,000 options vest December 31, 2007. In February 2007, 100,000 options at an exercise price of $0.38 per share were issued to an employee and vested immediately. The Company valued these shares using the Black-Scholes valuation model at $52,000 and accordingly booked a non-cash compensation expense in the same amount. In March 2007, 400,000 options at an exercise price of $0.01 per share were issued to our non-employee directors. The Company valued these shares using the Black-Scholes valuation model at $246,800 and accordingly booked a non-cash compensation expense in the same amount. In March 2007, 265,000 options at an exercise price of $0.38 per share were issued to 5 employees. The Company valued these shares using the Black-Scholes valuation model at $158,205 and accordingly booked a non-cash compensation expense in the same amount. (2) Options/ Warrants Exercised - Employees In February 2007, 2 directors exercised 200,000 options at $0.01 per share. The Company received proceeds of $2,000 from the transaction and issued 200,000 shares of common stock. In February 2007, our CFO/COO exercised 12,500 warrants at $0.01 per share. The Company received proceeds of $125 from the transaction and issued 12,500 shares of common stock. (3) Option Forfeitures - Employees None (4) Weighted Average Assumptions for 2007 Option Grants - Employees None F-42 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 Employee stock option activity for the three months ended March 31, 2007 are summarized as follows: Number of Weighted Average Shares Exercise Price Outstanding at December 31, 2006 7,960,780 $ .10 Granted 1,265,000 .01 Exercised (200,000) .01 Canceled/Expired -- -- --------------- ---------------- Outstanding at March 31, 2007 9,025,780 $ .10 =============== ================ The following table summarizes the Company's employee stock options outstanding at March 31, 2007: Options Outstanding Range of Weighted Average Remaining Weighted Average Exercise Price Number Life Exercise Price ------------- ------ ---- ------------- .01 7,245,780 6.76-9.75 .01 .26-.33 315,000 0.75-9.64 .28 .38-.42 1,065,000 7.21-9.92 .21 .70-.77 212,500 7.09-7.81 .75 2.00-2.28 187,500 6.17-6.59 2.11 -------------------- ------------------ 9,025,780 .10 ==================== ================== At March 31, 2007, 9,025,780 stock options are exercisable with a weighted average exercise price of $.10 except 500,000 at $0.01. (D) Warrants (1) Warrant Grants - Consultants In January 2007, the Company issued 300,000 warrants to purchase the Company's stock at an exercise price of $0.35, $0.37 and $0.70 respectively per share to a consultant for services rendered. According to the issuance 300,000 warrants at $0.35 vested January 31, 2007, 300,000 warrants at $0.37 vest January 31, 2008 and the remaining 300,000 warrants at $0.70 will vest January 31, 2009. The Company valued the 300,000 vested shares at $127,800 and accordingly booked a non-cash compensation expense in the same amount. F-43 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 Warrant activity for the period ended March 31, 2007 is summarized as follows: Number of Weighted Average Shares Exercise Price Outstanding at December 31, 2006 3,565,000 $ 1.3 ----------------- ----------------- Granted 900,000 .12 Exercised (12,000 .01 Canceled (375,000 4.00 ---------------- ----------------- Outstanding at March 31, 2007 4,077,500 $0.64 ================= ================== Warrants

Outstanding Range of Weighted Average Remaining Weighted Average Exercise Exercise Price Number Life Price .01 2,277,500 5.72-9.75 .01 .30-.36 870,000 2.45-8.05 .23 .40 15,000 8.51 .40 .44 15,000 8.51 .44 .47-51 30,000 8.43-8.51 .49 .70 300,000 9.85 .00 1.00 75,000 1.25 1.00 2.40 112,500 1.58-6.01 2.40 4.00-.00 382,500 .50-1.25 5.35 -------------------- 4,077,500 ==================== All outstanding warrants are exercisable at March 31, 2007 except 300,000 at $0.37 vesting in January 2008 and 300,000 at $0.70 vesting in January 2009. 