NAVTEQ CORP
Form 4
February 17, 2006

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MACLEOD JOHN K

(Last) (First) (Middle)

C/O NAVTEQ CORPORATION, 222 MERCHANDISE MART, SUITE 900

(Street)

CHICAGO, IL 60654

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
NAVTEQ CORP [NVT]

3. Date of Earliest Transaction (Month/Day/Year)
02/15/2006

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
NAVTEQ Connected Services

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/15/2006		M		966	A	(1)	4,307	D	
Common Stock	02/15/2006		F		284 (2)	D	$ 44.57	4,023	D	
Common Stock	02/16/2006		S		682 (3)	D	$ 44.85	3,341	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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required to respond unless the form displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price Derivat Securit (Instr. 5
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Restricted Stock Unit	(1)	02/15/2006		M			966	(4)	(1)	Common Stock	966	(1)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MACLEOD JOHN K C/O NAVTEQ CORPORATION 222 MERCHANDISE MART, SUITE 900 CHICAGO, IL 60654			NAVTEQ Connected Services	

Signatures

Irene Barberena, Attorney-in-Fact for John K. MacLeod	02/17/2006
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Not applicable.

(2) These shares were withheld to satisfy tax withholding obligations in connection with the vesting of 966 shares underlying restricted stock units.

(3) Shares sold pursuant to Rule 10b5-1 trading plan.

(4) The restrictions lapsed with respect to 25% of the shares underlying the restricted stock units on February 15, 2005 and will continue to lapse as to 25% of the shares underlying the restricted stock units on February 15 of each of the following three years.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

 defend the action and an estimate of possible losses, if any, cannot be made at this time.

In the normal course of business, the Company is subject to claims and litigation, including indemnification obligations to purchasers of former subsidiaries. Management of the Company believes that such matters will not have a material adverse effect on the Company's results of operations, liquidity or financial condition.

Note 11: Employee Benefit Plans

The following table provides the components of net periodic benefit expense from continuing operations for the Company's defined benefit pension plans:

(in millions)	Successor Three months ended June 30, 2008	Predecessor Three months ended June 30, 2007	Successor Six months ended June 30, 2008	Predecessor Six months ended June 30, 2007
Service costs	$ 2.7	$ 2.7	$ 5.5	$ 5.4
Interest costs	10.7	9.2	21.5	18.2
Expected return on plan assets	(11.1)	(9.5)	(22.3)	(18.8)
Amortization		2.2		4.3
Net periodic benefit expense from continuing operations	$ 2.3	$ 4.6	$ 4.7	$ 9.1

The Company estimates pension plan contributions for 2008 to be approximately $65 million. During the six months ended June 30, 2008, $43.6 million was contributed to the United Kingdom plan. No contributions are expected to the U.S. plan during 2008.

Note 12: Stock-Based Compensation

Successor Equity Plans

On October 26, 2007, First Data Holdings, Inc. ("Holdings") established a stock incentive plan for certain management employees of FDC and its affiliates ("stock plan"). This stock plan is at the Holdings level which owns 100% of FDC's equity interests. The stock plan provided the opportunity for certain management employees to purchase shares in Holdings and then receive a number of options or restricted stock based on a multiple of their investment in such shares. The employees that chose to invest entered into a management stockholders' agreement. Principal terms of the management stockholders' agreement included restrictions on transfers, lock ups, right of first refusal, registration rights, and a confidentiality, non-solicitation and non-compete covenant. The expense associated with this plan is recorded by FDC. The number of shares authorized under the stock plan is 119.5 million, 83 million of which are authorized for options.

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 12: Stock-Based Compensation (Continued)

Each employee who invested has the right to require Holdings to repurchase the shares and options upon the employee's termination due to death or disability. The put rights expire one year after the termination event or upon a change in control. The repurchase price for the shares is their fair market value at the time of repurchase. The repurchase price for the options is their intrinsic value at the time of repurchase.

Additionally, Holdings has the right to repurchase stock and options upon termination of employment for any reason. These call rights expire on the earliest of 180 days after the termination event, a change in control, or September 24, 2012. Depending on the cause of termination, Holdings will have the right to repurchase shares at either the fair market value at the time of repurchase or the lesser of fair market value or the original price paid by the employee to purchase the shares. Holdings may repurchase vested options at their intrinsic value at the time of repurchase.

Total stock-based compensation expense recognized in the Consolidated Statements of Operations resulting from stock options, non-vested restricted stock awards and non-vested restricted stock units was $6.2 million and $10.6 million pretax for the three and six months ended June 30, 2008, respectively. Stock-based compensation expense is recognized in the "Selling, general and administrative" line item of the Consolidated Statements of Operations.

Stock Options

During the six months ended June 30, 2008, time options and performance options were granted under the new stock plan. Generally, time options and performance options were granted equally based on a multiple of the employee's investment in shares of Holdings and have a contractual term of 10 years. Time options will vest equally over a five-year period and performance options will vest based upon Company EBITDA targets for the years 2008 through 2012. These EBITDA targets have both annual and cumulative components. The options also have certain accelerated vesting provisions upon a change in control, an initial public offering, and certain termination events.

The fair value of Holdings stock options granted for the three and six months ended June 30, 2008 were estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions:

	Three months ended June 30, 2008	Six months ended June 30, 2008
Risk-free interest rate (weighted-average)	3.74%	3.35%
Dividend yield		
Volatility (weighted-average)	62.58%	54.68%
Expected term (in years)	7	7
Fair value of stock	$ 5	$ 5
Fair value of options	$ 3	$ 3

Risk-free interest rate The risk-free rate for stock options granted during the period was determined by using a zero-coupon U.S. Treasury rate for the periods that coincided with the expected terms listed above.

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 12: Stock-Based Compensation (Continued)

Expected dividend yield No dividends are currently being paid by Holdings, or are expected to be paid in future periods.

Expected volatility As Holdings is a non-publicly traded company, the expected volatility is based on the historical volatilities of a group of guideline companies.

Expected term The Company estimated the expected term by considering the historical exercise and termination behavior of employees that participated in the predecessor equity plans, the vesting conditions of options granted under the stock plan, as well as the impact of limited liquidity for common stock of a non-publicly traded company.

A summary of Holdings stock option activity for the six months ended June 30, 2008 is as follows (options in millions):

	2008 Options
Outstanding at January 1	
Granted	57.5
Cancelled / Forfeited	(1.1)
Outstanding at June 30	56.4

Restricted Stock Awards and Restricted Stock Units

In January 2008, restricted stock awards and units were granted under the new stock plan. Grants were made as incentive awards. All restricted stock units will vest on September 24, 2012. The restricted stock awards and units also have certain accelerated vesting provisions upon a change in control, an initial public offering, and certain termination events.

A summary of Holdings restricted stock award and restricted stock unit activity for the six months ended June 30, 2008 is as follows (awards/units in millions):

	2008 Awards/Units
Non-vested at January 1	
Granted	2.0
Cancelled / Forfeited	(0.1)
Non-vested at June 30	1.9

Predecessor Equity Plans

For a detailed description of the Company's stock compensation plans prior to the merger with an affiliate of KKR, refer to Note 15 to the Consolidated Financial Statements included in the Company's Consolidated Financial Statements for the year ended December 31, 2007. Vesting of pre-merger FDC stock options, restricted stock awards and restricted stock units was accelerated upon closing of the

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 12: Stock-Based Compensation (Continued)

merger and holders of the awards received cash payments discussed more fully in the Company's Consolidated Financial Statements for the year ended December 31, 2007.

Total stock-based compensation expense recognized in the Consolidated Statements of Operations resulting from stock options, non-vested restricted stock awards, non-vested restricted stock units as well as the employee stock purchase plan ("ESPP") was $24.2 million and $52.0 million for the three months and six months ended June 30, 2007, respectively. Stock-based compensation expense in 2007 was recognized in the "Cost of services" and "Selling, general and administrative" line items of the Consolidated Statements of Operations.

Stock Options and Employee Stock Purchase Plan Rights

The fair value of FDC stock options granted and ESPP rights for the three and six months ended June 30, 2007 was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Stock Options(1) Six months ended June 30, 2007
Risk-free interest rate	4.65%
Dividend yield	0.49%
Volatility	23.42%
Expected term (in years)	5
Fair value	$ 7

(1) There were no stock options granted during the three months ended June 30, 2007.

	ESPP	
	Three months ended June 30, 2007	Six months ended June 30, 2007
Risk-free interest rate	4.87%	4.75%
Dividend yield	0.46%	0.47%
Volatility	23.79%	23.85%
Expected term (in years)	0.25	0.25
Fair value	$ 6	$ 6

Note 13: Fair Value Measurement

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". Although this statement does not require any new fair value measurements, in certain cases its application has changed previous practice in determining fair value. SFAS 157 became effective for the Company beginning January 1, 2008 as it relates to fair value measurements of financial assets and liabilities and non-financial assets and liabilities that are recognized at fair value in its financial statements on a recurring basis (at least annually). It will be effective beginning January 1, 2009 for certain other non-financial assets and non-financial liabilities.

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 13: Fair Value Measurement (Continued)

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It establishes a hierarchy for fair value measurements based upon the inputs to the valuation and the degree to which they are observable or not observable in the market. The three levels in the hierarchy are as follows:

Level 1 Inputs to the valuation based upon quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.

Level 2 Inputs to the valuation include quoted prices in either markets that are not active, or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data.

Level 3 Inputs to the valuation that are unobservable inputs for the asset or liability.

SFAS 157 assigns the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

In connection with the adoption of SFAS 157, the Company adjusted, prospectively, its method of measuring the fair value of certain financial instruments and, as a result, recorded a reduction in its derivative liabilities of $13.2 million and an increase in investment securities of $1.0 million as of the date of adoption. The derivatives were adjusted to reflect the Company's own non-performance risk. Substantially all of the $13.2 million related to derivatives that have been designated as cash flow hedges for accounting purposes and was recorded as a reduction of the unrealized losses in "Other comprehensive income" ("OCI"). The increase in investment securities was also recorded in OCI.

Financial instruments carried at fair value as of June 30, 2008 and measured at fair value on a recurring basis are classified in the table below according to the hierarchy described above:

	Fair Value Measurement Using			
June 30, 2008 (in millions)	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Settlement Assets:				
Student loan auction rate securities	$	$	$ 541.0	$ 541.0
Other available for-sale securities	6.1	5,721.8		5,727.9
Total assets at fair value	$ 6.1	$ 5,721.8	$ 541.0	$ 6,268.9
Other Liabilities:				
Interest rate swaps	$	$ 186.0	$	$ 186.0
Foreign currency derivatives		31.9		31.9
Total liabilities at fair value	$	$ 217.9	$	$ 217.9

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 13: Fair Value Measurement (Continued)

June 30, 2008 (in millions)		**Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Student loan auction rate securities**
Beginning balance January 1, 2008	$	
Total gains or losses (realized or unrealized):		
Included in other comprehensive income		(12.1)
Transfers in (out) of Level 3		553.1
Ending balance June 30, 2008	$	541.0

Settlement Assets

As of June 30, 2008, $6.3 billion of the Company's $13.2 billion of "Settlement assets" were comprised of financial instruments that were carried at fair value. These investments included student loan auction rate securities ("SLARS") and other available-for-sale securities discussed in more detail below.

Student loan auction rate securities

As of June 30, 2008, the Company held $541 million ($553.1 million par value) of SLARS which are long-term debt instruments with variable interest rates that historically would periodically reset through a Dutch auction process but do not include a put-back option. Beginning in mid-February 2008, due largely to uncertainty in the global credit and capital markets, investment banks and broker dealers became less willing to support SLARS and other ARS auctions. As a result, multiple auctions failed, including the auctions for the SLARS still held by the Company, although certain other ARS were successfully auctioned by the Company during that time. A failed auction does not represent a default by the issuer of the underlying security. As of June 30, 2008, the student loan auction rate securities held by the Company were all AAA rated, except for one AA rated, were all collateralized by securitized student loans substantially guaranteed by the United States government and continued to pay interest in accordance with the terms of their respective security agreements. The Company will not be able to access liquidity for these investments until the auction market successfully resumes, a secondary market is established for long-term investors, or issuers redeem the securities. The Company has the ability and intent to hold these securities due to the extended time period over which the wind-down of the official check and money order business, discussed in Note 1, will take place.

Due to the lack of observable market activity for the SLARS held by the Company and as of June 30, 2008, the securities have been valued based on comparison to similar securities for which market data is available. The Company made certain adjustments to the observable market inputs, primarily relating to estimating the effective maturity dates for the securities held by the Company, which had a significant impact on the fair value. Accordingly, the resulting fair value was classified as Level 3 within the fair value hierarchy. The Company has recorded an unrealized loss of $12.1 million relating to the SLARS which it attributes to limited liquidity rather than credit issues.

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 13: Fair Value Measurement (Continued)

Other available-for-sale securities

As of June 30, 2008, the Company held preferred shares issued by the Federal Home Loan Mortgage Corporation ("Freddie Mac") that are valued using quoted stock prices from the New York Stock Exchange and classified as Level 1 above.

The Company also held certain investments in primarily short-term debt securities, including commercial paper (both discounted and interest bearing), money market funds, certificates of deposit (both domestic and Yankee), variable rate demand notes with a put back option and fixed rate corporate bonds. Prices for these securities are not quoted on active exchanges but are priced through an independent third party pricing service based on quotations from market-makers in the specific instruments or, where appropriate, other market inputs including interest rates, benchmark yields, reported trades, issuer spreads, two sided markets, benchmark securities, bids, offers, and reference data. In certain instances, amortized cost is considered an appropriate approximation of market value. These securities are classified as Level 2 above.

Other Assets

The Company maintains certain other investments (not included in the table above) that are classified as available-for-sale, carried at fair value and included in the "Other long-term assets" line item in the Consolidated Balance Sheets. These totaled less than $1.0 million and include primarily equity securities which are valued based on Level 2 inputs.

