DUN & BRADSTREET CORP/NW
Form 4
February 02, 2016

FORM 4

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

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
COUGHLIN CHRISTOPHER J

(Last) (First) (Middle)

103 JFK PARKWAY

(Street)

SHORT HILLS, NJ 07078

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
DUN & BRADSTREET CORP/NW [DNB]

3. Date of Earliest Transaction (Month/Day/Year)
01/29/2016

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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			

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

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SEC 1474 (9-02)

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

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount Underlying Securities (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security	(Month/Day/Year)		(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amoun Numbe Shares
Phantom Stock Units - Deferred Compensation (1)	(2)	01/29/2016		A		2,836.59 (1)		(3)	(4)	Common Stock	2,836 (1

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
COUGHLIN CHRISTOPHER J 103 JFK PARKWAY SHORT HILLS, NJ 07078	X			

Signatures

/s/ Karen K. Pettiford-Wilson for Christopher J. Coughlin by POA previously filed — 02/02/2016

**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) Phantom stock is reported in units vs. shares in the D&B Common Stock Fund of the issuer's non-employee directors' deferred compensation plan (the "Plan").

(2) Each phantom stock unit entitles the reporting person to a cash payment based on the value on the payout date of the issuer's common stock corresponding to such units. Based on the $98.42 closing price of the issuer's common stock on the transaction date, one share of common stock corresponds to approximately 2.67 units.

(3) The reporting person may transfer these phantom stock units to alternative investment funds in the Plan beginning three years from the transaction date.

(4) These phantom stock units are payable in cash after the reporting person ceases to be a member of the issuer's board of directors.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Equity earnings in affiliates(a)

30.1 30.1

Total segment reporting revenues

$3,062.8 $1,442.8 $1,572.1 $250.4 $6,328.1

Internal revenue

$16.5 $34.0 $6.5 $1.1 $58.1

External revenue

3,046.3 1,408.8 1,565.6 249.3 6,270.0

Depreciation and amortization

752.2 353.3 285.6 73.7 1,464.8

Segment EBITDA

1,193.5 645.3 398.7 (122.7) 2,114.8

Other operating expenses and other income (expense) excluding divestitures

(5.3) (25.6) (173.9) (133.1) (337.9)

Expenditures for long-lived assets

42.5 84.2 170.3 81.8 378.8

Equity earnings in affiliates

86.6 11.2 97.8

Investment in unconsolidated affiliates

1,075.8 215.5 1,291.3

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Year ended December 31, 2008	Retail and Alliance Services	Financial Services	International	All Other and Corporate	Totals
Revenues:					
Transaction and processing service fees	$ 2,894.2	$ 1,480.4	$ 1,324.3	$ 220.1	$ 5,919.0
Product sales and other	383.0	37.1	338.5	156.8	915.4
Equity earnings in affiliates(a)			33.2	2.5	35.7
Total segment reporting revenues	$ 3,277.2	$ 1,517.5	$ 1,696.0	$ 379.4	$ 6,870.1
Internal revenue	$ 19.7	$ 35.9	$ 6.3	$ 0.7	$ 62.6
External revenue	3,257.5	1,481.6	1,689.7	378.7	6,807.5
Depreciation and amortization	901.9	321.5	254.6	81.6	1,559.6
Segment EBITDA	1,407.8	753.1	433.3	(39.2)	2,555.0
Other operating expenses and other income (expense) excluding divestitures	(1,104.6)	(1,399.6)	(366.3)	(186.8)	(3,057.3)
Expenditures for long-lived assets	30.4	180.1	202.3	34.0	446.8
Equity earnings in affiliates	109.1		11.8	2.1	123.0
Investment in unconsolidated affiliates	1,042.0		217.6		1,259.6

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A reconciliation of reportable segment amounts to the Company s consolidated balances is as follows (in millions):