8. COMMITMENTS AND CONTINGENCIES (1) Operating Leases In connection with converting all of the Available Money ATM's, the Company now pays rent to various mall properties where it has ATM machines. These monthly rents average $22,500 per month. The Company is party to a 39-month lease agreement pursuant to which it rents office space in Pennsylvania at a monthly rent of $2,635. This Lease expires February 2008. The Company's total rent expense under operating leases was $85,125 and $125,594 for the three months ended March 31, 2007 and 2006, respectively. F-44 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 (2) Casino Contracts The Company operates at a number of Native American owned gaming establishments under contracts requiring the Company to pay a rental fee to operate at the respective gaming locations. Typically, the fees are earned by the gaming establishment over the life of the contract based on one of the following scenarios: (A) A dollar amount, as defined by the contract, per transaction volume processed by the Company. (B) A percentage of the Company's profits at the respective location. As of March 31, 2007 the Company has recorded $540,474 of accrued commissions on casino contracts. Pursuant to the contracts, the Native American owned casinos have not waived their sovereign immunity. (3) Employment Agreements (A) CEO (1) Employment Agreement In January 2004, the Company entered into a five-year employment agreement with its Chairman, President and Chief Executive Officer. In addition to an annual salary of $350,000 per year (subject to annual increases at the discretion of the Board of Directors) (the "Base Salary"), the employment agreement provides for a $200,000 signing bonus, a guaranteed bonus equal to 50% of his Base Salary in any calendar year (the "Guaranteed Bonus") and a discretionary incentive bonus of up to 50% of his Base Salary in any calendar year pursuant to a bonus program to be adopted by the Board of Directors (the "Incentive Bonus"). Pursuant to his employment agreement, the officer is entitled to fringe benefits including participation in retirement plans, life insurance, hospitalization, major medical, paid vacation, a leased automobile and expense reimbursement. Effective March 2006, the Company amended the executive's agreement to reduce his guaranteed bonus for 2005 from 50% of his salary to 12.5% of his salary. At December 31, 2006, the Company had accrued $175,000 for the 2006 bonus. (2) Commissions Payable The Company pays sales commissions to sales persons closing various contracts. The CEO was paid $2,017 in sales commissions for the first three months of 2007. (B) CFO/COO In March 2007, the Company entered into an amended and restated employment agreement, dated March 1, 2007 which amended and restated the employment agreement, dated June 14, 2005, by and between the Company and its Chief Financial Officer. Mr. Walsh serves as the Company's Chief Financial Officer and Chief Operating Officer. The term of the Employment Agreement was retroactive to December 31, 2006 and continues until the earlier of CFO's death or termination by either the Company or the CFO. The CFO/COO annual salary is than $170,000. Upon termination of the Employment Agreement within six (6) months following a change in control of the Company either by the Company without cause or by the CFO/COO, the CFO/COO will receive severance pay equal to one year's salary. In addition, the CFO was granted options to purchase 500,000 shares of the Company's common stock with an exercise price of $.38 per share. The Options have a term of ten years and are exercisable as follows: (i) options to purchase 250,000 shares of the Company's common stock are exercisable on July 1, 2007; and (ii) options to purchase 250,000 shares of the Company's common stock are exercisable on December 31, 2007, in each case as long as the CFO is employed by the Company. The Options are immediately exercisable following a change in control of the Company. If CFO's employment by the Company is terminated by the Company without good cause or CFO elects early termination with good reason, all unvested Options automatically vest. F-45 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 (4) Litigation On or about October 14, 2004, Lake Street Gaming, LLC ("Lake Street") filed a Complaint against iGames Entertainment, Inc. and Money Centers of America, Inc. ("MCA") (collectively referred to hereinafter as "iGames") in the United States District Court for the Eastern District of Pennsylvania, alleging that iGames breached an Asset Purchase Agreement ("APA") that the parties executed on or about February 14, 2003. By virtue of the APA, Lake Street sold to iGames all of Lake Street's right, title and interest in a casino game called "Table Slots." Lake Street alleges that it is entitled to additional compensation for the game. The parties in this matter reached a settlement in principal which is in the drafting stage. The court, having been notified of the settlement, dismissed the action on March 12, 2007. Pursuant to the terms of the settlement agreement, Money Centers of America, Inc. ("MCA") will pay Lake Street Gaming, LLC ("Lake Street") a total of $160,000. Under the agreement reached, MCA will make an initial payment of $30,000 followed by monthly payments of $4,333 for thirty (30) months. The settlement also requires that certain stock be held in escrow and has a contingency for early payment. On or about October 26, 2006, Money Centers of America, Inc. ("MCA") served a demand for arbitration on The Campo Band of Kumeyaay Indians d/b/a The Golden Acorn Casino (the "Casino") and on Ralph Goff, the tribe Vice Chairman, individually, and requested that the Casino and Mr. Goff consent to the jurisdiction of the JAMS arbitrator in Philadelphia. MCA filed the demand to recover damages it suffered as a result of having its Financial Services Agreement wrongfully terminated by the Casino and from being evicted from the Casino without sufficient notice. The Casino has refused to consent to the jurisdiction of JAMS (i.e., the chosen arbitration service) in Philadelphia. On or about March 1, 2007, the Casino served MCA with a demand for arbitration which it purportedly filed with JAMS in San Diego, California. The Casino allegedly seeks in excess of $922,826 in damages which it claims resulted from MCA's breach of the same Financial Service Agreement that MCA alleges was wrongfully terminated. MCA has not consented to the jurisdiction of JAMS in San Diego, California. On March 2, 2007, the trial of Ameristar Casino v. Money Centers of America and Available Money was held in Gilpin County District Court. Ameristar Casino alleged that they permitted Defendants to operate their ATM's on its property and that Defendants never paid the plaintiff the agreed-upon fee structure for those ATM's. Ameristar Casino alleged that Defendants breached their agreement with Plaintiff by refusing to make payments for the ATM's on casino premises in January and February, 2005. In addition, Ameristar Casinos also alleged that Defendants' ATM's on casino premises in January and February, 2005 generated revenue which conferred a benefit on Defendants that would be inequitable for Defendants to retain without payment of its value to Plaintiff. The one-day trial concluded on March 2, 2007. The Court ruled in favor of Money Centers on the Plaintiff's breach of contract claim. The Court ruled against money Centers on the Plaintiff's unjust enrichment claim and a judgment was entered in the amount of $56,879 plus statutory interest in favor of the Ameristar Casinos. With interest through March 20, 2007 the value of the debt owed by Money Centers of America as a result of the judgment is $67,019. The advisability of appeal is being considered. The exposure to further loss on appeal is interest on the judgment at 9% compounded annually while the appeal is pending, assuming the verdict is not reversed. F-46 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 On or about November 8, 2006, Plaintiffs GFM LLC, The Grove Cinemas, LLC and the Commons at Calabasas, LLC (collectively, "Plaintiffs") filed a Complaint against Available Money, Inc. and Money Centers of America (collectively, "MCA"), alleging that MCA breached lease agreements executed on February 15, 2002 and January 7, 2004. Under the agreements, MCA rented from Plaintiffs a portion of certain locations for purposes of an ATM machine. Due to Money Centers' acquisition of Available Money, Inc, the original party to the lease, Plaintiffs allege that the transfer was "unpermitted" and therefore a breach of the lease. This case has just entered the discovery stage and a trial date has not been set. 9. CUSTOMER CONCENTRATIONS For the three months ended March 31, 2007, approximately 64% of total revenues were derived from operations at two full service casinos. One other customer represented approximately 11% of our total revenues for the three months ended March 31, 2007. 10. CASH RENTAL PROGRAM AND RELATED INTEREST EXPENSE Included in interest expense are monies owed to an unrelated vendor for interest charges. The interest is based on the amount of cash in the Company's Available Money ATM machines and network and is calculated on a daily basis. The balance of this cash funded by the bank in the Company's ATM machines at March 31, 2007 was approximately $835,000. The interest rate on the $835,000 is prime plus zero. Effectively the Company rents this cash. The Company does not reflect this cash as an asset or the loan as a liability on its balance sheet at March 31, 2007. Interest expense from this cash was $33,512 for the three months ended December 31, 2007. 11. GOING CONCERN The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a working capital deficit of $1,283,611 a stockholders' deficit of $5,767,858 and an accumulated deficit of $22,043,560 at March 31, 2007. The Company also reflected a net loss of $1,223,392 and net cash used in operations of $479,084, for the three months ended March 31, 2007. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of implementing its business plan. Additionally, management is actively seeking additional sources of capital, but no assurance can be made that capital will be available on reasonable terms. Management believes the actions it is taking allow the Company to continue as a going concern. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. 12. SUBSEQUENT EVENTS None. F-47 MONEY CENTERS OF AMERICA, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2007 Until September ___, 2007, all dealers that effect transaction in these securities, whether or not participants in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to unsold allotments or subscriptions. No dealer, salesman or any other person MONEY CENTERS OF AMERICA, INC. has been authorized to give any information or to make any 9,434,086 SHARES OF representations other than those COMMON STOCK contained in this prospectus in connection with the offer made by this prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by Money Centers of America, Inc. This prospectus does not _____________ constitute an offer to sell or solicitation of an offer to buy any securities in any PROSPECTUS jurisdiction in which such offer or solicitation is not authorized, or in ______________ which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication June 21, 2007 that there has been no change in the affairs of Money Centers of America, Inc. or that information contained herein is correct as of any time subsequent to the date hereof. PART II INFORMATION NOT REQUIRED IN PROSPECTUS Item 24. Indemnification of Directors and Officers The Money Centers certificate of incorporation provides that all directors, officers, employees and agents of the registrant shall be entitled to be indemnified by Money Centers to the fullest extent permitted by Section 145 of the Delaware General Corporation Law. Section 145 of the Delaware General Corporation Law concerning indemnification of officers, directors, employees and agents is set forth below. "Section 145. Indemnification of officers, directors, employees and agents; insurance. (a) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful. (b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper. (c) To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith. (d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders. II-1 (e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. (f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. (g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under this section. (h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. (i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section. (j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. II-2 (k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees)." Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue. Paragraph B of Article Seventh of our amended and restated certificate of incorporation provides: "The Corporation, to the full extent permitted by Section 145 of the GCL, as amended from time to time, shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, upon a plea of nolo contendere or equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful." Item 25. Expenses of Issuance and Distribution. The following table sets forth the costs and expenses payable by us in connection with the offer and sale of the shares of our common stock being registered by this registration statement. All amounts are estimates except for the SEC registration fee: Item Amount Payable by the Company SEC Registration Fee 207 Printing and Engraving Expenses 1,000 Legal Fees and Expenses 15,000 Accounting Fees and Expenses 5,000 Blue Sky Fees and Expenses 1,000 Miscellaneous Expenses 2,793 ------------------- Total 25,000 II-3 Item 26. Recent Sales of Unregistered Securities. Recent Sales of Unregistered Securities and Use of Proceeds The following is a summary of transactions during the preceding three years involving sales of our securities that were not registered under the Securities Act of 1933. In May 2004, we issued 62,500 shares of restricted common stock to one of our executive employees, pursuant to the terms of the executive's employment contract. The company valued those shares at $.70 per share, the fair market value on the date of the grant. $2,000,000 of the Available Money purchase price was paid by tender of an aggregate of 1,470,590 shares of common stock to the previous shareholders of Available Money in April 2004. The terms of the Stock Purchase Agreement allow for certain purchase