Derivatives

As discussed in Note 8 to the Consolidated Financial Statements included in the Company's Consolidated Financial Statements for the year ended December 31, 2007, the Company uses derivative instruments to mitigate certain risks. The Company's derivatives are not exchange listed and are therefore valued using Bloomberg analytics models that are based on readily observable market inputs. These models reflect the contractual terms of the derivatives, such as notional value and expiration date, as well as market-based observables including interest and foreign currency exchange rates, yield curves and the credit quality of the counterparties. As discussed above, effective January 1, 2008, the models also incorporate the Company's creditworthiness in order to appropriately reflect non-performance risk.

Inputs to the derivative pricing models are generally observable and do not contain a high level of subjectivity. The degree to which the Company's credit worthiness impacts the value does require some management judgment but as of June 30, 2008, the impact of this assessment on the overall value of the Company's derivatives was not significant and the Company's derivatives are classified within Level 2 of the hierarchy.

Note 14: Income Taxes

During the six months ended June 30, 2008, the Company's liability for unrecognized tax benefits accrued under the provisions of FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109" ("FIN 48") was reduced by $11 million after negotiating settlement with certain state jurisdictions. The reduction in the liability was recorded through cash payments and a decrease to goodwill. As of June 30, 2008, the Company anticipates it is reasonably possible that its liability for unrecognized tax benefits may change within the next twelve

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 14: Income Taxes (Continued)

months; however, the Company does not expect the change to significantly increase or decrease the total amounts of unrecognized tax benefits.

Note 15: Related Party Transactions

The Company has engaged in a transaction associated with Plane Fish, LLC, of which Mr. Labry, an executive officer of the Company, is the sole member. Plane Fish, LLC owned an aircraft which it leased to a charter company. The charter company made the aircraft available to its customers, including the Company, which used the aircraft solely in connection with business-related travel by Mr. Labry and other Company employees. On March 17, 2008, a third party leasing company acquired the aircraft from Plane Fish, LLC for $8.5 million and the Company now leases the plane from the third party leasing company through a capital lease. The Company negotiated the $8.5 million purchase price with Plane Fish, LLC and arranged for the third party leasing company to purchase the aircraft with the Company's commitment to lease the aircraft. The Company also reimbursed Plane Fish, LLC for $589,282 of additional expense incurred in operating the aircraft from September 24, 2007 until the date of purchase that previously had not been reimbursed.

On January 31, 2006, First Data Merchant Services Corporation ("FDMS"), a wholly owned subsidiary of the Company, entered into a four year, eight month sublease agreement with The Labry Companies, Inc. for approximately 3,600 square feet of office space in Memphis, Tennessee, including furniture, fixtures and equipment, on customary terms. During 2008, the Company paid approximately $71,000 to The Labry Companies, Inc. under the sublease. On June 1, 2008, FDMS terminated the sublease agreement and paid a fee to The Labry Companies of approximately $220,000 pursuant to the sublease agreement. First Data Merchant Services Corporation entered into a direct lease agreement with the landlord for additional space and a longer term as of June 1, 2008. The Labry Companies, Inc. will retain the furniture, fixtures and equipment following the expiration or termination of the lease, or upon Mr. Labry's separation from the Company.

Note 16: Guarantor Condensed Consolidating Financial Statements

On October 24, 2007, the Company issued in a private offering $2.2 billion aggregate principal amount of senior notes due 2015 as described in Note 10 of the Consolidated Financial Statements for the year ended December 31, 2007. The senior notes are unconditionally guaranteed by substantially all existing and future, direct and indirect, wholly owned, material domestic subsidiaries of the Company other than Integrated Payment Systems, Inc. ("Guarantors"). None of the other subsidiaries of the Company, either direct or indirect, guarantee the senior notes ("Non-Guarantors"). The Guarantors also unconditionally guarantee the senior secured revolving credit facility and senior secured term loan facility, senior unsecured term loan facilities and senior subordinated unsecured term loan facility described in Note 10 of the Consolidated Financial Statements for the year ended December 31, 2007. The senior note guarantees are unsecured and rank senior in right of payment to all existing and future subordinated indebtedness of the Company's guarantor subsidiaries and its senior subordinated unsecured interim credit facility. The senior note guarantees rank equally in right of payment with all existing and future senior indebtedness of the guarantor subsidiaries, including their guarantees under the senior unsecured interim credit facilities.

The following tables present the results of operations, financial position and cash flows of the Company ("Parent"), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and Eliminations for the three and six months ended June 30, 2008 and 2007, and as of June 30, 2008 and December 31, 2007 to arrive at the information for First Data Corporation on a consolidated basis.

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(Successor)
(in millions)
(unaudited)

	Three Months Ended June 30, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Transaction and processing service fees	$ 0.8	$ 986.5	$ 457.8	$ (1.4)	$ 1,443.7
Investment income, net		6.7	29.1		35.8
Product sales and other		133.5	87.1	(6.6)	214.0
Reimbursable debit network fees, postage and other		483.6	27.2		510.8
	0.8	1,610.3	601.2	(8.0)	2,204.3
Expenses:					
Cost of services (exclusive of items shown below)		516.8	233.9	(1.4)	749.3
Cost of products sold		54.5	35.5	(6.6)	83.4
Selling, general and administrative	58.2	156.6	100.5		315.3
Reimbursable debit network fees, postage and other		483.6	27.2		510.8
Depreciation and amortization	1.5	246.6	90.7		338.8
Other operating expenses:					
Restructuring, net			(0.1)		(0.1)
	59.7	1,458.1	487.7	(8.0)	1,997.5
Operating (loss) profit	(58.9)	152.2	113.5		206.8
Interest income	1.9	0.8	3.9		6.6
Interest expense	(441.6)	(1.9)	(7.6)		(451.1)
Interest (expense) income from intercompany notes	(26.4)	20.5	5.9		
Other income (expense)	39.9		(33.5)		6.4
Equity earnings from consolidated subsidiaries	162.7	21.3		(184.0)	
	(263.5)	40.7	(31.3)	(184.0)	(438.1)
(Loss) income before income taxes, minority interest and equity earnings in affiliates	(322.4)	192.9	82.2	(184.0)	(231.3)
Income tax (benefit) expense	(156.2)	86.4	0.4		(69.4)
Minority interest		(0.2)	(40.1)		(40.3)
Equity earnings in affiliates	5.6	32.4	3.6		41.6
Net (loss) income	$ (160.6)	$ 138.7	$ 45.3	$ (184.0)	$ (160.6)

Explanation of Responses:

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(Successor)
(in millions)
(unaudited)

	Six Months Ended June 30, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Transaction and processing service fees	$ 1.6	$ 1,951.0	$ 873.4	$ (2.6)	$ 2,823.4
Investment income, net		15.0	76.8		91.8
Product sales and other		274.7	163.9	(12.6)	426.0
Reimbursable debit network fees, postage and other		940.6	49.0		989.6
	1.6	3,181.3	1,163.1	(15.2)	4,330.8
Expenses:					
Cost of services (exclusive of items shown below)		1,045.1	463.6	(2.6)	1,506.1
Cost of products sold		103.4	63.5	(12.6)	154.3
Selling, general and administrative	114.1	313.1	192.4		619.6
Reimbursable debit network fees, postage and other		940.6	49.0		989.6
Depreciation and amortization	2.9	480.2	174.8		657.9
Other operating expenses:					
Restructuring, net			(0.1)		(0.1)
	117.0	2,882.4	943.2	(15.2)	3,927.4
Operating (loss) profit	(115.4)	298.9	219.9		403.4
Interest income	5.9	1.8	7.9		15.6
Interest expense	(953.1)	(3.2)	(12.5)		(968.8)
Interest (expense) income from intercompany notes	(52.7)	41.3	11.4		
Other (expense) income	(70.3)	0.5	33.0		(36.8)
Equity earnings from consolidated subsidiaries	381.1	43.4		(424.5)	
	(689.1)	83.8	39.8	(424.5)	(990.0)
(Loss) income before income taxes, minority interest and equity earnings in affiliates	(804.5)	382.7	259.7	(424.5)	(586.6)
Income tax (benefit) expense	(412.9)	167.2	45.8		(199.9)
Minority interest		(0.4)	(68.9)		(69.3)
Equity earnings in affiliates	9.3	59.7	4.7		73.7
Net (loss) income	$ (382.3)	$ 274.8	$ 149.7	$ (424.5)	$ (382.3)

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(Predecessor)
(in millions)
(unaudited)

	Three Months Ended June 30, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues:					
Transaction and processing service fees	$ 0.8	$ 998.2	$ 379.3	$ (0.5)	$ 1,377.8
Investment income, net		11.6	(19.1)		(7.5)
Product sales and other		133.0	73.7	(7.2)	199.5
Reimbursable debit network fees, postage and other		412.2	18.7		430.9
	0.8	1,555.0	452.6	(7.7)	2,000.7
Expenses:					
Cost of services (exclusive of items shown below)	14.7	518.7	188.0	(1.1)	720.3
Cost of products sold		54.6	24.9	(6.6)	72.9
Selling, general and administrative	66.6	176.5	87.8		330.9
Reimbursable debit network fees, postage and other		412.2	18.7		430.9
Depreciation and amortization	2.1	120.0	40.1		162.2
Other operating expenses:					
Restructuring, net	(0.2)	3.4	2.7		5.9
Litigation and regulatory settlements		5.0			5.0
Other	(3.8)	(1.7)	(2.2)		(7.7)
	79.4	1,288.7	360.0	(7.7)	1,720.4
Operating (loss) profit	(78.6)	266.3	92.6		280.3
Interest income	4.8	1.3	6.8		12.9
Interest expense	(30.9)	(1.1)	(3.9)		(35.9)
Interest (expense) income from intercompany notes	(10.9)	12.3	(1.4)		
Other income (expense)	0.3	2.3	(0.2)		2.4
Equity earnings from consolidated subsidiaries	292.4	57.6		(350.0)	
	255.7	72.4	1.3	(350.0)	(20.6)
Income before income taxes, minority interest and equity earnings in affiliates	177.1	338.7	93.9	(350.0)	259.7
Income tax (benefit) expense(1)	(41.3)	150.5	(39.0)		70.2
Minority interest		(0.9)	(39.1)		(40.0)
Equity earnings in affiliates	10.5	65.7	3.2		79.4
Net income	$ 228.9	$ 253.0	$ 97.0	$ (350.0)	$ 228.9

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Explanation of Responses:

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
(Predecessor)
(in millions)
(unaudited)

	Six Months Ended June 30, 2007				
	Parent Company	**Guarantor Subsidiaries**	**Non-Guarantor Subsidiaries**	**Eliminations**	**Consolidated**
Revenues:					
Transaction and processing service fees	$ 1.6	$ 1,920.0	$ 725.2	$ (1.3)	$ 2,645.5
Investment income, net		22.4	(60.2)		(37.8)
Product sales and other		252.3	149.9	(14.7)	387.5
Reimbursable debit network fees, postage and other		808.1	33.7		841.8
	1.6	3,002.8	848.6	(16.0)	3,837.0
Expenses:					
Cost of services (exclusive of items shown below)	27.7	1,013.2	373.6	(2.8)	1,411.7
Cost of products sold		103.5	49.3	(13.2)	139.6
Selling, general and administrative	129.6	329.5	166.6		625.7
Reimbursable debit network fees, postage and other		808.1	33.7		841.8
Depreciation and amortization	4.0	237.7	79.3		321.0
Other operating expenses:					
Restructuring, net	(0.5)	6.0	2.4		7.9
Impairments			16.3		16.3
Litigation and regulatory settlements		5.0			5.0
Other	(3.8)	(1.7)	(2.2)		(7.7)
	157.0	2,501.3	719.0	(16.0)	3,361.3
Operating (loss) profit	(155.4)	501.5	129.6		475.7
Interest income	7.4	2.4	11.1		20.9
Interest expense	(61.6)	(1.8)	(7.0)		(70.4)
Interest (expense) income from intercompany notes	(20.3)	25.0	(4.7)		
Other income (expense)	0.1	3.5	(0.2)		3.4
Equity earnings from consolidated subsidiaries	530.7	96.3		(627.0)	
	456.3	125.4	(0.8)	(627.0)	(46.1)
Income before income taxes, minority interest, equity earnings in affiliates and discontinued operations	300.9	626.9	128.8	(627.0)	429.6
Income tax (benefit) expense(1)	(82.3)	290.3	(100.4)		107.6
Minority interest		(2.2)	(66.9)		(69.1)
Equity earnings in affiliates	20.9	122.1	4.7		147.7
Income from continuing operations	404.1	456.5	167.0	(627.0)	400.6

Income from discontinued operations, net of taxes			3.5		3.5
Net income	$ 404.1	$ 456.5	$ 170.5	$ (627.0)	$ 404.1

(1) The Non-Guarantor tax benefit for the three and six months ended June 30, 2007 is predominately attributable to tax losses of Integrated Payments Systems, Inc. ("IPS"), a wholly owned subsidiary of the Parent. Under tax sharing agreements, IPS receives the tax benefit for tax losses utilized in the Parent's consolidated tax return. The losses are in large part due to IPS historically investing its investment portfolio in non-taxable municipal bonds at the instruction of Parent. The IPS tax benefit included for the predecessor three and six-month periods ended June 30, 2007 were $53.3 million and $119.1 million, respectively. As of January 1, 2008, with the wind-down of the official check and money order business and the shift from tax exempt investments to a taxable portfolio, IPS is no longer in a taxable loss position.