	Year ended December 31,		
	2010	**2009**	**2008**
Revenues:			
Total reported segments	$ 6,344.6	$ 6,077.7	$ 6,490.7
All Other and Corporate	150.7	250.4	379.4
Adjustments to reconcile to Adjusted revenue:			
Official check and money order revenues(b)	8.0	(0.8)	(43.1)
Eliminations of intersegment revenues	(62.4)	(58.1)	(62.6)
Adjusted revenue	6,440.9	6,269.2	6,764.4
Adjustments to reconcile to Consolidated revenues:			
Divested businesses		75.2	178.0
Adjustments for non-wholly owned entities(c)	224.1	(12.3)	(375.8)
Official check and money order revenues	(8.0)	0.8	43.1
ISO commission expense	333.8	252.7	100.9
Reimbursable debit network fees, postage and other	3,389.6	2,728.2	2,100.7
Consolidated revenues	$ 10,380.4	$ 9,313.8	$ 8,811.3
Segment EBITDA:			
Total reported segments	$ 2,205.1	$ 2,237.5	$ 2,594.2
All Other and Corporate	(178.1)	(122.7)	(39.2)
Adjusted EBITDA	2,027.0	2,114.8	2,555.0
Adjustments to reconcile to Net loss attributable to First Data Corporation :			
Divested businesses	1.1	43.7	88.3
Adjustments for non-wholly owned entities(c)	34.3	(21.3)	(237.8)
Depreciation and amortization	(1,414.4)	(1,452.3)	(1,369.7)
Interest expense	(1,796.6)	(1,796.4)	(1,964.9)
Interest income	7.8	11.7	26.0
Other items(d)	(97.4)	(351.0)	(3,270.0)
Income tax benefit	323.8	578.8	699.2
Stock based compensation	(16.1)	(19.2)	(16.6)
Official check and money order EBITDA	(21.2)	(19.9)	5.7
Cost of data center, technology and savings initiatives	(33.5)	(147.9)	(229.2)
KKR merger related items	(28.5)	(26.5)	(46.3)
Debt issuance costs	(8.1)	(0.7)	(4.0)
Eliminations		(0.2)	
Net loss attributable to First Data Corporation	$ (1,021.8)	$ (1,086.4)	$ (3,764.3)

(a) Excludes equity losses that were recorded in expense and the amortization related to the excess of the investment balance over the Company s proportionate share of the investee s net book value for the International segment and All Other and Corporate.

(b) Represents an adjustment to exclude the official check and money order businesses from Adjusted revenue.

(c) Represent the net adjustment to reflect First Data s proportionate share of alliance revenue and EBITDA within the Retail and Alliance Services segment and amortization related to equity method investments not included in segment EBITDA.

(d) Includes Other operating expenses and Other income (expense) as presented on the Consolidated Statements of Operations.

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Segment assets are as follows (in millions):

As of December 31,	2010	2009
Assets:		
Retail and Alliance Services	$ 24,673.8	$ 25,377.3
Financial Services	4,982.2	5,238.8
International	5,186.7	5,841.5
All Other and Corporate	2,701.4	3,277.8
Consolidated	$ 37,544.1	$ 39,735.4

A reconciliation of reportable segment depreciation and amortization amounts to the Company s consolidated balances in the Consolidated Statements of Cash Flows is as follows (in millions):

	Year ended December 31,		
	2010	2009	2008
Depreciation and Amortization:			
Total reported segments	$ 1,329.0	$ 1,391.1	$ 1,478.0
All Other and Corporate	51.2	73.7	81.6
	1,380.2	1,464.8	1,559.6
Adjustments to reconcile to consolidated depreciation and amortization:			
Divested businesses		8.9	15.8
Adjustments for non-wholly owned entities	107.2	52.4	(26.7)
Amortization of initial payments for new contracts	38.6	27.7	10.9
Total consolidated depreciation and amortization	$ 1,526.0	$ 1,553.8	$ 1,559.6

Information concerning principal geographic areas was as follows (in millions):

	United States	International	Total
Revenues			
2010	$ 8,806.8	$ 1,573.6	$ 10,380.4
2009	7,789.3	1,524.5	9,313.8
2008	7,033.2	1,778.1	8,811.3
Long-Lived Assets			
2010	$ 21,979.0	$ 3,424.6	$ 25,403.6
2009	22,962.4	3,694.7	26,657.1
2008	20,026.0	3,826.2	23,852.2

International represents businesses of significance, which have local currency as their functional currency regardless of the segments to which the associated revenues and long-lived assets applied.

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 16: Quarterly Financial Results (Unaudited)

Summarized quarterly results for the two years ended December 31, 2010 and 2009, respectively, are as follows (in millions):

2010 by Quarter:	**First**	**Second**	**Third**	**Fourth**
Revenues	$ 2,402.1	$ 2,614.7	$ 2,633.1	$ 2,730.5
Expenses	2,332.1	2,467.9	2,492.4	2,571.3
Interest income	2.0	1.4	2.1	2.3
Interest expense	(448.9)	(450.9)	(455.8)	(441.0)
Other income (expense)	8.2	24.8	(52.3)	3.4
Loss before income taxes and equity earnings in affiliates	(368.7)	(277.9)	(365.3)	(276.1)
Income tax (benefit) expense	(138.1)	(122.4)	52.3	(115.6)
Equity earnings in affiliates	22.2	33.3	31.2	30.6
Net loss	(208.4)	(122.2)	(386.4)	(129.9)
Less: Net income attributable to noncontrolling interests	31.7	49.0	44.9	49.3
Net loss attributable to First Data Corporation	$ (240.1)	$ (171.2)	$ (431.3)	$ (179.2)