price adjustments. As a result, all of these shares of common stock were cancelled prior to December 31, 2004. On September 10, 2004, the Company borrowed $210,000 from an affiliate of our chief executive officer to pay an advance on commissions to a new casino customer. In connection with this note, the Company issued the lender warrants to purchase 50,000 shares of our common stock at an exercise price of $.33 per share. In the event that the principal amount of this loan plus all accrued interest thereon is paid in full on or before March 1, 2006, then the Company shall have the right to cancel warrants to purchase 25,000 shares. In October 2004, the Company granted options to purchase 100,000 shares of its common stock at an exercise price of $.35 per share to its former president in connection with the termination of his employment agreement. These securities were issued pursuant to Section 4(2) of the Securities Act. In December 2004, the Company granted options to purchase 150,000 shares of its common stock at an exercise price of $.01 per share to the owners of a software development company as partial consideration for software development services The company valued these options at $81,000 or $.54 per share. These shares were issued pursuant to Section 4(2) of the Securities Act. Pursuant to the Merger Agreement between the company and iGames, the holders of each share of iGames' common stock received one share of the company's common stock, and each holder of shares of iGames' Series A Convertible Preferred Stock received 11.5 shares of the company's common stock. Options and warrants to purchase iGames' common stock, other than warrants issued as part of the merger consideration in iGames' acquisition of the company (the "Merger Warrants"), were deemed options and warrants to purchase the same number of shares of the company's common stock with no change in exercise price. The Merger Warrants were canceled in exchange for 1.15 shares of the company's common stock for each share of common stock purchasable thereunder. Pursuant to the terms of a common stock offering with registration rights, the company has accrued penalties in the amount of 70,000 shares. The company has valued these shares at $45,323. In January 2005, we sold 984,314 shares of our common stock at $0.51 per share to three investors. These shares were sold pursuant to Rule 506 of Regulation D. From September to December 2005 we borrowed $725,000 from seven individuals, including our Chief Financial Officer ($25,000) and our Chief Executive Officer's uncle and brother ($250,000 each). These loans bear interest at 10% per annum with terms of nine months. Warrants to purchase an aggregate of 112,500 shares of our common stock at an exercise price of $0.01 per share were issued to our Chief Financial Officer (12,500 shares) and four unaffiliated lenders (100,000 shares). II-4 From March to May 2006 we borrowed $75,000 from our Chief Executive Officer's father. These loans bear interest at 10% per annum with terms of nine months. Warrants to purchase an aggregate of 37,500 shares of our common stock at an exercise price of $0.01 per share were issued to the lender. In August 2006 we sold 4,800,000 shares of our common stock at $0.25 per share to 14 investors. These shares were sold pursuant to Rule 506 of Regulation D. In December 2006 we issued warrants to purchase 2,000,000 shares of our common stock at an exercise price of $0.01 per share to a new lender in connection with a $4,750,000 credit facility in a transaction under Section 4(2) of the Securities Act. Item 27. Exhibits. (a) The following Exhibits are filed as part of this report. Exhibit Number Description 2 Agreement and Plan of Merger dated as of August 10, 2004 by and between iGames Entertainment, Inc. and Money Centers of America, Inc. (incorporated by reference to Exhibit 2 of Current Report on Form 8-K12g-3 filed on October 19, 2004). 3.1 Amended and Restated Certificate of Incorporation of Money Centers of America, Inc. (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K12g-3 filed on October 19, 2004). 3.2 Amended and Restated By-laws of Money Center of America, Inc. (incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K12g-3 filed on October 19, 2004). 4.1 Form of Baena Warrant (incorporated by reference to Exhibit 4.1 to the current report on Form 8-K filed January 8, 2007) 5 Opinion of Klehr, Harrison, Harvey, Branzburg & Ellers LLP as to the legality of the shares of common stock being registered (incorporated by reference to Exhibit 5 to Registration Statement on Form SB-2 filed February 2, 2007 (file no. 333-138150)). 