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEET
(Successor)
(in millions)
(unaudited)

	June 30, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 29.4	$ 103.0	$ 522.9		$ 655.3
Accounts receivable, net of allowance for doubtful accounts	14.5	1,172.5	1,107.6		2,294.6
Settlement assets(2)		4,844.0	7,459.1		12,303.1
Other current assets	80.0	250.7	122.7		453.4
Total current assets	123.9	6,370.2	9,212.3		15,706.4
Property and equipment, net of accumulated depreciation	25.2	747.9	350.9		1,124.0
Goodwill		11,881.5	5,303.2		17,184.7
Customer relationships, net of accumulated amortization		4,418.2	1,492.5		5,910.7
Other intangibles, net of accumulated amortization	3.2	1,228.3	756.5		1,988.0
Investment in affiliates	532.6	2,841.5	262.7		3,636.8
Long-term settlement assets(2)			861.3		861.3
Other long-term assets	697.7	248.6	43.0		989.3
Investment in consolidated subsidiaries	31,003.4	2,306.4		$ (33,309.8)	
Total assets	$ 32,386.0	$ 30,042.6	$ 18,282.4	$ (33,309.8)	$ 47,401.2
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Accounts payable	$ 0.6	$ 77.9	$ 102.5		$ 181.0
Short-term and current portion of long-term borrowings	340.4	29.1	325.1		694.6
Settlement obligations(2)		4,844.0	8,335.5		13,179.5
Other current liabilities	265.3	695.9	438.7		1,399.9
Total current liabilities	606.3	5,646.9	9,201.8		15,455.0
Long-term borrowings	21,983.3	36.9	105.8		22,126.0
Deferred long-term tax (assets) liabilities	(436.0)	2,134.7	400.6		2,099.3
Intercompany payable (receivable)	1,104.4	(769.0)	(335.4)		
Intercompany notes	1,582.8	(1,225.7)	(357.1)		

Other long-term liabilities	702.3	84.3	91.4		878.0
Total liabilities	25,543.1	5,908.1	9,107.1		40,558.3
Stockholder's equity	6,842.9	24,134.5	9,175.3	$ (33,309.8)	6,842.9
Total liabilities and stockholder's equity	$ 32,386.0	$ 30,042.6	$ 18,282.4	$ (33,309.8)	$ 47,401.2

FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING BALANCE SHEET
(Successor)
(in millions)

	December 31, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 60.6	$ 60.7	$ 485.2		$ 606.5
Accounts receivable, net of allowance for doubtful accounts	21.9	1,339.1	1,051.8		2,412.8
Settlement assets(2)		3,989.9	13,152.7		17,142.6
Other current assets	94.3	272.3	113.1		479.7
Total current assets	176.8	5,662.0	14,802.8		20,641.6
Property and equipment, net of accumulated depreciation	21.7	608.6	309.0		939.3
Goodwill		11,963.3	4,853.9		16,817.2
Customer relationships, net of accumulated amortization		5,106.5	1,679.0		6,785.5
Other intangibles, net of accumulated amortization	2.6	1,087.7	647.8		1,738.1
Investment in affiliates	532.8	2,738.0	255.5		3,526.3
Long-term settlement assets(2)			1,085.8		1,085.8
Other long-term assets	654.2	246.4	74.9		975.5
Investment in consolidated subsidiaries	30,208.8	2,246.8		$ (32,455.6)	
Total assets	$31,596.9	$ 29,659.3	$ 23,708.7	$ (32,455.6)	$ 52,509.3
LIABILITIES AND STOCKHOLDER'S EQUITY					
Current liabilities:					
Accounts payable	$ 2.2	$ 84.6	$ 71.7		$ 158.5
Short-term and current portion of long-term borrowings	266.6	21.5	332.2		620.3
Settlement obligations(2)		3,989.9	14,238.5		18,228.4
Other current liabilities	163.4	772.3	463.2		1,398.9
Total current liabilities	432.2	4,868.3	15,105.6		20,406.1
Long-term borrowings	21,836.6	12.4	104.5		21,953.5
Deferred long-term tax (assets) liabilities	(305.6)	2,341.6	345.6		2,381.6
Intercompany payable (receivable)	548.6	(88.7)	(459.9)		
Intercompany notes	1,575.7	(1,254.9)	(320.8)		
Other long-term liabilities	680.4	144.1	114.6		939.1

Total liabilities	24,767.9	6,022.8	14,889.6		45,680.3
Stockholder's equity	6,829.0	23,636.5	8,819.1	$ (32,455.6)	6,829.0
Total liabilities and stockholder's equity	$31,596.9	$ 29,659.3	$ 23,708.7	$ (32,455.6)	$ 52,509.3

(2) The majority of the guarantor settlement assets relates to our merchant acquiring business. We believe the settlement assets are not available to satisfy any claims other than those related to the settlement liabilities.

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FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(Successor)
(in millions)
(unaudited)

	Six Months Ended June 30, 2008				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents at beginning of period	$ 60.6	$ 60.7	$ 485.2		$ 606.5
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss) income	(382.3)	274.8	149.7	$ (424.5)	(382.3)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	19.6	569.1	173.2		761.9
Charges (gains) related to restructuring, impairments and other income (expense)	70.3	(0.5)	(33.1)		36.7
Other non-cash and non-operating items, net	(269.7)	(178.8)	(6.0)	424.5	(30.0)
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(350.6)	291.8	(30.9)		(89.7)
Net cash (used in) provided by operating activities	(912.7)	956.4	252.9		296.6
CASH FLOWS FROM INVESTING ACTIVITIES					
Current period acquisitions, net of cash acquired	(17.6)		(177.8)		(195.4)
Payments related to other businesses previously acquired	2.6	(18.8)	(0.5)		(16.7)
Additions to property and equipment, net	(1.8)	(76.8)	(44.0)		(122.6)
Payments to secure customer service contracts, including outlays for conversion and capitalized systems development costs	(1.3)	(51.6)	(24.2)		(77.1)
Proceeds from the sale of marketable securities		0.3	52.1		52.4
Other investing activities	(2.1)		7.1		5.0
Net cash used in investing activities	(20.2)	(146.9)	(187.3)		(354.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Short-term borrowings, net	70.0		(9.0)		61.0
Principal payments on long-term debt	(66.6)	(14.6)	(16.0)		(97.2)

Capital contributed by Parent	104.3				104.3
Cash dividends	(0.9)				(0.9)
Intercompany	794.9	(771.7)	(23.2)		
Net cash provided by (used in) financing activities	901.7	(786.3)	(48.2)		67.2
Effect of exchange rate changes on cash and cash equivalents		19.1	20.3		39.4
Change in cash and cash equivalents	(31.2)	42.3	37.7		48.8
Cash and cash equivalents at end of period	$ 29.4	$ 103.0	$ 522.9		$ 655.3

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FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Note 16: Guarantor Condensed Consolidating Financial Statements (Continued)

FIRST DATA CORPORATION
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(Predecessor)
(in millions)
(unaudited)

	Six Months Ended June 30, 2007				
	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents at beginning of period	$ 82.9	$ 190.6	$ 880.7		$ 1,154.2
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income from continuing operations	404.1	456.5	167.0	$ (627.0)	400.6
Net income from discontinued operations			3.5		3.5
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	8.7	275.0	81.3		365.0
(Gains) charges related to restructuring, impairments and other income (expense)	(4.4)	5.8	16.7		18.1
Other non-cash and non-operating items, net	(512.9)	(185.7)	(13.8)	627.0	(85.4)
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(119.9)	182.9	(125.2)		(62.2)
Net cash (used in) provided by operating activities from continuing operations	(224.4)	734.5	126.0		636.1
Net cash used in operating activities from discontinued operations			(9.7)		(9.7)
Net cash (used in) provided by operating activities	(224.4)	734.5	116.3		626.4
CASH FLOWS FROM INVESTING ACTIVITIES					
Current period acquisitions, net of cash acquired	(357.6)	(10.9)	(1.2)		(369.7)
Payments related to other businesses previously acquired	(11.9)	(33.3)	(4.1)		(49.3)
Additions to property and equipment, net	(0.6)	(77.5)	(38.3)		(116.4)
Payments to secure customer service contracts, including outlays for conversion and capitalized systems development costs	(4.2)	(56.7)	(9.4)		(70.3)
Proceeds from the sale of marketable securities		11.2			11.2
Other investing activities	66.2	(28.1)	18.0		56.1
Net cash used in investing activities	(308.1)	(195.3)	(35.0)		(538.4)

CASH FLOWS FROM FINANCING ACTIVITIES					
Short-term borrowings, net			(57.0)		(57.0)
Principal payments on long-term debt	(88.3)	(13.8)	(13.4)		(115.5)
Proceeds from issuance of common stock	129.0				129.0
Excess tax benefit from share-based payment arrangement	28.7				28.7
Purchase of treasury shares	(278.2)				(278.2)
Cash dividends	(45.2)				(45.2)
Intercompany	888.1	(547.3)	(340.8)		
Net cash provided by (used in) financing activities	634.1	(561.1)	(411.2)		(338.2)
Effect of exchange rate changes on cash and cash equivalents		(2.7)	23.2		20.5
Change in cash and cash equivalents	101.6	(24.6)	(306.7)		(229.7)
Cash and cash equivalents at end of period	$ 184.5	$ 166.0	$ 574.0	$	$ 924.5

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Combined Financial Statements and Report of Independent Registered Public Accounting Firm for Chase Paymentech

The following financial statements are included in this prospectus pursuant to Regulations S-X Rule 3-09:

(1) Chase Paymentech.
Combined Financial Statements and Report of Independent Registered Public Accounting Firm For the fiscal years ended December 31, 2007, 2006 and 2005 (unaudited).

Report of Independent Registered Public Accounting Firm

Board of Managers
Chase Paymentech Solutions, LLC

We have audited the accompanying combined balance sheets of Chase Paymentech (the Company) as of December 31, 2007 and 2006, and the related combined statements of income and comprehensive income, changes in owners' equity and cash flows for the years then ended. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Chase Paymentech as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the combined financial statements, First Data Corporation (FDC) was acquired by Kohlberg, Kravis, Roberts & Co. in 2007, which resulted in a change in control of FDC. This change in control gave JPMorgan Chase & Co. (JPMorgan Chase) the option to terminate the Company, giving FDC and JPMorgan Chase the right to receive their respective shares of the Company's net assets. On May 23, 2008, FDC and JPMorgan Chase entered into an agreement to end the joint ownership of the Company. Accordingly, the Company will not continue in its current form. The accompanying financial statements do not include any adjustments that might result from this transaction.

The accompanying combined statements of income and comprehensive income, changes in owners' equity and cash flows of Chase Paymentech for the year ended December 31, 2005 were not audited by us and, accordingly, we do not express an opinion on them.

/s/ GRANT THORNTON LLP

Dallas, Texas
March 10, 2008 (except for Note 1, as to which the date is May 23, 2008)

Chase Paymentech

COMBINED BALANCE SHEETS
(In thousands)

	December 31,	
	2007	**2006**
ASSETS		
Current assets		
Cash and cash equivalents	$3,527,983	$1,315,890
Receivables related to merchant processing	1,995,948	3,771,418
Investments	74,588	136,202
Accounts receivable, net of allowance for doubtful accounts of $10,196 and $12,397 as of December 31, 2007 and 2006, respectively	476,424	394,054
Deferred income taxes	271	199
Prepaid expenses and other current assets	14,123	9,843
Total current assets	6,089,337	5,627,606
Property and equipment, net	103,032	84,292
Goodwill	394,141	372,284
Intangible assets, net of accumulated amortization of $524,515 and $498,048 as of December 31, 2007 and 2006, respectively	72,948	61,859
Other assets	32,902	34,908
Total assets	$6,692,360	$6,180,949
LIABILITIES AND EQUITY		
Current liabilities		
Liabilities related to merchant processing	$4,740,827	$4,287,726
Accounts payable	33,021	27,838
Payables to related parties	36,189	41,751
Merchant deposits	524,150	651,672
Accrued assessments	24,989	25,346
Other accrued expenses	108,053	119,975
Current portion of long-term debt		16,922
Total current liabilities	5,467,229	5,171,230
Deferred income taxes	30,864	28,044
Other liabilities	29,129	24,606
Total liabilities	5,527,222	5,223,880
Minority interest	240	437
Commitments and contingencies (Note 5)		
Temporary equity	6,937	8,523
Accumulated other comprehensive income	62,868	23,744
Owners' equity	1,095,093	924,365
Total owners' equity	1,157,961	948,109
Total liabilities and equity	$6,692,360	$6,180,949

Chase Paymentech

COMBINED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
For the years ended
(In thousands)

	December 31, 2007	December 31, 2006	December 31, 2005 (unaudited)
Revenue	$1,286,232	$1,206,583	$ 809,098
Expenses			
Operating	402,613	398,352	247,603
Salaries and employee benefits	232,981	213,133	164,393
Depreciation and amortization	66,793	113,663	76,522
Total expenses	702,387	725,148	488,518
Operating income	583,845	481,435	320,580
Other income (expense), net			
Interest and other income	94,552	85,202	32,072
Interest expense	(16,661)	(18,372)	(5,413)
Foreign currency exchange	1,314	(149)	(529)
Total other income, net	79,205	66,681	26,130
Income before income taxes and minority interest	663,050	548,116	346,710
Provision for income taxes	80,413	71,766	61,575
Minority interest	(191)	(398)	(1,606)
Net income	$ 582,446	$ 475,952	$ 283,529
Comprehensive income			
Net income	$ 582,446	$ 475,952	$ 283,529
Other comprehensive income (loss), net of tax:			
Net unrealized gains on investments	1,064	209	1,133
Cash flow hedges		(5)	31
Foreign currency translation adjustment	38,184	(1,826)	3,037
Pension and SERP liability adjustments	(124)	105	(280)
Comprehensive income	$ 621,570	$ 474,435	$ 287,450

Chase Paymentech

COMBINED STATEMENTS OF CHANGES IN OWNERS' EQUITY
(In thousands)

			Corporations			
	Total	Accumulated Other Comprehensive Income	Common Stock	Additional Paid-In Capital	Retained Earnings	Partnerships and LLC's Partners' Capital and Members' Equity
Balances at December 31, 2004 (unaudited)	$ 767,559	$ 21,358		$ 225,523	$ 105,188	$ 415,490
Net income	283,529				87,379	196,150
Other comprehensive income	3,921	3,921				
Cash dividends and distributions	(191,952)				(60,145)	(131,807)
Non-cash distributions	(473)					(473)
Contributions	30,434					30,434
Integration of CMS (Note 1)	40,603			(122,426)	15,397	147,632
Stock issuance, repurchases and other	(60,612)			(62,544)	1,932	
Balances at December 31, 2005 (unaudited)	$ 873,009	$ 25,279	$	$ 40,553	$ 149,751	$ 657,426
Net income	475,952				91,387	384,565
Other comprehensive income (loss)	(1,517)	(1,517)				
Cash dividends and distributions	(477,562)				(103,522)	(374,040)
Non-cash distributions	(610)					(610)
Contributions	95,641					95,641
Stock issuance, repurchases and other	(16,786)			(18,454)	1,605	63
Adjustment to initially apply SFAS 158, net of tax	(18)	(18)				
Balances at December 31, 2006	$ 948,109	$ 23,744	$	$ 22,099	$ 139,221	$ 763,045
Net income	582,446				114,885	467,561
Other comprehensive income	39,124	39,124				
Cash dividends and distributions	(432,263)				(82,745)	(349,518)
Non-cash distributions	(137)					(137)
Contributions	21,058					21,058
Stock issuance, repurchases and other	(376)			(1,942)	398	1,168
Balances at December 31, 2007	$ 1,157,961	$ 62,868	$	$ 20,157	$ 171,759	$ 903,177