2009 by Quarter:	**First**	**Second**	**Third**	**Fourth**
Revenues	$ 2,076.2	$ 2,208.6	$ 2,443.2	$ 2,585.8
Expenses	2,045.8	2,090.4	2,328.4	2,694.4
Interest income	3.3	3.1	3.2	2.1
Interest expense	(448.2)	(449.6)	(447.5)	(451.1)
Other income (expense)	23.3	(3.6)	(84.5)	3.5
Loss before income taxes and equity earnings in affiliates	(391.2)	(331.9)	(414.0)	(554.1)
Income tax benefit	(144.8)	(112.8)	(132.5)	(188.7)
Equity earnings in affiliates	18.5	25.5	26.8	27.0
Net loss	(227.9)	(193.6)	(254.7)	(338.4)
Less: Net income attributable to noncontrolling interests	3.4	2.3	35.9	30.2
Net loss attributable to First Data Corporation	$ (231.3)	$ (195.9)	$ (290.6)	$ (368.6)

Note 17: Income Taxes

	Year ended December 31,		
(in millions)	**2010**	**2009**	**2008**
Components of pretax (loss) income:			
Domestic	$ (1,289.1)	$ (1,799.2)	$ (3,983.1)

Foreign	118.4	205.8	(324.1)
	$ (1,170.7)	$ (1,593.4)	$ (4,307.2)
(Benefit) provision for income taxes:			
Federal	$ (313.9)	$ (579.6)	$ (667.8)
State and local	(39.3)	(38.8)	(46.6)
Foreign	29.4	39.6	15.2
	$ (323.8)	$ (578.8)	$ (699.2)
Effective Income Tax Rate	27.7%	36.3%	16.2%

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company s effective tax rates differ from statutory rates as follows:

	Year ended December 31,		
	2010	**2009**	**2008**
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.0	2.1	1.1
Nontaxable income from noncontrolling interests	5.2	1.6	1.3
Impact of foreign operations(a)	1.5	2.5	1.2
Valuation allowances	(15.1)	(1.7)	(0.1)
Liability for unrecognized tax benefits	2.1	(2.5)	(0.7)
Goodwill impairment	0.0	(0.3)	(24.4)
Other	(3.0)	(0.4)	2.8
Effective tax rate	27.7%	36.3%	16.2%

(a) The impact of foreign operations includes the effects of tax earnings and profits adjustments, foreign losses and differences between foreign tax expense and foreign taxes eligible for the U.S. foreign tax credit.

The Company s income tax (benefits) provisions consisted of the following components:

	Year ended December 31,		
(in millions)	**2010**	**2009**	**2008**
Current			
Federal	$ (27.7)	$ 39.8	$ 31.4
State and local	18.3	13.1	29.2
Foreign	57.7	67.7	103.5
	48.3	120.6	164.1
Deferred			
Federal	(286.2)	(619.4)	(699.1)
State and local	(57.6)	(51.9)	(75.8)
Foreign	(28.3)	(28.1)	(88.4)
	(372.1)	(699.4)	(863.3)
	$ (323.8)	$ (578.8)	$ (699.2)

Income tax payments, net of refunds received, of $100.5 million in 2010 were greater than current expense primarily as a result of the decreased liability for unrecognized tax benefits reducing current expense. Income tax payments, net of refunds received, of $79 million in 2009 were less than current expense primarily as a result of the increased liability for unrecognized tax benefits increasing current expense. Income tax payments, net of refunds received, of $69 million in 2008 were less than current expense primarily due to the actual receipt of tax refunds related to the period from September 25, 2007 through December 31, 2007.

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred tax assets are included in both Other current assets and Other long-term assets in the Company s Consolidated Balance Sheets. Deferred tax liabilities are included in Deferred long-term tax liabilities in the Company s Consolidated Balance Sheets. The following table outlines the principal components of deferred tax items (in millions):

As of December 31,	2010	2009
Deferred tax assets related to:		
Reserves and other accrued expenses	$ 360.1	$ 337.3
Pension obligations	43.4	72.7
Employee related liabilities	59.8	57.1
Deferred revenues	15.3	9.1
Unrealized securities and hedging (gain)/loss	101.7	163.1
Net operating losses and tax credit carryforwards	772.8	547.5
U.S. foreign tax credits on undistributed earnings	171.4	186.8
Foreign exchange (gain)/loss	23.1	34.8
Total deferred tax assets	1,547.6	1,408.4
Valuation allowance	(287.2)	(110.6)
Realizable deferred tax assets	1,260.4	1,297.8
Deferred tax liabilities related to:		
Property, equipment and intangibles	(1,549.8)	(2,052.2)
Investment in affiliates and other	(472.6)	(328.6)
U.S. tax on foreign undistributed earnings	(113.7)	(138.9)
Total deferred tax liabilities	(2,136.1)	(2,519.7)
Net deferred tax liabilities	$ (875.7)	$ (1,221.9)

The Company s deferred tax assets and liabilities were included in the Consolidated Balance Sheets as follows (in millions):

As of December 31,	2010	2009
Current deferred tax assets	$ 126.4	$ 121.2
Long-term deferred tax assets	11.6	3.3
Long-term deferred tax liabilities	(1,013.7)	(1,346.4)
Net deferred tax liabilities	$ (875.7)	$ (1,221.9)

As of December 31, 2010 and December 31, 2009 the Company had recorded valuation allowances of $287.2 million and $110.6 million, respectively, against federal, state and foreign net operating losses and foreign tax credits. The increase to the valuation allowance of $176.6 million in 2010 was primarily due to a change in federal tax law, which adversely affects the Company s ability to utilize foreign tax credits.