10.1 Amended and Restated 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of Form 10-KSB filed on July 13, 2004) 10.2 Employment Agreement dated as of January 2, 2004 by and between iGames Entertainment, Inc. and Christopher M. Wolfington (incorporated by reference to Exhibit 10.1 of Form 10-KSB filed on July 13, 2004). 10.3 Amendment to Employment Agreement dated as of March 20, 2006 by and between Money Centers of America, Inc. and Christopher M. Wolfington (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2006 filed on May 22, 2006). 10.3 Amended and Restated Employment Agreement dated as of March 1, 2007, but effective December 31, 2006 by and between Money Centers of America, Inc. and Jason P. Walsh. 10.4 Credit and Security Agreement dated December 28, 2006 between Money Centers of America, Inc. and Baena Advisors, LLC (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed January 8, 2007). 10.5 $4,750,000 Promissory Note dated December 28, 2006 from Money Centers of America, Inc. to Baena Advisors, LLC (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed January 8, 2007). 10.8 Amendment to Credit and Security Agreement dated December 28, 2006 between Money Centers of America, Inc. and Mercantile Capital, L.P. (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed January 8, 2007). II-5 Exhibit Number Description 10.9 $2,525,000 Amended and Restated Promissory Note dated December 28, 2006 from Money Centers of America, Inc. to Mercantile Capital, L.P. (incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K filed January 8, 2007). 10.10 Software Development Agreement effective September 1, 2004 by and between Money Centers of America, Inc. and IntuiCode LLC. (incorporated by reference to Exhibit 10.8 to the Registration Statement on Form SB-2 filed on February 14, 2004 (File No. 333-122819) 21 Subsidiaries of Money Centers of America, Inc. 23.1 Consent of Sherb & Co. dated May 9, 2007. 23.2 Consent of Klehr, Harrison, Harvey, Branzburg & Ellers LLP as to the legality of the shares of common stock being registered (included in Exhibit 5). II-6 Item 28. Undertakings. (a) We shall undertake to: (1) File, during any period in which we offer or sell securities, a post-effective amendment to this registration statement to: (i) Include any prospectus required by Section 10(a)(3) of the Securities Act of 1933; (ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement (or the most recent post-effective amendment thereof); and (iii) Include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement. (2) For determining liability under the Securities Act of 1933, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering. (3) File a post-effective amendment to remove from registration any of the securities that remain unsold at then end of the offering. (b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of our company pursuant to any provisions contained in our Articles of Incorporation, By-Laws, or otherwise, we have been advised that in the opinion of the Security and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of our company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether indemnification by us is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue. (c) We further undertake that: (1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective. (2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. II-7 SIGNATURES In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in the City of King of Prussia, Pennsylvania on June 21, 2007. Money Centers of America, Inc. By: /s/ Christopher M. Wolfington ------------------------------------ Chief Executive Officer KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Christopher M. Wolfington as his true and lawful attorney-in-fact, with full power of substation and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all amendments including post-effective amendments to this registration statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitute, each acting alone, may lawfully do or cause to be done by virtue thereof. In accordance with the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates indicated. Date: June 21, 2007 /s/ Christopher M. Wolfington -- Christopher M. Wolfington Chief Executive Officer and Director Date: June 21, 2007 /s/ Jason P. Walsh -- Jason P. Walsh Chief Financial Officer (principal financial officer and principal accounting officer) Date: June 21, 2007 /s/ Jeremy Stein -- Jeremy Stein Director Date: June 21, 2007 -- Dennis Gomes Director Date: June 21, 2007 -- John Ziegler, Jr. Director Date: June 21, 2007 /s/ Jonathan Robinson -- Jonathan Robinson Director II-8 EXHIBIT "A" OPTION AWARD AGREEMENT