Chase Paymentech

COMBINED STATEMENTS OF CASH FLOWS
For the years ended
(In thousands)

	December 31,		
	2007	**2006**	**2005 (unaudited)**
Operating activities			
Net income	$ 582,446	$ 475,952	$ 283,529
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	66,793	113,663	76,522
Deferred income taxes	4,510	9,286	4,214
Minority interest	191	398	1,606
Provision for doubtful accounts	7,240	8,512	8,530
Losses on investments	1,156	137	298
Other non-cash expense	5,549	5,661	2,728
Changes in operating assets and liabilities:			
Receivables related to merchant processing	1,798,190	(1,729,913)	(846,071)
Accounts receivable	(81,186)	(19,390)	(41,426)
Prepaid expenses and other assets	(7,974)	25,893	(31,575)
Accounts payable	(2,140)	(5,786)	73,970
Liabilities related to merchant processing	428,061	1,604,049	804,559
Accrued assessments	(438)	4,680	2,360
Merchant deposits	(128,727)	64,769	139,501
Other accrued expenses and liabilities	(10,238)	39,509	28,126
Net cash provided by operating activities	2,663,433	597,420	506,871
Investing activities			
Purchases of property and equipment	(66,190)	(50,823)	(33,494)
Purchases of merchant portfolios	(23,399)	(1,566)	(750)
Purchases of investments	(106,283)	(226,631)	(287,727)
Sales of investments	107,304	11,520	35,675
Maturities of investments	60,572	178,052	237,364
Net cash used in investing activities	(27,996)	(89,448)	(48,932)
Financing activities			
Dividends and distributions	(432,459)	(478,152)	(193,795)
Capital contributions	21,058	95,641	
Cash retained as a result of excess tax benefits relating to employee share-based awards	410	2,304	(2,661)
Proceeds from issuance of common stock related to employee share-based awards	1,112	2,471	1,840
Share repurchases related to employee share-based awards	(4,065)	(6,469)	(26,682)
Payments on short-term financing		(23,867)	
Payments on long-term debt	(21,113)	(17,648)	(17,023)
Operating cash attributed to the integration of CMS on October 1, 2005			568,383
Net cash provided by (used in) financing activities	(435,057)	(425,720)	330,062
Effect of exchange rate changes on cash and cash equivalents	11,713	270	967
Increase in cash and cash equivalents	2,212,093	82,522	788,968
Cash and cash equivalents at beginning of year	1,315,890	1,233,368	444,400
Cash and cash equivalents at end of year	$ 3,527,983	$ 1,315,890	$ 1,233,368

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited)

NOTE 1 ORGANIZATION AND BUSINESS

Organization

The accompanying combined financial statements include all entities commonly owned by First Data Corporation and its subsidiaries (FDC) and JPMorgan Chase & Co. and its subsidiaries (JPMorgan Chase). The common ownership of these entities, which are primarily joint ventures, occurred over the course of several years and involved multiple transactions between FDC, JPMorgan Chase, Bank One Corporation (Bank One) and the joint ventures. The commonly owned entities include corporations, a general partnership and limited liability companies (LLCs) and are functionally grouped into two operating divisions and a group of holding companies. These entities and their form are shown below, by functional grouping, and are collectively referred to as Chase Paymentech, or the Company:

Name of Entity	**Form of Entity**
Holding Companies	
FDC Offer Corp.	Corporation (incorporated in Delaware in 1999)
Subsidiaries:	
Paymentech, Inc.	Corporation (incorporated in Delaware in 1995)
Paymentech Management Resources, Inc.	Corporation (incorporated in Delaware in 1995)
Paymentech Employee Resources LLC	LLC (formed in Delaware in 1999)
Chase Merchant Services, LLC	LLC (formed in Delaware in 1997)
Chase Paymentech U.S. Operations	
Chase Paymentech Solutions, LLC	LLC (formed in Delaware in 1996)
Subsidiaries:	
Merchant-Link, LLC	LLC (formed in Delaware in 1999)
Paymentech Salem Services, LLC	LLC (formed in Delaware in 2003)
S3 Financial Services, LLC	LLC (formed in Delaware in 2005)
Chase Alliance Partners, LLC	LLC (formed in Delaware in 2007)
Paymentech, LLC	LLC (formed in Delaware in 2007)
Chase Paymentech Canadian Operations	
Chase Paymentech Solutions	General Partnership (formed in Ontario in 2002)

In June 2007, PTI General Partner, LLC and BOPS Holding, LLC, formerly subsidiaries of Chase Paymentech Solutions, LLC, were merged into Chase Paymentech Solutions, LLC. Also in June 2007, Chase Alliance Partners, L.P. and Paymentech, L.P., formerly subsidiaries of Chase Paymentech Solutions, LLC, were merged into Chase Alliance Partners, LLC and Paymentech, LLC, respectively. These mergers had no impact on the operations of the Company.

The aggregate beneficial ownership in Chase Paymentech is approximately 51% ownership by JPMorgan Chase and approximately 49% ownership by FDC. On September 24, 2007, FDC was acquired by Kohlberg Kravis Roberts & Co (KKR). KKR's acquisition of FDC is a change in control, which gave JPMorgan Chase the option to terminate the Company. On May 23, 2008, FDC and JPMorgan Chase entered into an agreement (the "Separation Agreement") to end the joint ownership of the Company. The Separation Agreement allows for each owner to receive their ownership share of

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 1 ORGANIZATION AND BUSINESS (Continued)

the Company's net assets including merchant contracts, by value, and their share of sales and certain service professionals. The separation is anticipated to occur prior to December 31, 2008. The accompanying financial statements do not include any adjustments that might result from the outcome of this transaction.

With respect to FDC's ownership interest in Chase Paymentech, the Company met the significant subsidiary test provided in SEC Regulation S-X Rule 1-02(w), in that FDC's equity earnings in the Company exceeded 20% of FDC's consolidated income from continuing operations before income taxes for the period from January 1, 2007 through September 24, 2007 (the predecessor period), and for the year ended December 31, 2006. In accordance with SEC Regulation S-X Rule 3-09, these combined financial statements are filed with this prospectus. The Company did not meet the significant subsidiary test for the year ended December 31, 2005, as FDC's equity earnings in the Company did not exceed the 20% threshold in SEC Regulation S-X Rule 1-02(w). While the combined financial statements present financial information for the year ended December 31, 2005, this information is unaudited because the Company was not audited in its combined form for that period.

Holding Companies

FDC Offer Corp. and its subsidiaries, Paymentech, Inc. and Paymentech Management Resources, Inc. (PMRI), are primarily holding companies whose main source of income results from their ownership interests in the Company's U.S. operations. Paymentech Employee Resources LLC is the employer of substantially all employees associated with the U.S. operations. The accompanying combined financial statements include the financial position, results of operations, changes in owners' equity and cash flows for these entities for all periods presented.

Chase Merchant Services, LLC (CMS) is a joint venture formed by FDC and JPMorgan Chase in 1997. As discussed below, effective October 1, 2005, all of the assets and liabilities of CMS were transferred to the Company's U.S. operations in exchange for an ownership interest in Chase Paymentech Solutions, LLC. Subsequent to the October 1, 2005 transaction, CMS' primary source of income results from its ownership interests in the Company's U.S. operations. The accompanying combined financial statements include the financial position, results of operations, changes in owners' equity and cash flows for CMS for all periods subsequent to October 1, 2005.

U.S. Operations

Chase Paymentech Solutions, LLC (Chase Paymentech U.S. or the Company's U.S. operations), formerly Banc One Payment Services, L.L.C. (BOPS), and its subsidiaries comprise the Company's U.S.-based operations. Chase Paymentech U.S. is a joint venture beneficially owned by FDC and JPMorgan Chase, through direct investments as well as through investments in FDC Offer Corp. and CMS. Each of these members in the joint venture hold membership interests which are of a single class and have substantially the same rights and privileges.

BOPS was originally formed as a joint venture between FDC and Bank One in 1996. As a result of JPMorgan Chase's merger with Bank One in July 2004, FDC and JPMorgan Chase beneficially owned both BOPS and CMS, which while commonly owned, were controlled by different management committees and were competitors in the marketplace. To benefit from the complementary technological

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 1 ORGANIZATION AND BUSINESS (Continued)

and management knowledge, as well as the market presence of each of these joint ventures, on October 1, 2005, through a series of transactions, all of the assets and liabilities of CMS were transferred to BOPS, and the joint venture was subsequently renamed Chase Paymentech Solutions, LLC.

The results of the Company's U.S. operations and cash flows included in the accompanying combined financial statements for the nine month period ended on September 30, 2005 represent the historical results of BOPS. The financial position, results of operations, changes in owners' equity and cash flows for all periods presented subsequent to October 1, 2005 reflect the operations of Chase Paymentech U.S. in its current form.

Canadian Operations

Chase Paymentech Solutions (Chase Paymentech Canada or the Company's Canadian operations), formerly Paymentech Canada, is a joint venture beneficially owned by FDC and JPMorgan Chase and comprises the Company's entire Canadian operations. Each of the partners in the joint venture holds partnership interests which are of a single class and have the same rights and privileges.

Business

The Company engages in the electronic payment processing industry for businesses accepting credit, debit, fleet, and stored value card payments, as well as alternative methods of payment via point-of-sale, internet, catalog and recurring billings. The Company provides these services for transactions that originate throughout the world for financial institutions, sales agents and the Company's direct merchants, which are primarily located in North America.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). All intercompany profits, accounts, and transactions have been eliminated.

Unaudited Financial Information

The unaudited combined financial statements for the year ended December 31, 2005 have been prepared in accordance with U.S. GAAP. These financial statements were prepared on the same basis as the combined financial statements as of December 31, 2007 and 2006 and for the years then ended, and in the opinion of management, reflect all adjustments and accruals considered necessary to fairly present the Company's combined results of operations, changes in owners' equity and cash flows.

Reclassifications

Certain activities related to the Company's investments have been reclassified in the Company's combined statements of cash flows in order to present gross cash flows from purchases, sales and maturities of investments in accordance with Statement of Financial Accounting Standards (SFAS)

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. As a result, cash flows from operating activities and investing activities differ from previously filed documents, which presented these activities on a net basis. Certain eliminations of the Company's intercompany activities have been reclassified to each of the appropriate components of owners' equity in the Company's combined statements of changes in owners' equity. Although these reclassifications do not affect owners' equity in total, the components of owners' equity differ from previously filed documents, which presented these eliminations separately. These reclassifications did not impact the combined balance sheets and statements of income and comprehensive income. The Company's deferred contract incentives have been reclassified from current to non-current assets and certain liabilities, primarily related to the Company's deferred compensation, long-term incentive, and pension benefit plans, have been reclassified from current to non-current liabilities in the Company's combined balance sheets. The change in classification to non-current reflects the long-term nature of the respective asset or liability. As a result, total current assets and total current liabilities differ from previously filed documents. These reclassifications did not impact total assets, total liabilities or the combined statements of income and comprehensive income. Management does not believe that these reclassifications are material to the combined financial statements.

Use of Estimates

The preparation of combined financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported on the combined financial statements and accompanying notes. Actual results could differ from those estimates.

Foreign Currency Translation

The Company's Canadian operation uses its local currency, the Canadian dollar (CAD), as its functional currency. The assets and liabilities related to the Canadian operations in the accompanying combined balance sheets are translated at period end exchange rates. Resulting translation adjustments are reported as a separate component of owners' equity in accumulated other comprehensive income. All income and expense items are translated using the average exchange rate for the period. Net transaction gains and losses are included in earnings. Unless otherwise stated, amounts presented herein related to the Canadian operations are in U.S. dollars.

Cash and Cash Equivalents

The Company considers cash, certificates of deposit, money market funds, and all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Receivables Related to Merchant Processing

Receivables related to merchant processing represent amounts due from card brands for transactions that have been processed.

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable and other securities

The Company has investments in marketable securities, as well as investments in non-marketable equity securities. Investments in marketable securities are classified as available-for-sale and consist of government, government-backed, corporate debt securities, and short term bond mutual funds. Available-for-sale securities are stated at fair value based on quoted market prices, with unrealized gains or losses on the securities, net of any related tax effects, recorded as a separate component of comprehensive income. The cost basis of debt securities is adjusted for the amortization of premiums and accretion of discounts to maturity. Amortization and accretion, as well as interest and dividend income earned, and realized gains and losses on sales of securities are recorded in interest and other income. Realized gains and losses are derived using the average cost method for determining the cost of securities sold. A decline in market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in an impairment charge to earnings, and a new cost basis for the security is established.

Investments in non-marketable equity securities are accounted for under the cost method as such investments do not meet the equity method criteria. The Company assesses the potential for impairments to cost method investments when impairment indicators are present. Any resulting impairment that is deemed other-than-temporary is charged to earnings.

Concentrations of Credit Risk

The Company maintains cash and cash equivalents with financial institutions in excess of federally insured levels. The Company believes that the concentration of credit risk with respect to these balances is minimal due to the credit standing of the financial institutions. Concentrations of credit risk with respect to accounts receivable are considered minimal. Amounts receivable are generally deducted from customers' accounts either monthly or as debit and credit card transactions are processed. No single customer accounted for more than ten percent of receivables at December 31, 2007 or 2006, or of revenue for the years ended December 31, 2007, 2006, or 2005.