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the approximate amounts of federal, state and foreign net operating loss carryforwards and foreign tax credit, general business credit and minimum tax credit carryforwards (in millions):

As of December 31,	2010
Federal net operating loss carryforwards(a)	$ 1,566
State net operating loss carryforwards(b)	2,402
Foreign net operating loss carryforwards(c)	240
Foreign tax credit carryforwards(d)	109
General business credit carryforwards(e)	26
Minimum tax credit carryforwards(f)	14

(a) If not utilized, these carryforwards will expire in years 2015 through 2030.
(b) If not utilized, these carryforwards will expire in years 2011 through 2030.
(c) Foreign net operating loss carryforwards of $117 million, if not utilized, will expire in years 2011 through 2020. The remaining foreign net operating loss carryforwards of $123 million have an indefinite life.
(d) If not utilized, these carryforwards will expire in years 2017 through 2020.
(e) If not utilized, these carryforwards will expire in years 2025 through 2029.
(f) These carryforwards have an indefinite life.

A reconciliation of the unrecognized tax benefits for the year ended December 31, 2008, 2009 and 2010 is as follows (in millions):

Balance as of January 1, 2008	$ 368.1
Increases for tax positions of prior years	23.1
Decreases for tax positions of prior years	(11.6)
Increases for tax positions related to the current period	4.9
Decreases for cash settlements with taxing authorities	(3.3)
Decreases due to the lapse of the applicable statute of limitations	(9.7)
Balance as of December 31, 2008	$ 371.5
Increases for tax positions of prior years	21.6
Decreases for tax positions of prior years	(5.2)
Increases for tax positions related to the current period	35.4
Decreases for cash settlements with taxing authorities	(2.9)
Decreases due to the lapse of the applicable statute of limitations	(5.4)
Balance as of December 31, 2009	$ 415.0
Increases for tax positions of prior years	0.5
Decreases for tax positions of prior years	(45.4)
Increases for tax positions related to the current period	1.9
Decreases for cash settlements with taxing authorities	(1.4)
Decreases due to the lapse of the applicable statute of limitations	(2.0)
Balance as of December 31, 2010	$ 368.6

Most of the unrecognized tax benefits are included in the Other long-term liabilities line of the Consolidated Balance Sheets, net of the federal benefit on state income taxes (approximately $24 million at December 31, 2010). However, those unrecognized tax benefits that affect the federal consolidated tax years ending December 31, 2008, 2009 and 2010 are included in the Long-term deferred tax liabilities line of the Consolidated Balance Sheets, as these items reduce the Company s net operating loss and credit carryforwards

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

from those periods. The unrecognized tax benefits at December 31, 2010 and 2009 included approximately $195 million and $217 million, respectively, of tax positions that, if recognized, would affect the effective tax rate.

During the year ended December 31, 2010, the Company s liability for unrecognized tax benefits was reduced by $39 million upon the closure of the 2002 federal tax year and after negotiating settlements with the Internal Revenue Service (IRS) regarding specific contested issues in the 2003 and 2004 federal tax years. The reduction in the liability was recorded through a decrease to tax expense and an increase to deferred tax liabilities.

During the years ended December 31, 2009 and 2008, the Company s liability for unrecognized tax benefits was reduced by $5 million and $11 million, respectively, after negotiating settlements with certain state jurisdictions. The reductions in the liability were recorded through cash payments and a decrease to tax expense in 2009 and a decrease to goodwill in 2008.

The Company recognizes interest and penalties related to unrecognized tax benefits in the Income tax benefit line item of the Consolidated Statements of Operations. Cumulative accrued interest and penalties (net of related tax benefits) are not included in the ending balances of unrecognized tax benefits. Cumulative accrued interest and penalties are included in the Other long-term liabilities line of the Consolidated Balance Sheets. The related tax benefits of the accrued interest are included in the Long-term deferred tax liabilities line of the Consolidated Balance Sheets. The following table presents the approximate amounts associated with accrued interest expense and the cumulative accrued interest and penalties (in millions):

	Year ended December 31,		
	2010	**2009**	**2008**
Current year accrued interest expense, net of related tax benefits	$ 14	$ 18	$ 15
Cumulative accrued interest and penalties, net of related tax benefits	67	70	56

As of December 31, 2010, the Company anticipates it is reasonably possible that its liability for unrecognized tax benefits may decrease by approximately $57 million within the next twelve months as the result of the possible closure of its 2003 and 2004 federal tax years, potential settlements with certain states and the lapse of the statute of limitations in various state jurisdictions. The potential decrease relates to various federal and state tax benefits including research and experimentation credits and certain amortization, loss and stock warrant deductions.

The Company or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. As of December 31, 2010, the Company is no longer subject to income tax examination by the U.S. federal jurisdiction for years before 2003. State and local examinations are substantially complete through 1999. Foreign jurisdictions generally remain subject to examination by their respective authorities from 2003 forward, none of which are considered major jurisdictions.

The IRS completed its examination of the U.S. federal consolidated income tax returns of the Company for 2003 and 2004 and issued a Notice of Deficiency (the Notice) in December 2008. The Notice claims that the Company and its subsidiaries, which included The Western Union Company (Western Union) during the years at issue, owe significant additional taxes, interest and penalties with respect to a variety of adjustments. The Company and Western Union agree with several of the adjustments in the Notice. Additionally, during 2010, the IRS conceded certain of the adjustments. As to the adjustments that remain in dispute, for 2003 such issues represent total taxes and penalties allegedly due of approximately $31 million, of which $8 million relates to the

FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company and $23 million relates to Western Union, and for 2004 such issues represent total taxes and penalties allegedly due of approximately $91 million, all of which relates to Western Union. The Company estimates that the total interest due (pretax) on such amounts for both years is approximately $53 million through December 31, 2010, of which $4 million relates to the Company and $49 million relates to Western Union. As to the disputed issues, the Company and Western Union are contesting the asserted deficiencies in U.S. Tax Court; however, in the fourth quarter of 2010 all disputed issues were assigned to IRS Appeals and currently are being reviewed in that forum for possible resolution. The Company believes that it has adequately reserved for its disputed issues and final resolution of those issues will not have a material adverse effect on its financial position or results of operations.

Prior to the spin-off transaction, Western Union was part of the FDC consolidated, unitary and combined income tax returns through the spin-off date of September 29, 2006. Under the Tax Allocation Agreement executed at the time of the spin-off of Western Union, Western Union is responsible for and must indemnify the Company against all taxes, interest and penalties that relate to Western Union for periods prior to the spin-off date, including the amounts asserted in the Notice as described above. If Western Union were to agree to or be finally determined to owe any amounts for such periods but were to default in its indemnification obligation under the Tax Allocation Agreement, the Company as parent of the tax group during such periods generally would be required to pay the amounts to the relevant tax authority, resulting in a potentially material adverse effect on the Company s financial position and results of operations. Accordingly, as of December 31, 2010, the Company had approximately $130 million of uncertain income tax liabilities recorded related to Western Union for periods prior to the spin-off date. The Company has recorded a corresponding account receivable of equal amount from Western Union, which is included as a long-term account receivable in the Other long-term assets line of the Company s Consolidated Balance Sheets, to reflect the indemnification for such liabilities. The uncertain income tax liabilities and corresponding receivable are based on information provided by Western Union regarding its tax contingency reserves for periods prior to the spin-off date. There is no assurance that a Western Union-related issue raised by the IRS or other tax authority will be finally resolved at a cost not in excess of the amount reserved and reflected in the Company s uncertain income tax liabilities and corresponding receivable from Western Union. The Western Union contingent liability is in addition to the FDC liability for unrecognized tax benefits discussed above.

Note 18: Supplemental Guarantor Condensed Consolidating Financial Statements

As described in Note 8 to these Consolidated Financial Statements, the Company s 9.875% senior notes, 12.625% senior notes, 10.55% senior PIK notes and 11.25% senior subordinated notes are unconditionally guaranteed by substantially all existing and future, direct and indirect, wholly-owned, domestic subsidiaries of FDC other than Integrated Payment Systems Inc. (Guarantors). None of the other subsidiaries of FDC, either direct or indirect, guarantee the notes (Non-Guarantors). The Guarantors also unconditionally guarantee the senior secured revolving credit facility, senior secured term loan facility and the 8.875% senior secured notes which rank senior in right of payment to all existing and future unsecured and second lien indebtedness of FDC s guarantor subsidiaries. The Guarantors further unconditionally guarantee the 8.25% senior second lien notes and 8.75%/10.00% PIK toggle senior second lien notes which rank senior in right of payment to all existing and future unsecured indebtedness of FDC s guarantor subsidiaries. The 9.875% senior note, 12.625% senior note, 10.55% senior PIK note and 11.25% senior subordinated note guarantees are unsecured and rank equally in right of payment with all existing and future senior indebtedness of the guarantor subsidiaries but senior in right of payment to all existing and future subordinated indebtedness of FDC s guarantor subsidiaries. The 11.25% senior subordinated note guarantees are unsecured and rank equally in right of payment with all existing and future senior subordinated indebtedness of the guarantor subsidiaries.

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables present the results of operations, financial position and cash flows of FDC (FDC Parent Company), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and consolidation adjustments for the years ended December 31, 2010, 2009 and 2008 and as of December 31, 2010 and 2009 to arrive at the information for FDC on a consolidated basis.