Property and Equipment

Property and equipment are carried at cost, net of accumulated depreciation and amortization. Depreciation for furniture and equipment is recorded on a straight-line basis over periods generally ranging from three to five years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. The Company capitalizes computer software costs in accordance with Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use.* These costs are amortized on a straight-line basis over the period of benefit ranging from three to five years.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2007, 2006, and 2005, the Company incurred $5.2 million, $5.3 million, and $4.1 million in advertising expense, respectively.

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and Intangible Assets

Goodwill represents the excess of purchase price over identifiable assets acquired, less liabilities assumed from business combinations. The Company's annual impairment tests did not identify any impairment in 2007, 2006, or 2005.

Intangible assets primarily consist of purchased merchant portfolios, technology-based intangible assets, and non-compete/referral agreements. These intangible assets are amortized over their estimated useful lives and are subject to impairment testing whenever events occur that would affect the recoverability of the asset. The Company amortizes these intangible assets, primarily on a straight-line basis, over the estimated period to be benefited. On January 1, 2006, a change in the estimated amortization period for purchased merchant portfolios occurred (as discussed in Note 7). These periods range from four to ten years for the years ended December 31, 2007 and 2006.

Other Assets

Other assets consist primarily of deferred charges, company-owned life insurance (COLI) policies held in trust for the Company's deferred compensation plan and deferred contract incentives. Deferred charges represent contributions for services paid on the Company's behalf, which are amortized on a straight-line basis over the period that the services are to be performed. COLI assets are carried at the policies' respective cash surrender values. Deferred contract incentives represent initial payments to merchants for new contracts and contract renewals, which are capitalized to the extent recoverable through future operations and are amortized over the term of the contract as a reduction of the associated revenue.

Liabilities Related to Merchant Processing

Liabilities related to merchant processing primarily represent payables to merchants for transactions that have been processed.

Accrued Assessments

Accrued assessments represent fees payable to card brands for debit and credit card transactions that have been processed.

Other Liabilities

Other liabilities consist primarily of accrued liabilities for employee benefit plans, including the defined benefit pension plan, Supplemental Executive Retirement Plan (SERP), deferred compensation plan and long-term incentive plan. The Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (SFAS 158) as of December 31, 2006 for its pension plan and SERP. SFAS 158 requires a company to recognize the funded status of a benefit plan as an asset or liability in its statement of financial position and to recognize previously unrecognized gains/(losses) and prior service costs as components of comprehensive income, net of tax. The effect of applying the recognition provisions of SFAS 158 to the Company's pension plan was a $28 thousand (pre-tax) decrease in

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

intangible assets related to unrecognized prior service costs and a corresponding increase in accumulated other comprehensive income on the combined balance sheet as of December 31, 2006.

Minority Interest

Minority interest represents the minority stockholders' proportionate share of the equity and earnings of Paymentech, Inc. Minority interest represented 0.2%, 0.3% and 0.8% of Paymentech, Inc.'s outstanding stock at December 31, 2007, 2006, and 2005, respectively.

Cash Flow Hedges

The Company's Canadian operations utilize forward contracts to hedge exposure to foreign currency fluctuations in the exchange rate for U.S. dollars. Derivative instruments are accounted for as cash flow hedges in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended by SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities* (SFAS 133). The Company includes derivatives in prepaid expenses and other current assets or other accrued expenses, as appropriate, on the combined balance sheets at fair value. Changes in the fair value of derivative contracts designated as cash flow hedges are recorded as a component of accumulated other comprehensive income, and reclassified into foreign currency exchange in the combined statements of income and comprehensive income when the underlying hedged item affects earnings.

Share-Based Payments

Effective January 1, 2006, the Company adopted the provisions of SFAS No. 123R, *Share-Based Payment* (SFAS 123R) and all related interpretations under the modified prospective method. SFAS 123R requires all share-based payments to employees, including employee stock options and stock appreciation rights (SARs), to be measured at their grant date fair values and expensed over the requisite service periods. The Company had previously adopted the expense provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. As a result of certain redemption features, discussed in Note 15, concurrent with the adoption of SFAS 123R, the Company also applies the provisions of Accounting Series Release 268, *Redeemable Preferred Stocks* (ASR 268). ASR 268 requires the Company to reclassify amounts relating to outstanding options, and shares issued as a result of exercise of these options, outside of permanent equity (to temporary equity). There were no effects on the Company's results of operations or cash flows as a result of adopting the provisions of SFAS 123R or ASR 268.

Comprehensive Income

Comprehensive income includes net income, changes in unrealized gains and losses on available-for-sale investments, amounts resulting from cash flow hedging activities, changes in the adjustment resulting from foreign currency translation, and certain adjustments to the Pension and SERP liabilities.

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

Revenue represents fees earned for processing credit and debit card transactions for merchants (including merchant discount fees), partially offset by interchange fees and debit network fees. Revenue also includes amounts earned from third party credit and debit authorization services, incentive payments from card brands for participation in certain initiatives, the sale and rental of point-of-sale equipment, merchant call center help desk services, fees for the deployment of point-of-sale supplies and repair of point-of-sale equipment. Revenue is recorded as services are performed or as merchandise is shipped.

Income Taxes

The Company's functional groups discussed in Note 1 have various treatments for tax purposes. FDC Offer Corp. and its subsidiaries are treated as a corporation for U.S. federal and state income tax purposes. CMS is treated as a pass-through entity for U.S. federal and state income tax purposes. The members include their share of the Company's taxable income in their applicable tax returns. The Company's U.S. operations are also treated as a pass-through entity for U.S. federal and most state income tax purposes. Its members include their share of the Company's taxable income in their applicable tax returns. The Company's Canadian operation is treated as a pass-through entity for Canadian federal and provincial income tax purposes. Its partners include their share of the Company's taxable income in their applicable tax returns.

The Company uses the asset and liability method required by SFAS No. 109, *Accounting for Income Taxes,* in accounting for income taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, using statutory tax rates for the applicable entity in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Asset Impairment

In accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* management reviews the carrying value of its long-lived assets whenever events indicate that their carrying amounts may not be recoverable. If, upon review, an impairment of the value of the asset is indicated, an impairment loss would be recorded in the period such determination is made. No impairments were recorded for the years ended December 31, 2007, 2006, or 2005.

NOTE 3 NEW ACCOUNTING PRONOUNCEMENTS

Accounting for Uncertainty in Income Taxes

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*, *An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 provides a comprehensive model for how a company should recognize, measure,

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 3 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its merits. FIN 48 also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. FIN 48 is effective for nonpublic enterprises for fiscal years beginning after December 15, 2007, with the cumulative effect of the change in accounting principle recorded as an adjustment to the beginning balance of retained earnings in the period of adoption. The Company plans to adopt this interpretation in 2008 and is currently evaluating the impact of implementing FIN 48 on its combined financial statements.

Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a fair value hierarchy to be used in U.S. GAAP, and expands disclosures about fair value measurements. Although this statement does not require any new fair value measurements, the application could change current practice. The statement is effective for recurring fair value measurements of assets and liabilities for fiscal years beginning after November 15, 2007, and for nonrecurring measurements of nonfinancial assets and liabilities for fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of implementing this statement on its combined financial statements.

The Fair Value Option

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* (SFAS 159). SFAS 159 gives entities the ability to elect to measure many financial instruments and certain other items at fair value. The fair value election is made on an instrument by instrument basis and is irrevocable. Unrealized gains and losses on items elected for fair value accounting are reported in earnings at each subsequent reporting date. SFAS 159 is effective for fiscal years beginning after November 15, 2007. At this time, the Company does not anticipate electing the fair value option.

Business Combinations

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141R). Under Statement 141R, an acquiring entity will be required to recognize all the assets acquired, liabilities assumed, and noncontrolling interests at the acquisition-date fair value. These acquisition-date fair value provisions apply to contingent consideration, in-process research and development and acquisition contingencies. The new standard also requires expensing associated acquisition costs and restructuring charges. SFAS 141R is effective as of the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company plans to adopt the provisions of this statement prospectively for business combinations with closing dates after January 1, 2009.

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 3 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Noncontrolling Interests

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51* (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard requires the recognition of a noncontrolling interest (minority interest) as a component of equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement. SFAS 160 is effective for the Company's fiscal year beginning after December 15, 2008, and will be applied prospectively except for the presentation and disclosure requirements, which must be applied retrospectively for all periods presented. The Company is currently evaluating the impact that adopting SFAS 160 will have on its combined financial statements.

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment by major class as of December 31, 2007 and 2006 is as follows (in thousands):

	2007	2006
Furniture and equipment	$ 179,343	$ 153,266
Capitalized software	103,765	92,809
Leasehold improvements	14,364	12,005
	297,472	258,080
Less accumulated depreciation and amortization	(194,440)	(173,788)
Property and equipment, net	$ 103,032	$ 84,292

Depreciation and amortization expense related to property and equipment was $47.4 million, $38.8 million, and $34.4 million for the years ended December 31, 2007, 2006, and 2005, respectively. For the years ended December 31, 2007 and 2006, software costs of $13.8 million and $11.4 million were capitalized, respectively.

NOTE 5 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases office space and certain equipment under operating leases with remaining terms ranging up to eleven years. The office space leases contain renewal options and generally require the Company to pay certain operating expenses.

Chase Paymentech

NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 5 COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease commitments under non-cancelable leases as of December 31, 2007 are as follows (in thousands):

2008	$ 8,645
2009	8,970
2010	9,631
2011	8,990
2012	9,122
Thereafter	33,169
	$78,527

The combined statements of income and comprehensive income include rental expense for operating leases of $11.7 million, $9.7 million, and $8.6 million for the years ended December 31, 2007, 2006, and 2005, respectively.

Guarantees

Under the card brand rules, when a merchant acquirer processes bankcard transactions, it has certain obligations for those transactions. These obligations arise from disputes between cardholders and merchants due to the cardholders' dissatisfaction with merchandise quality or the merchants' service, which are not resolved with the merchant. In such cases, the transactions are "charged back" to the respective merchants and the related purchase amounts are refunded to the cardholders by the card issuer. If the merchant does not fund the refund due to insolvency, bankruptcy or other extraneous reasons, the Company, in certain circumstances is liable for the full amount of the transaction. This obligation is considered a guarantee under FIN No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*.

A cardholder generally has until the later of four months from the date of purchase or delivery of products or services to present a chargeback. Management believes that the maximum exposure for its obligation at any time does not exceed the total amount of bankcard transactions processed for the preceding four-month period. For the four-month periods from September through December 2007, 2006, and 2005, these amounts were $254.3 billion, $231.5 billion, and $175.0 billion, respectively.

The Company records a provision for its estimated obligation based upon factors surrounding the credit risk of specific customers, historical credit losses, current processing volume and other relevant factors. As shown in Note 6, for the years ended December 31, 2007, 2006, and 2005, the Company incurred aggregate merchant credit losses, net of recoveries, of $9.6 million, $9.0 million, and $9.6 million, respectively, on total processed volumes of $719.1 billion, $660.6 billion, and $332.1 billion, respectively.

The Company calculates its provision and evaluates the appropriateness of its reserve on a monthly basis. The provision for credit losses is included in operating expenses on the combined statements of income and comprehensive income. The reserve for this obligation is included in accounts receivable on the combined balance sheets. The Company believes the recorded reserve approximates the fair value of its contingent obligation.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
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NOTE 5 COMMITMENTS AND CONTINGENCIES (Continued)

The Company also requires cash deposits, guarantees and letters of credit from certain merchants to minimize its obligation. As of December 31, 2007 and 2006, the Company held cash deposits of $524.2 million and $651.7 million, respectively, which were classified as merchant deposits on the combined balance sheets. The Company also held collateral in the form of letters of credit totaling $203.2 million and $192.1 million at December 31, 2007 and 2006, respectively, and merchant certificates of deposit totaling $51.9 million and $49.0 million at December 31, 2007 and 2006, respectively.

Other Contingencies

Both the Company and its customers handle sensitive information, such as credit card numbers and personal consumer data, utilizing computer and telecommunications systems operated by the Company, its customers and outside third party providers. Despite internal controls and card brand imposed data security rules, which are in place to protect this information, ever-evolving technology presents inherent risks of data compromises. Data compromises of customers' systems can result in significant financial liability to the Company if the fines and liability for fraudulent card usage exceeds its customers' financial capacity. While the Company has not experienced significant losses in the past, data compromise of sensitive data processed by the Company or a third party vendor could have a material impact on the Company's financial position and results of operations.

In the course of business, the Company is a defendant in various lawsuits. Management believes that the resolution of these lawsuits will not have a material impact on the Company's combined financial position or results of operations.

NOTE 6 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other relevant factors, as discussed in Note 5. Write-offs are recorded as a reduction to the allowance for doubtful accounts when deemed uncollectible.

A summary of the allowance for doubtful accounts is as follows (in thousands):

	2007	2006	2005
Reserve balance at beginning of year	$12,397	$12,941	$ 8,489
Additional reserve attributed to the integration of CMS on October 1, 2005			5,449
Provision for doubtful accounts	7,240	8,512	8,530
Write-offs, net	(9,562)	(9,032)	(9,612)
Effects of foreign currency translation	121	(24)	85
Reserve balance at end of year	$10,196	$12,397	$12,941

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 7 GOODWILL AND INTANGIBLE ASSETS

Goodwill

A summary of goodwill is as follows (in thousands):

	2007	2006
Balance at beginning of year	$372,284	$372,563
Effects of foreign currency translation	21,857	(279)
Balance at end of year	$394,141	$372,284

Intangible Assets

A summary of intangible assets and accumulated amortization by intangible asset category as of December 31, 2007 and 2006 is as follows (in thousands):

	Gross Carrying Amount			
	Merchant Portfolios	Non-compete/ Referral Agreements	Pension Intangibles	Total
Balance at December 31, 2005	$543,995	$ 14,529	$ 28	$558,552
Additions	1,566			1,566
Effects of foreign currency translation	(151)	(32)		(183)
Adjustment for SFAS 158 (Note 14)			(28)	(28)
Balance at December 31, 2006	545,410	14,497		559,907
Additions	23,399			23,399
Effects of foreign currency translation	11,617	2,540		14,157
Balance at December 31, 2007	$580,426	$ 17,037	$	$597,463

	Accumulated Amortization			
	Merchant Portfolios	Non-compete/ Referral Agreements	Pension Intangibles	Total
Balance at December 31, 2005	$(418,634)	$ (4,823)	$	$(423,457)
Additions	(73,433)	(1,456)		(74,889)
Effects of foreign currency translation	249	49		298
Balance at December 31, 2006	(491,818)	(6,230)		(498,048)
Additions	(17,904)	(1,544)		(19,448)
Effects of foreign currency translation	(5,806)	(1,213)		(7,019)
Balance at December 31, 2007	$(515,528)	$ (8,987)	$	$(524,515)

Amortization expense related to intangible assets was $19.4 million, $74.9 million, and $42.1 million for the years ended December 31, 2007, 2006, and 2005, respectively.