	Year ended December 31, 2010				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
Revenues:					
Transaction and processing service fees	$	$ 4,001.7	$ 2,328.3	$ (148.5)	$ 6,181.5
Product sales and other		542.6	319.3	(52.6)	809.3
Reimbursable debit network fees, postage and other		2,299.8	1,160.3	(70.5)	3,389.6
		6,844.1	3,807.9	(271.6)	10,380.4
Expenses:					
Cost of services (exclusive of items shown below)		1,944.3	1,227.5	(148.5)	3,023.3
Cost of products sold		257.8	170.0	(52.6)	375.2
Selling, general and administrative	264.7	877.2	437.8		1,579.7
Reimbursable debit network fees, postage and other		2,299.8	1,160.3	(70.5)	3,389.6
Depreciation and amortization	7.6	937.9	468.9		1,414.4
Other operating expenses:					
Restructuring, net	12.7	46.0	13.3		72.0
Impairments		7.8	3.7		11.5
Litigation and regulatory settlements		(2.0)			(2.0)
	285.0	6,368.8	3,481.5	(271.6)	9,863.7
Operating (loss) profit	(285.0)	475.3	326.4		516.7
Interest income	1.0	1.1	5.7		7.8
Interest expense	(1,775.2)	(6.4)	(15.0)		(1,796.6)
Interest income (expense) from intercompany notes	112.3	(146.4)	34.1		
Other income (expense)	2.8	31.8	(24.5)	(26.0)	(15.9)
Equity earnings from consolidated subsidiaries	323.8	150.2		(474.0)	
	(1,335.3)	30.3	0.3	(500.0)	(1,804.7)
(Loss) income before income taxes and equity earnings in affiliates	(1,620.3)	505.6	326.7	(500.0)	(1,288.0)
Income tax (benefit) expense	(598.5)	164.7	110.0		(323.8)
Equity earnings in affiliates		117.7	1.5	(1.9)	117.3
Net (loss) income	(1,021.8)	458.6	218.2	(501.9)	(846.9)
Less: Net (loss) income attributable to noncontrolling interests		(0.2)	49.3	125.8	174.9
Net (loss) income attributable to First Data Corporation	$ (1,021.8)	$ 458.8	$ 168.9	$ (627.7)	$ (1,021.8)

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 31, 2009				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
Revenues:					
Transaction and processing service fees	$	$ 4,111.5	$ 1,741.2	$ (63.8)	$ 5,788.9
Product sales and other		521.0	304.1	(28.4)	796.7
Reimbursable debit network fees, postage and other		2,233.5	527.7	(33.0)	2,728.2
		6,866.0	2,573.0	(125.2)	9,313.8
Expenses:					
Cost of services (exclusive of items shown below)		2,138.3	870.6	(63.8)	2,945.1
Cost of products sold		229.9	104.0	(28.4)	305.5
Selling, general and administrative	218.9	827.0	392.3		1,438.2
Reimbursable debit network fees, postage and other		2,233.5	527.7	(33.0)	2,728.2
Depreciation and amortization	6.0	1,063.5	382.8		1,452.3
Other operating expenses:					
Restructuring, net	3.0	59.0	30.8		92.8
Impairments		100.2	84.9		185.1
Litigation and regulatory settlements	(2.7)	14.5			11.8
	225.2	6,665.9	2,393.1	(125.2)	9,159.0
Operating (loss) profit	(225.2)	200.1	179.9		154.8
Interest income	3.5	0.7	7.5		11.7
Interest expense	(1,770.7)	(7.5)	(18.2)		(1,796.4)
Interest (expense) income from intercompany notes	(97.3)	58.7	38.6		
Other (expense) income	(88.6)	(0.2)	27.5		(61.3)
Equity earnings from consolidated subsidiaries	322.5	28.4		(350.9)	
	(1,630.6)	80.1	55.4	(350.9)	(1,846.0)
(Loss) income before income taxes and equity earnings in affiliates	(1,855.8)	280.2	235.3	(350.9)	(1,691.2)
Income tax (benefit) expense	(769.4)	217.5	(26.9)		(578.8)
Equity earnings in affiliates		101.5	(1.2)	(2.5)	97.8
Net (loss) income	(1,086.4)	164.2	261.0	(353.4)	(1,014.6)
Less: Net (loss) income attributable to noncontrolling interests		(0.1)	10.9	61.0	71.8
Net (loss) income attributable to First Data Corporation	$ (1,086.4)	$ 164.3	$ 250.1	$ (414.4)	$ (1,086.4)