The Company periodically evaluates the appropriateness of the amortization period to determine whether circumstances warrant revised estimates of the useful lives of its contributed and purchased merchant portfolios and other intangible assets. If, upon review, such revision of useful life is necessary, the remaining unamortized cost would be amortized over the revised useful life. In performing these

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
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NOTE 7 GOODWILL AND INTANGIBLE ASSETS (Continued)

reviews, the Company takes into account all currently available data. As a result of additional analysis of attrition statistics and other data, the Company's U.S. operations revised the estimated useful lives of some of its purchased merchant portfolios effective January 1, 2006 from useful lives of eleven to forty years to useful lives of ten years. This change in estimate was applied on a prospective basis and resulted in additional amortization in 2006 of $13.8 million, which is included in depreciation and amortization on the combined statements of income and comprehensive income.

During 2007 and 2006, the Company purchased merchant portfolios totaling $23.4 million and $1.6 million, respectively, with a weighted-average amortization period of nine and four years, respectively, and no significant residual value.

The following table presents the Company's estimated amortization expense relating to intangible assets as of December 31, 2007, for the following years ending December 31, (in thousands):

2008	$17,448
2009	13,444
2010	11,989
2011	11,284
2012	9,492
Thereafter	9,291
	$72,948

NOTE 8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying amounts for certain of the Company's financial instruments including cash and cash equivalents, accounts receivable, receivables related to merchant processing, accounts payable and liabilities related to merchant processing approximate fair value due to their short maturities. COLI policies included in other assets are recorded at their cash surrender values, which approximate fair value. Accordingly, these instruments are not presented in the following table. The following table provides carrying amounts and estimated fair values of certain financial instruments (in thousands):

	2007		2006	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Marketable securities classified as investments	$71,772	$ 71,772	$133,385	$133,385
Current portion of long-term debt			16,922	15,956

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Marketable securities classified as investments: These investments are carried at fair value, which is estimated based on quoted market prices.

Current portion of long-term debt: The fair value of the current portion of long-term debt is based on the present value of estimated cash flow for debt service based on the Company's incremental borrowing rate.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 9 MARKETABLE AND OTHER SECURITIES

The Company's investments include marketable securities classified as available-for-sale and carried at fair market value, as well as $2.8 million in non-marketable equity securities at December 31, 2007 and 2006, accounted for under the cost method. The amortized cost and estimated fair value of available-for-sale securities, including certain highly liquid securities that are classified as cash equivalents on the combined balance sheets, were as follows for the dates indicated (in thousands):

	At December 31, 2007			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government obligations	$ 5,035	$ 85	$ (1)	$ 5,119
Government agency obligations	9,825	104	(43)	9,886
Corporate obligations	25,310	23	(222)	25,111
Mutual funds	47,693	525		48,218
Total	$ 87,863	$ 737	$ (266)	$ 88,334

	At December 31, 2006			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Debt securities:				
U.S. Government obligations	$ 6,052	$ 13	$ (60)	$ 6,005
Government agency obligations	12,827	32	(119)	12,740
Corporate obligations	77,654	21	(25)	77,650
Mutual funds	37,463		(473)	36,990
Total	$ 133,996	$ 66	$ (677)	$ 133,385

The Company assesses the potential for other-than-temporary impairments of available-for-sale securities each reporting period and of cost method investments whose fair values are not readily determinable when impairment indicators are present. For the years ended December 31, 2007 and 2006, there were no declines in the value of investments deemed to be other-than-temporary. For the year ended December 31, 2005, the Company recognized an impairment of $126 thousand on a cost method investment for a decline in fair value deemed to be other-than-temporary.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 9 MARKETABLE AND OTHER SECURITIES (Continued)

The following table presents unrealized losses and fair value for securities that were in an unrealized loss position, including certain highly liquid securities classified as cash equivalents on the combined balance sheets, at December 31, 2007 and 2006 (in thousands):

	At December 31, 2007					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Debt securities:						
U.S. Government obligations	$	$	$ 1,008	$ (1)	$ 1,008	$ (1)
Government agency obligations			1,958	(43)	1,958	(43)
Corporate obligations	1,130	(220)	56	(2)	1,186	(222)
Total	$ 1,130	$ (220)	$ 3,022	$ (46)	$ 4,152	$ (266)

	At December 31, 2006					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Debt securities:						
U.S. Government obligations	$ 501	$ (2)	$ 3,480	$ (58)	$ 3,981	$ (60)
Government agency obligations	632	(1)	7,118	(118)	7,750	(119)
Corporate obligations	4,113	(1)	2,984	(24)	7,097	(25)
Mutual Funds			36,990	(473)	36,990	(473)
Total	$ 5,246	$ (4)	$50,572	$ (673)	$55,818	$ (677)

As the Company has both the intent and ability to hold securities with unrealized losses until a recovery of fair value, which may be at maturity, the Company does not consider such securities to be other-than-temporarily impaired at December 31, 2007. Realized gains and losses from sales of available-for-sale securities were $57 thousand and $1.2 million, respectively, during 2007. There were no significant realized gains and losses from sales of available-for-sale securities during 2006 or 2005.

The cost and estimated fair value of the Company's debt securities (including certain highly liquid securities that are classified as cash equivalents in the combined balance sheets) are shown below by contractual maturity (in thousands). Expected maturities may differ from contractual maturities based on the Company's investment policies.

	2007		2006	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$29,291	$ 29,310	$71,370	$ 71,357
Due in one through five years	5,614	5,761	17,158	17,089
Due in five through ten years	1,258	1,245	1,478	1,468
Due after ten years	4,007	3,800	6,527	6,481
Total	$40,170	$ 40,116	$96,533	$ 96,395

Explanation of Responses:

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 10 DEBT

Pursuant to an asset purchase agreement, the Company was required to pay five annual non-interest bearing installments of CAD $20.0 million to The Bank of Nova Scotia (Scotiabank), the first of which was paid in November 2003. The final payment was made in November 2007. The combined balance sheet as of December 31, 2006 includes this amount as current portion of long-term debt, net of imputed interest (at a rate of 1.75%), of $246 thousand. Related interest expense of $264 thousand, $552 thousand, and $781 thousand, is included in interest expense in the combined statements of income and comprehensive income for the years ended December 31, 2007, 2006, and 2005, respectively.

NOTE 11 CASH FLOW HEDGES

The Company's Canadian operations utilizes derivative financial instruments to enhance its ability to manage cash flow risks with respect to changes in foreign currency exchange rates. These risks arise from the Canadian operation's U.S. dollar-denominated promissory note payable to the Company's U.S. operations, and the repayment of such debt. The Company's derivative instruments consist of short-term foreign currency forward contracts. In 2005, the maximum term of these forward contracts was three months. Throughout 2006 and 2007, the Company's strategy has been to hedge its foreign currency risks using contracts that mature within one month.

The Company designates its forward derivative contracts as cash flow hedges accounted for pursuant to SFAS 133. Changes in the fair value of the contracts are initially recorded to accumulated other comprehensive income, and in each reporting period, an amount that offsets the hedged item's transaction gain or loss is reclassified to foreign currency exchange on the accompanying combined statements of income and comprehensive income. The net loss on derivatives for the years ended December 31, 2007, 2006, and 2005, was $1.8 million, $2.3 million, and $956 thousand, respectively. No contracts were held as of December 31, 2007 or 2006.

The Company formally documents all relationships between hedging instruments and the underlying hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction. The Company applies strict policies to manage risks, including prohibition against derivatives trading, derivatives market-making or any other speculative activities.

The Company's counterparty in all derivative transactions is JPMorgan Chase. The credit risk inherent in these agreements represents the possibility that a loss may occur from the nonperformance of the counterparty to the agreements. The Company believes its risk is minimal. The Company's exposure is in U.S. dollars, so there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

NOTE 12 INCOME TAXES

The components of pretax income excluding minority interest are as follows (in thousands):

	For the years ended December 31,		
	2007	2006	2005
Income before income taxes and minority interest domestic	$638,157	$535,640	$350,123
Income before income taxes and minority interest foreign	24,893	12,476	(3,413)
Total	$663,050	$548,116	$346,710

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 12 INCOME TAXES (Continued)

The components of the provision for income taxes are as follows (in thousands):

	For the years ended December 31,		
	2007	**2006**	**2005**
Current			
Federal income taxes	$59,985	$50,289	$49,701
State income taxes, net of U.S. federal income tax benefit	15,930	12,090	7,822
Foreign income taxes	8	7	
Total	75,923	62,386	57,523
Deferred			
Federal income taxes	4,376	9,328	4,150
State income taxes, net of U.S. federal income tax benefit	114	52	(98)
Total	4,490	9,380	4,052
Total provision for income taxes	$80,413	$71,766	$61,575

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes and minority interest due to the following:

	2007	**2006**	**2005**
Statutory tax rate applied to income before income taxes and minority interest	35.0%	35.0%	35.0%
State income taxes, net of U.S. federal income tax benefit	1.6%	1.4%	1.4%
Effect of flow-through income	(24.6)%	(23.5)%	(19.2)%
Amortization of goodwill, merchant portfolios and other intangibles	0.1%	0.1%	0.2%
Share-based payment excess deferred taxes	0.0%	0.0%	0.2%
Other, net	0.0%	0.1%	0.2%
Effective tax rate	12.1%	13.1%	17.8%

The effective tax rates include the effect of flow-through income that is included in JPMorgan Chase's and FDC's applicable tax returns. The change in the effective tax rate from 2005 to 2006 is primarily the result of the integration of CMS in October 2005 that reduced the ownership percentage of FDC Offer Corp. and subsidiaries in the U.S. operations and in turn reduced the percentage of income subject to tax at FDC Offer Corp. and subsidiaries.

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the book and tax bases of the Company's assets and liabilities. Net deferred tax assets and liabilities are included in deferred income taxes on the combined balance sheets. The

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 12 INCOME TAXES (Continued)

components of the Company's deferred tax items consist of the following at December 31, (in thousands):

	2007	2006
Deferred tax assets related to:		
Accrued expenses and reserves	$ 187	$ 185
Accrued pension benefits	1,419	1,293
Other employee benefits	4,803	3,920
Tax attribute carryforwards	651	620
Other	117	14
Total deferred tax assets	7,177	6,032
Valuation allowance	(651)	(620)
Realizable deferred tax assets	6,526	5,412
Deferred tax liabilities related to:		
Depreciation and amortization	(37,119)	(33,257)
Net deferred tax liabilities	$(30,593)	$(27,845)

As of December 31, 2007 and 2006, the Company had recorded a valuation allowance of $651 thousand and $620 thousand respectively, against U.S. capital loss carryforwards. It is more likely than not that the tax benefit of those capital losses will not be recognized due to statutory limitations.

Income tax payments of $72.3 million in 2007 are less than current expense primarily due to the benefit of deferral due to tax fiscal year and tax benefits associated with the exercise of stock options. Net income tax payments of $58.2 million in 2006 are less than current expense primarily due to refunds received from prior years, the benefit of deferral due to tax fiscal year and tax benefits associated with the exercise of stock options. Income tax payments of $51.8 million in 2005 are less than current expense primarily due to tax benefits associated with the exercise of stock options and the benefit of deferral due to tax fiscal year.

NOTE 13 SEGMENT REPORTING

Operating segments are defined by SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information,* as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (CODM) in deciding how to allocate resources and in assessing performance. The Company's CODM is its Chief Executive Officer. The Company classifies its business into two reporting segments for financial reporting purposes consisting of its U.S. and Canadian operations.

The business segments measurements provided to, and evaluated by, the Company's CODM are computed in accordance with the accounting policies described in Note 2.

The Company's U.S. operations process electronic payments of credit, debit, fleet, and stored value card transactions primarily for merchants throughout North America.

The Company's Canadian operations process electronic payments of credit and debit card transactions, including the rental of point-of-sale equipment for merchants in Canada.