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 31, 2008				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
Revenues:					
Transaction and processing service fees	$ 2.6	$ 4,061.9	$ 1,727.1	$ (6.3)	$ 5,785.3
Product sales and other		555.9	394.6	(25.2)	925.3
Reimbursable debit network fees, postage and other		1,995.8	104.9		2,100.7
	2.6	6,613.6	2,226.6	(31.5)	8,811.3
Expenses:					
Cost of services (exclusive of items shown below)		1,984.1	892.8	(6.3)	2,870.6
Cost of products sold		210.6	131.4	(25.2)	316.8
Selling, general and administrative	223.4	774.3	377.1		1,374.8
Reimbursable debit network fees, postage and other		1,995.8	104.9		2,100.7
Depreciation and amortization	5.9	1,010.8	353.0		1,369.7
Other operating expenses:					
Restructuring, net		12.0			12.0
Impairments		2,680.4	563.2		3,243.6
	229.3	8,668.0	2,422.4	(31.5)	11,288.2
Operating loss	(226.7)	(2,054.4)	(195.8)		(2,476.9)
Interest income	8.9	3.0	14.1		26.0
Interest expense	(1,933.9)	(7.2)	(23.8)		(1,964.9)
Interest (expense) income from intercompany notes	(113.6)	87.2	26.4		
Other (expense) income	(24.1)	0.1	9.6		(14.4)
Equity (loss) earnings from consolidated subsidiaries	(2,350.6)	32.0		2,318.6	
	(4,413.3)	115.1	26.3	2,318.6	(1,953.3)
Loss before income taxes and equity earnings in affiliates	(4,640.0)	(1,939.3)	(169.5)	2,318.6	(4,430.2)
Income tax (benefit) expense	(858.8)	216.8	(57.2)		(699.2)
Equity earnings in affiliates	16.9	98.1	8.0		123.0
Net loss	(3,764.3)	(2,058.0)	(104.3)	2,318.6	(3,608.0)
Less: Net income attributable to noncontrolling interests		1.8	154.5		156.3
Net loss attributable to First Data Corporation	$ (3,764.3)	$ (2,059.8)	$ (258.8)	$ 2,318.6	$ (3,764.3)

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2010				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 164.1	$ 21.1	$ 324.3		$ 509.5
Accounts receivable, net of allowance for doubtful accounts	2.6	1,121.1	1,045.9		2,169.6
Settlement assets(1)		3,476.2	3,217.8		6,694.0
Other current assets	86.0	262.4	65.0		413.4
Total current assets	252.7	4,880.8	4,653.0		9,786.5
Property and equipment, net of accumulated depreciation	30.3	637.2	284.5		952.0
Goodwill		9,468.3	7,828.6		17,296.9
Customer relationships, net of accumulated amortization		2,923.8	2,299.9		5,223.7
Other intangibles, net of accumulated amortization	606.9	665.4	658.7		1,931.0
Investment in affiliates		1,169.9	38.3		1,208.2
Long-term settlement assets(1)			365.1		365.1
Other long-term assets	482.4	265.5	32.8		780.7
Investment in consolidated subsidiaries	25,074.4	5,361.4		$ (30,435.8)	
Total assets	$ 26,446.7	$ 25,372.3	$ 16,160.9	$ (30,435.8)	$ 37,544.1
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ 0.4	$ 95.2	$ 85.3		$ 180.9
Short-term and current portion of long-term borrowings	31.7	44.9	193.9		270.5
Settlement obligations(1)		3,476.2	3,582.7		7,058.9
Other current liabilities	301.1	651.3	401.3		1,353.7
Total current liabilities	333.2	4,267.6	4,263.2		8,864.0
Long-term borrowings	22,376.0	21.8	41.0		22,438.8
Long-term deferred tax (assets) liabilities	(928.5)	1,838.6	103.6		1,013.7
Intercompany payable (receivable)	4,298.1	(3,496.7)	(801.4)		
Intercompany notes	(1,253.2)	1,621.1	(367.9)		
Other long-term liabilities	1,026.8	89.7	23.1		1,139.6
Total liabilities	25,852.4	4,342.1	3,261.6		33,456.1
Redeemable equity interests			28.1	$ (28.1)	
Redeemable noncontrolling interests				28.1	28.1
First Data Corporation stockholder s equity	594.3	21,030.4	5,864.5	(26,894.9)	594.3
Noncontrolling interests		(0.2)	52.5	3,413.3	3,465.6
Equity of consolidated alliance			6,954.2	(6,954.2)	
Total equity	594.3	21,030.2	12,871.2	(30,435.8)	4,059.9

Total liabilities and equity	$ 26,446.7	$ 25,372.3	$ 16,160.9	$ (30,435.8)	$ 37,544.1