Explanation of Responses:

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 13 SEGMENT REPORTING (Continued)

Financial information for the Company's operating segments is summarized as follows (in thousands):

	As of and for the year ended December 31, 2007			
	U.S.	Canada	Corporate and eliminations	Combined
Revenues:				
Transaction and processing services	$1,170,621	$ 81,790	$	$1,252,411
Transaction and processing services inter-segment	17,152		(17,152)	
Point-of-sale equipment and supplies	3,777	30,044		33,821
Total segment reporting revenues	$1,191,550	$111,834	$ (17,152)	$1,286,232

	As of and for the year ended December 31, 2007			
	U.S.	Canada	Corporate and eliminations	Combined
Interest and other, net	$ 76,425	$ 1,445	$ 21	$ 77,891
Depreciation and amortization	43,861	22,932		66,793
Income before income taxes and minority interest	638,634	24,813	(397)	663,050
Provision for income taxes	11,674		68,739	80,413
Total assets	6,291,384	417,137	(16,161)	6,692,360
Goodwill	247,549	146,592		394,141
Long-lived assets, net	96,518	79,462		175,980
Expenditures for long-lived assets	56,977	32,612		89,589

	As of and for the year ended December 31, 2006			
	U.S.	Canada	Corporate and Eliminations	Combined
Revenues:				
Transaction and processing services	$1,112,781	$ 66,892	$	$1,179,673
Transaction and processing services inter-segment	15,032		(15,032)	
Point-of-sale equipment and supplies	1,477	25,433		26,910
Total segment reporting revenues	$1,129,290	$ 92,325	$ (15,032)	$1,206,583
Interest and other, net	$ 66,790	$ (701)	$ 741	$ 66,830
Depreciation and amortization	94,358	19,305		113,663
Income before income taxes and minority interest	535,461	12,476	179	548,116
Provision for income taxes	8,556		63,210	71,766
Total assets	5,731,888	463,806	(14,745)	6,180,949
Goodwill	247,549	124,735		372,284
Long-lived assets, net	83,410	62,741		146,151
Expenditures for long-lived assets	40,826	11,563		52,389

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 13 SEGMENT REPORTING (Continued)

	As of and for the year ended December 31, 2005			
	U.S.	Canada	Corporate and Eliminations	Combined
Revenues:				
Transaction and processing services	$ 728,255	$ 56,055	$	$ 784,310
Transaction and processing services inter-segment	14,066		(14,066)	
Point-of-sale equipment and supplies	1,974	22,814		24,788
Total segment reporting revenues	$ 744,295	$ 78,869	$ (14,066)	$ 809,098
Interest and other, net	$ 31,425	$ (6,104)	$ 1,338	$ 26,659
Depreciation and amortization	60,285	16,237		76,522
Income (loss) before income taxes and minority interest	350,423	(3,413)	(300)	346,710
Provision for income taxes	4,165		57,410	61,575
Total assets	4,133,085	383,679	(88,414)	4,428,350
Goodwill	247,549	125,014		372,563
Long-lived assets, net	135,488	70,396		205,884
Expenditures for long-lived assets	22,017	12,227		34,244

NOTE 14 BENEFIT PLANS

Defined Benefit Pension Plans

The Company provides a qualified noncontributory defined benefit pension plan (Pension Plan) for its eligible U.S. employees. The net periodic pension expense included in salaries and employee benefits on the combined statements of income and comprehensive income for the Pension Plan was $4.0 million, $3.6 million, and $2.8 million for the years ended December 31, 2007, 2006, and 2005, respectively.

The Company funds at least the minimum amount required under the Employee Retirement Income Security Act of 1974. Contributions are intended to provide not only for benefits attributed to compensation to date, but also for compensation increases to be earned in the future. Each participant's cash balance account is credited with an amount equal to 4% of the participant's eligible compensation, plus interest at a rate of 5% per year. Each participant becomes fully vested in benefits under this plan after five years of service. Prior to that time, no portion of a participant's benefit is vested. Effective January 1, 2008, the vesting period under this plan was reduced from five to three years.

The Company also provides a SERP for highly compensated employees that will provide certain benefits upon retirement, death, or disability. The net periodic expense included in salaries and employee benefits on the combined statements of income and comprehensive income for the SERP was $227 thousand, $173 thousand, and $77 thousand for the years ended December 31, 2007, 2006, and 2005, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 14 BENEFIT PLANS (Continued)

A summary of the Pension Plan's and the SERP's change in benefit obligation, change in plan assets, and funded status are as follows as of and for the years ended December 31, 2007 and 2006 (in thousands):

	Pension Plan		SERP	
	2007	2006	2007	2006
Change in benefit obligation:				
Benefit obligation at beginning of year	$21,001	$18,445	$ 587	$ 443
Service cost	4,238	3,690	181	137
Interest cost	1,218	1,027	38	31
Benefits paid	(2,368)	(2,590)	(121)	(133)
Actuarial (gain)/loss	(283)	429	24	109
Benefit obligation at end of year	23,806	21,001	709	587
Change in plan assets:				
Fair value of plan assets at beginning of year	17,766	14,897		
Actual return on plan assets	965	1,809		
Employer contributions	6,200	3,650	121	133
Benefits paid	(2,368)	(2,590)	(121)	(133)
Fair value of plan assets at end of year	22,563	17,766		
Funded status	$ (1,243)	$ (3,235)	$(709)	$(587)

Amounts related to the funded statuses of the Pension Plan and SERP are included in other non-current liabilities in the combined balance sheets.

Amounts recognized in accumulated other comprehensive income, net of tax, at December 31, 2007 and 2006 consisted of (in thousands):

	Pension Plan		SERP	
	2007	2006	2007	2006
Change in benefit obligation:				
Adjustment for the adoption of SFAS 158	$	$2,163	$	$ 62
Net actuarial loss	2,264		80	
Prior service cost/(credit)	14		(9)	
Amounts recognized in accumulated other comprehensive income	$2,278	$2,163	$71	$ 62

The estimated net actuarial loss and prior service cost that will be amortized from accumulated other comprehensive income, pre-tax, into net periodic benefit cost during 2008 are $118 thousand and $5 thousand for the Pension Plan, respectively. The estimated net actuarial loss and prior service credit that will be amortized from accumulated comprehensive income, pre-tax, into net periodic benefit cost during 2008 are $5 thousand and $3 thousand for the SERP, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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the year ended December 31, 2005 (unaudited) (Continued)

NOTE 14 BENEFIT PLANS (Continued)

The Pension Plan's and SERP's accumulated benefit obligations were $23.8 million and $709 thousand, respectively, at December 31, 2007, and $21.0 million and $587 thousand, respectively, at December 31, 2006.

A summary of the components of net periodic pension expense and changes recognized in other comprehensive income, pre-tax, for the years ended December 31, 2007, 2006, and 2005 is as follows (in thousands):

	Pension Plan		
	2007	**2006**	**2005**
Service cost	$ 4,238	$ 3,690	$ 2,817
Interest cost	1,218	1,027	821
Expected return on plan assets	(1,699)	(1,351)	(1,064)
Amortization of net actuarial loss	212	261	201
Amortization of prior service cost	5	2	(1)
Net periodic benefit cost	3,974	3,629	2,774
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net actuarial loss	451		
Amortization of net actuarial loss	(212)		
Amortization of prior service cost	(5)		
Total recognized in other comprehensive income	234		
Total recognized in net periodic benefit cost and other comprehensive income	$ 4,208	$ 3,629	$ 2,774

	SERP		
	2007	**2006**	**2005**
Service cost	$181	$137	$56
Interest cost	38	31	24
Amortization of net actuarial loss	11	8	
Amortization of prior service credit	(3)	(3)	(3)
Net periodic benefit cost	227	173	77
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Net actuarial loss	24		
Amortization of net actuarial loss	(11)		
Amortization of prior service credit	3		
Total recognized in other comprehensive income	16		
Total recognized in net periodic benefit cost and other comprehensive income	$243	$173	$77

Explanation of Responses:

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 14 BENEFIT PLANS (Continued)

Weighted-average assumptions used to determine the benefit obligations of the Pension Plan and SERP at December 31, 2007 and 2006 were:

	Pension Plan	
	2007	2006
Discount rate	6.25%	5.75%
Expected rate of increase in compensation levels	5.00%	5.00%
Expected long-term rate of return on assets	8.50%	8.50%

	SERP	
	2007	2006
Discount rate	6.25%	5.75%
Expected rate of increase in compensation levels	5.00%	5.00%

Weighted-average assumptions used to determine net periodic benefit cost for the Pension Plan and SERP for the years ended December 31, 2007, 2006, and 2005 were:

	Pension Plan		
	2007	2006	2005
Discount rate	5.75%	5.50%	5.50%
Expected rate of increase in compensation levels	5.00%	5.00%	5.00%
Expected long-term rate of return on assets	8.50%	8.50%	8.50%

	SERP		
	2007	2006	2005
Discount rate	5.75%	5.50%	5.50%
Expected rate of increase in compensation levels	5.00%	5.00%	5.00%

Future benefits are assumed to increase in a manner consistent with past experience of the Pension Plan and SERP, which includes assumed salary increases as presented above. In developing these assumptions, the Company evaluated input from actuaries and plan asset managers, including their review of asset class return expectations, historical average annual returns, and long-term inflation assumptions.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
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NOTE 14 BENEFIT PLANS (Continued)

The Pension Plan weighted-average asset allocation and target allocation as of December 31, 2007 and 2006 presented as a percentage of total plan assets were as follows:

	Asset Allocation		Target Allocation	
	2007	2006	2007	2006
Equity securities	69%	72%	70%	70%
Debt securities	29	23	25	25
Cash and cash equivalents	2	5	5	5
Total	100%	100%	100%	100%

It is the Company's policy to invest Pension Plan assets in a diversified portfolio utilizing the target asset allocation as a guide. Deviations from the target allocation may be authorized by the Employee Benefits Committee. Investment risk is limited by diversification both within and between asset classes. The investment objective for the Pension Plan is to earn long-term investment returns in excess of inflation and at least equal to the actuarial discount rate used to calculate the Pension Plan's liability. Contributions to and disbursements from the fund are used to rebalance towards the target allocation to the extent practical.

Pension Plan assets included shares of a money market fund managed by JPMorgan Asset Management, a subsidiary of JPMorgan Chase, with a fair value of $445 thousand and $819 thousand, representing 2% and 5%, of total plan assets as of December 31, 2007 and 2006, respectively.

The Company expects to contribute approximately $8.0 million to the Pension Plan in 2008. As of December 31, 2007, the future benefit payments expected to be paid by the Pension Plan and the SERP for each of the following years are as follows (in thousands):

	Pension Plan	SERP
2008	$ 1,945	$ 10
2009	2,215	19
2010	2,642	27
2011	2,820	34
2012	2,986	40
2013 through 2017	18,627	297
	$ 31,235	$ 427

Defined Contribution Plans

The Company provides a Retirement Savings Plan (Savings Plan) for its eligible U.S. employees. The Savings Plan is a defined contribution plan under sections 401(a) and 401(k) of the Internal Revenue Code which provides savings and investment opportunities. Pretax contributions of up to 6% of an eligible employee's defined compensation are matched 50% by the Company. Salaries and employee benefits included $3.0 million, $2.2 million, and $1.7 million of expense relating to the Savings Plan on the combined statements of income and comprehensive income for the years ended

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 14 BENEFIT PLANS (Continued)

December 31, 2007, 2006, and 2005, respectively. Savings Plan assets included 31 thousand and 39 thousand shares of JPMorgan common stock, representing 2% and 3%, of plan assets as of December 31, 2007 and 2006, respectively.

The Company provides a Registered Retirement Savings Plan (Registered Savings Plan) for its eligible Canadian employees. The Registered Savings Plan is a defined contribution plan which provides savings and investment opportunities. Pretax contributions of up to 6% of an eligible employee's defined compensation are matched 50% by the Company. Salaries and employee benefits included $337 thousand, $300 thousand, and $262 thousand of expense relating to the Registered Savings Plan on the combined statements of income and comprehensive income for the years ended December 31, 2007, 2006, and 2005, respectively.

The Company provides a registered defined contributory pension plan for its eligible Canadian employees. The net periodic expense included in salaries and employee benefits for this plan was $657 thousand, $536 thousand, and $457 thousand on the combined statements of income and comprehensive income for the years ended December 31, 2007, 2006, and 2005, respectively.

Long-Term Incentive Plan

Certain employees of the Company are participants in a Long-Term Incentive Plan (LTIP), which provides for cash awards, subject to certain vesting periods and adjustments based on the performance of JPMorgan Chase and FDC. The LTIP began in 2005, and awards vest over a three-year period with 50% of the award vesting after two years of service and the remaining 50% vesting after the third year of service. The Company records expense using the accelerated expense attribution method over the related vesting periods. For the years ended December 31, 2007, 2006, and 2005, $14.5 million, $12.0 million, and $4.1 million, respectively, of expense relating to LTIP grants were included in salaries and employee benefits on the combined statements of income and comprehensive income. The related liability is included in other accrued liabilities on the combined balance sheets.

Deferred Compensation Plan

The Company has a deferred compensation plan, which provides highly compensated employees the opportunity to defer up to 90% of their annual base salary, 90% of their bonus compensation, and 90% of their LTIP. Each plan participant is fully vested in all deferred compensation and earnings credited to his or her account.

The liability under the deferred compensation plan was $10.9 million and $7.9 million at December 31, 2007 and 2006, respectively. The Company's expense under the deferred compensation plan, net of the investment return on related trust assets, totaled $453 thousand, $261 thousand, and $266 thousand for the years ended December 31, 2007, 2006, and 2005, respectively.

In connection with the deferred compensation plan, the Company has placed certain assets in a rabbi trust to enhance the security of the benefits payable under the plan. The assets of the trust, which consist of COLI policies and money market funds, are not generally available to the Company or its creditors, except to pay participants' benefits or in the event of the Company's insolvency. Trust assets of $11.0 million and $7.2 million at December 31, 2007 and 2006, respectively, were included in other

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 14 BENEFIT PLANS (Continued)

assets on the combined balance sheets. The COLI policies had cash surrender values of $9.3 million and $7.2 million at December 31, 2007 and 2006, respectively.

Stop Loss Insurance

The Company provides medical insurance through a variety of third party Administrative Services Agreements. In order to manage its insurance risk, the Company purchases individual and aggregate stop loss coverage policies. The policies provide for payment of eligible expenses in excess of the Company's individual obligation of $150 thousand per covered individual, not to exceed $2 million over the lifetime of a covered individual. Aggregate stop loss coverage provided for in the policies becomes effective at the Aggregate Benefit Attachment Point, which was $15.0 million, $11.6 million, and $7.4 million for 2007, 2006, and 2005 respectively. A risk exists to the Company with respect to recoveries under the stop loss contracts in the event the stop loss company is unable to meet its obligations.

The Company's estimated liability for claims incurred but not reported at December 31, 2007 and 2006 was $1.2 million and $1.8 million, respectively, which is included in other accrued expenses on the combined balance sheets.

NOTE 15 SHARE-BASED PAYMENT

Under a share-based payment plan (Stock Option Plan) established in 1999, the Company granted non-qualified stock options to certain employees. The purpose of the Stock Option Plan is to provide an incentive to key employees to better align their interests with the interests of the Company. The Company issued the last option grants under this plan in 2004 and does not intend to provide for any additional grants of options in the future.

The Stock Option Plan allows for grants of options to purchase up to 10 million shares of Class B Common Stock of Paymentech, Inc. ($0.01 par value) (the Shares). The options are granted with exercise prices equal to or greater than the fair market value of Paymentech, Inc.'s stock on the date of grant; have graded vesting over a period of three years with 50% of the award vesting on the second anniversary of the date of grant, and the remaining 50% on the third anniversary of the date of grant; and expire 10 years from the date of grant.

Upon exercise of the options for the issuance of Shares, the Shares become subject to both put and call redemption features. Holders of Shares may require the Company to repurchase any or all of such holder's Shares during the period beginning on the 180th day following the date of issuance of such Shares and ending at the end of the 200th day following the date of issuance of such Shares. If the holder does not elect to exercise their put right, the Company has the right, but not the obligation, to call for purchase any or all of such holder's Shares at any time beginning on the 201st day following the date of issuance. In either event, the purchase price for such Shares will be the fair market value of such Shares on the date of redemption. In addition to these restrictions, in the event the shareholder does not exercise their put rights and the Company does not exercise its call rights, the shareholder is obligated to offer their Shares to the Company for purchase upon the same terms they propose to sell such Shares to a third party. When options are exercised, the Company issues new shares.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 15 SHARE-BASED PAYMENT (Continued)

Accelerated Vesting and Modifications

The Stock Option Plan provides that, in the event of changes in equity securities by reason of change in capitalization, such as a reclassification, recapitalization, merger, consolidation, reorganization or other similar event, appropriate adjustments in the aggregate number of Shares subject to the Stock Option Plan and/or the exercise price and number of Shares purchasable upon the exercise of any option previously granted will be made. Additionally, the plan provides that upon such events, any unvested options would become fully vested.

As a result of JPMorgan Chase's merger with Bank One in July 2004, which was a change in control under the Stock Option Plan, all outstanding options became fully vested. As a result of the October 1, 2005 integration of CMS into the Company, which had a dilutive effect for the entity which provides the Stock Option Plan, the Company modified the exercise prices and number of outstanding options to maintain the value of the options to the option holders. The modification affected 241 option holders. As the value of the options was the same before and after the modification, no incremental expense was recorded in 2005 as a result of the modification.

The following schedule summarizes stock option activity for the year ended December 31, 2007 (in thousands, except per share data):

	Number of options	Weighted-average exercise price	Weighted-average remaining life (years)
Outstanding at December 31, 2006	360	$ 25.10	
Exercised	(92)	$ 24.93	
Forfeited or expired	(9)	$ 21.68	
Outstanding at December 31, 2007	259	$ 25.28	3.9
Options exercisable at December 31, 2007	259	$ 25.28	3.9

The Company made no option grants and recognized no compensation cost related to options in 2007, 2006 or 2005. Tax expense related to stock option activity was $67 thousand, and $690 thousand for the years ended December 31, 2006 and 2005 respectively. No tax expense was recognized in 2007 related to stock option activity.

As a result of the redemption features in the Stock Option Plan, the Company expects to repurchase 61 thousand outstanding Shares in 2008.

The intrinsic value of options outstanding and exercisable as of December 31, 2007 was $5.6 million. The total intrinsic value of options exercised during the years ended December 31, 2007, 2006, and 2005, was $1.9 million, $3.9 million, and $9.0 million, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 16 SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures and non-cash financing activities for the years ended December 31, 2007, 2006, and 2005 are as follows (in thousands):

	2007	2006	2005
Supplemental cash flow information:			
Cash paid for income taxes	$72,315	$58,195	$51,780
Cash paid for interest	15,693	17,687	4,340
Supplemental non-cash financing activities:			
Capital contribution for services paid on the Company's behalf	$	$	$30,434

NOTE 17 RELATED PARTIES

The Company has multiple relationships with JPMorgan Chase and FDC as described below.

JPMorgan Chase

JPMorgan Chase serves as the Company's primary bank and provides depository accounts, as well as investment, treasury management, and hedging services. Amounts related to these services are included in interest and other income, interest expense and operating expenses on the combined statements of income and comprehensive income.

Pursuant to a referral agreement, JPMorgan Chase is obligated to refer customers for credit and debit card processing services to the Company. Fees related to these referrals offset revenue on the combined statements of income and comprehensive income. The payable related to these services is included in current liabilities on the combined balance sheets.

JPMorgan Chase has agreed to indemnify the Company against certain losses, if any, which would result from the provision of bankcard processing services to certain merchants. Pursuant to these indemnification agreements, the Company pays JPMorgan Chase an indemnification fee which is included in operating expenses on the combined statements of income and comprehensive income.

In addition to referral and indemnification agreements, the Company has entered into various contracts with JPMorgan Chase relating to transaction services. Under these contracts both the Company and JPMorgan Chase perform services for each other, such as merchant and private label transaction services, statement preparation, development and support services, as well as gateway services, sponsorship for VISA, MasterCard and other card brands and debit networks, and other services. The related revenue and fees for these services are included in revenue and operating expenses, respectively, on the combined statements of income and comprehensive income. The related receivable and amounts accrued for these services are included in accounts receivable and current liabilities, respectively, on the combined balance sheets.

JPMorgan Chase leases office space to the Company. Rent associated with these leases is included in operating expenses on the combined statements of income and comprehensive income.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 17 RELATED PARTIES (Continued)

FDC

The Company has entered into agreements with various subsidiaries and affiliates of FDC, for the transaction servicing of some of the Company's U.S. and international merchant transactions, as well as the provision of related services, such as chargeback management, fraud monitoring, collections, merchant settlement, payer authentication, multi-currency, customer service, and MasterCard sponsorship necessary to process Canadian MasterCard transactions. The negotiation and execution of revised U.S. and Canadian agreements covering certain of the above described services are pending. Fees related to these services are included in operating expenses, and assessments offset revenue, on the combined statements of income and comprehensive income. The related payables are included in payables to related parties, other accrued expenses and accrued assessments on the combined balance sheets.

The Company utilizes the services of TASQ Technology, Inc. (TASQ), a wholly-owned subsidiary of FDC, for the deployment of card processing point-of-sale equipment and related software at customer locations in the U.S. The Company also purchases supplies from TASQ for distribution to its U.S. and Canadian merchants. Amounts accrued for these services are included in current liabilities on the combined balance sheets. Expenses related to these services and supplies offset revenue on the sale of point-of-sale equipment and are included in revenue on the combined statements of income and comprehensive income.

Pursuant to an agreement with a debit network owned by FDC, the Company processes debit card transactions via that debit network and is required to pay certain debit network fees. Fees paid related to this agreement are included in operating expenses on the combined statements of income and comprehensive income. Fees accrued related to these services are included in other accrued expenses on the combined balance sheets.

The Company entered into agreements with FDC to provide data transmission, authorization and portfolio management services. Revenue for these services is included in revenue on the combined statements of income and comprehensive income. The related receivable is included in accounts receivable on the combined balance sheets.

The Company entered into an employee lease arrangement under which FDC provided employees to work at the direction of the Company. The term of the agreement was from January 1, 2006 through December 31, 2006. Expenses incurred under this leasing arrangement are included in salaries and employee benefits on the combined statements of income and comprehensive income for the year ended December 31, 2006. The payable related to these services is included in payables to related parties and other accrued expenses on the combined balance sheet as of December 31, 2006.

The Company has various other arrangements with JPMorgan Chase and FDC under which other services may be provided or received. The related amount of revenues and expenses for these services are less than 1% of total revenues and expenses on the combined statements of income and comprehensive income, respectively, for the years ended December 31, 2007, 2006, and 2005.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 17 RELATED PARTIES (Continued)

A summary of the amounts included on the combined balance sheets as of December 31, 2007 and 2006 and the combined statements of income and comprehensive income for the years ended December 31, 2007, 2006, and 2005 is as follows (in thousands):

		2007	
Related Party	**Nature of Relationship**	**Receivables from (payables to) related parties, net**	**Revenue (expense), net**
JPMorgan Chase	Banking and investment management services	$ (702)	$ 50,052
	Customer referral program	(1,288)	(7,240)
	Transaction and related services, net	481	8,925
	Indemnification agreements	(345)	(1,382)
	Rent		(2,761)
FDC	Transaction servicing and related services	(31,923)	(193,073)
	Point-of-sale equipment and supplies	(2,086)	(23,091)
	Debit interchange	(3,712)	(29,097)
	Data transmission, authorization and portfolio management services	1,632	9,605

		2006	
Related Party	**Nature of Relationship**	**Receivables from (payables to) related parties, net**	**Revenue (expense), net**
JPMorgan Chase	Banking and investment management services	$ 2,411	$ 57,150
	Customer referral program	(312)	(3,267)
	Transaction and related services, net	1,085	2,966
	Indemnification agreements	(333)	(2,422)
	Rent		(1,478)
FDC	Transaction servicing and related services	(31,501)	(214,356)
	Point-of-sale equipment and supplies	(11,554)	(31,633)
	Debit interchange	(1,951)	(16,936)
	Employee lease arrangement	(2,583)	(14,921)
	Data transmission, authorization and portfolio management services	1,500	10,291

		2005
Related Party	**Nature of Relationship**	**Revenue (expense), net**
JPMorgan Chase	Banking and investment management services	$ 19,804
	Customer referral program	(1,543)
	Transaction and related services, net	(476)
	Rent	(1,667)

FDC	Transaction servicing and related services	(99,843)
	Point-of-sale equipment and supplies	(22,714)
	Debit interchange	(12,294)
	Data transmission, authorization and portfolio management services	9,898

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 18 OWNERS' EQUITY

As discussed in Note 1, the Company includes a combination of corporations, LLCs and a general partnership. Information regarding the capital structure of these entities is shown below.

Corporations

FDC Offer Corp.

FDC Offer Corp.'s authorized and outstanding common stock as of December 31, 2007 and 2006 consisted of 1,000 shares of common stock (FDC Offer Corp. Common Stock), par value $0.01 per share. All FDC Offer Corp. Common Stock outstanding is owned by JPMorgan Chase and FDC. The shares of FDC Offer Corp. are restricted from transfer, without the consent of the other shareholder.

Paymentech, Inc.

Paymentech, Inc.'s authorized capital stock consists of a total of 70,000,000 shares, as follows: 60,000,000 shares of Class A Common Stock, par value $0.01 per share, and 10,000,000 Shares of Class B Common Stock, par value $0.01 per share.

As of December 31, 2007 and 2006 there were 36,451,566 shares of Class A Common Stock outstanding. FDC Offer Corp holds all issued and outstanding Class A Common Stock. Holders of shares of Class A Common Stock are entitled to one vote per share on all matters submitted to a vote of stockholders. There is no right to cumulative voting for the election of directors. Holders of shares of Class A Common Stock are entitled to receive dividends, paid in accordance with the instructions of the board of directors out of funds legally available therefore. In the event of liquidation, holders of shares of Class A Common Stock are entitled to share ratably in all assets remaining after payment of liabilities. Holders of shares of Class A Common Stock have no conversion, redemption or preemptive rights. The rights of the holders of Class B Common Stock will, in some instances, restrict the rights of the holders of Class A Common Stock.

As of December 31, 2007 and 2006 there were 60,615 and 113,966 Shares of Class B Common Stock outstanding, respectively. Unless otherwise noted, the holders of Shares of Class B Common Stock have the same rights as holders of shares of Class A Common Stock. Holders of shares of Class B Common Stock are entitled to one-tenth of one vote per share on all matters submitted to a vote of stockholders, and are entitled to receive dividends, paid in accordance with the instructions of the board of directors out of funds legally available therefore. Dividends so declared must be paid equally with respect to shares of Class A Common Stock and shares of Class B Common Stock. Likewise, in the event of liquidation, holders of Shares of Class B Common Stock are entitled to share ratably with holders of Class A Common Stock in all assets remaining after payment of liabilities. Holders of Class A Common Stock are prohibited from using their superior voting power to impair the rights of holders of Class B Common Stock.

As discussed in Note 15, the Class B Common Stock (or Class B Shares) is subject to certain redemption features. Additionally, should the Company undertake a public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, each outstanding share of Class B Common Stock would be automatically converted into one share of Class A Common Stock upon the date of the closing of the sale.

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NOTES TO COMBINED FINANCIAL STATEMENTS
For the years ended December 31, 2007 and 2006 and
the year ended December 31, 2005 (unaudited) (Continued)

NOTE 18 OWNERS' EQUITY (Continued)

LLC's

All of the Company's LLCs are governed by Limited Liability Company Agreements, by and among their respective owner(s) (the Members). All membership interests in the LLCs are of a single class and have the same rights and privileges. Certain of the Members of Chase Paymentech Solutions, LLC have the right to elect the LLC's managers.

Partnership

JPMorgan Chase and FDC partnership interests in Chase Paymentech Solutions are of a single class and have the same rights and privileges.

Other Comprehensive Income

The cumulative balance of each component of other comprehensive income, and associated income tax effects, are as follows (in thousands):

	Beginning balance	Pretax gain (loss) amount	Tax benefit (expense)	Ending balance
December 31, 2005				
Net unrealized gains (losses) on investments	$ (1,944)	$ 1,123	$ 10	$ (811)
Cash flow hedges	(26)	31		5
Foreign currency translation adjustment	25,360	3,037		28,397
Minimum pension liability adjustment	(2,032)	(432)	152	(2,312)
	$ 21,358	$ 3,759	$ 162	$ 25,279
December 31, 2006				
Net unrealized gains (losses) on investments	$ (811)	$ 224	$ (15)	$ (602)
Cash flow hedges	5	(5)		
Foreign currency translation adjustment	28,397	(1,826)		26,571
Minimum pension liability adjustment	(2,312)	194	(89)	(2,207)
Adjustment to initially apply SFAS 158		(28)	10	(18)
	$ 25,279	$ (1,441)	$ (94)	$ 23,744
December 31, 2007				
Net unrealized gains (losses) on investments	$ (602)	$ 1,082	$ (18)	$ 462
Foreign currency translation adjustment	26,571	38,184		64,755
Pension and SERP liability adjustments	(2,225)	(250)	126	(2,349)
	$ 23,744	$ 39,016	$ 108	$ 62,868

FIRST DATA CORPORATION

Offer to Exchange

$2,200,000,000 aggregate principal amount of $9^7/_8$% Senior Notes due 2015, which have been registered under the Securities Act of 1933, as amended, for any and all of its outstanding $9^7/_8$% Senior Notes due 2015.

Until the date that is 90 days from the date of this prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters with respect to their unsold allotments or subscriptions.

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