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2009				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 104.6	$ 25.4	$ 607.0		$ 737.0
Accounts receivable, net of allowance for doubtful accounts	17.1	1,106.3	1,332.1		2,455.5
Settlement assets(1)		3,523.3	3,347.0		6,870.3
Other current assets	69.3	243.3	86.2		398.8
Total current assets	191.0	4,898.3	5,372.3		10,461.6
Property and equipment, net of accumulated depreciation	29.9	677.9	343.6		1,051.4
Goodwill		9,570.0	7,905.8		17,475.8
Customer relationships, net of accumulated amortization		3,398.4	2,610.4		6,008.8
Other intangibles, net of accumulated amortization	607.0	820.9	693.2		2,121.1
Investment in affiliates		1,391.7	35.0	$ (135.4)	1,291.3
Long-term settlement assets(1)			480.7		480.7
Other long-term assets	563.9	226.5	54.3		844.7
Investment in consolidated subsidiaries	26,401.5	5,370.0		(31,771.5)	
Total assets	$ 27,793.3	$ 26,353.7	$ 17,495.3	$ (31,906.9)	$ 39,735.4
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$ 0.2	$ 95.4	$ 105.1		$ 200.7
Short-term and current portion of long-term borrowings	142.2	36.9	125.8		304.9
Settlement obligations(1)		3,523.3	3,871.4		7,394.7
Other current liabilities	384.8	691.0	479.1		1,554.9
Total current liabilities	527.2	4,346.6	4,581.4		9,455.2
Long-term borrowings	22,152.8	47.3	104.8		22,304.9
Long-term deferred tax (assets) liabilities	(764.3)	2,101.7	9.0		1,346.4
Intercompany payable (receivable)	4,203.4	(3,550.8)	(652.6)		
Intercompany notes	(1,044.2)	1,405.0	(360.8)		
Other long-term liabilities	1,133.1	146.3	22.5		1,301.9
Total liabilities	26,208.0	4,496.1	3,704.3		34,408.4
Redeemable equity interests			362.3	$ (362.3)	
Redeemable noncontrolling interests				226.9	226.9
First Data Corporation stockholder s equity	1,585.3	21,857.6	6,315.3	(28,172.9)	1,585.3
Noncontrolling interests			46.4	3,468.4	3,514.8
Equity of consolidated alliance			7,067.0	(7,067.0)	

Total equity	1,585.3	21,857.6	13,428.7	(31,771.5)	5,100.1
Total liabilities and equity	$ 27,793.3	$ 26,353.7	$ 17,495.3	$ (31,906.9)	$ 39,735.4

(1) The majority of the Guarantor settlement assets relate to FDC s merchant acquiring business. FDC believes 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 THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 31, 2010				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss) income	$ (1,021.8)	$ 458.6	$ 218.2	$ (501.9)	$ (846.9)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	7.6	1,036.9	481.5		1,526.0
Charges related to other operating expenses and other income (expense)	9.9	20.0	41.5	26.0	97.4
Other non-cash and non-operating items, net	(11.6)	(207.4)	8.8	475.8	265.6
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(608.4)	107.0	216.9	(2.9)	(287.4)
Net cash (used in) provided by operating activities	(1,624.3)	1,415.1	966.9	(3.0)	754.7
CASH FLOWS FROM INVESTING ACTIVITIES					
Current period acquisitions, net of cash acquired		(3.1)	(0.1)		(3.2)
Payments related to other businesses previously acquired			(1.4)		(1.4)
Proceeds from dispositions, net of expenses paid and cash disposed			21.2		21.2
Proceeds from sale of property and equipment		1.4	4.1		5.5
Additions to property and equipment	(4.2)	(113.0)	(92.9)		(210.1)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(1.7)	(116.9)	(41.0)		(159.6)
Proceeds from the sale of marketable securities			0.3		0.3
Distributions and dividends from subsidiaries	225.8	187.9		(413.7)	
Other investing activities	3.8	135.1	13.7	(134.5)	18.1
Net cash provided by (used in) investing activities	223.7	91.4	(96.1)	(548.2)	(329.2)
CASH FLOWS FROM FINANCING ACTIVITIES					
Short-term borrowings, net			75.1		75.1
Debt modification and related financing costs	(61.2)				(61.2)
Principal payments on long-term debt	(143.8)	(57.0)	(19.6)		(220.4)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interests			(31.0)	(185.1)	(216.1)
Distributions paid to redeemable equity holders			(7.5)	7.5	
Distributions paid to equity holders			(368.5)	368.5	
Redemption of Parent s redeemable common stock	(2.5)				(2.5)
Redemption of redeemable equity of consolidated alliance			(347.8)	347.8	
Purchase of noncontrolling interest				(213.3)	(213.3)
Cash dividends	(14.9)		(225.8)	225.8	(14.9)
Intercompany	1,682.5	(1,454.7)	(227.8)		

Net cash provided by (used in) financing activities	1,460.1	(1,511.7)	(1,152.9)	551.2	(653.3)
Effect of exchange rate changes on cash and cash equivalents		0.9	(0.6)		0.3
Change in cash and cash equivalents	59.5	(4.3)	(282.7)		(227.5)
Cash and cash equivalents at beginning of period	104.6	25.4	607.0		737.0
Cash and cash equivalents at end of period	$ 164.1	$ 21.1	$ 324.3	$	$ 509.5

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 31, 2009				
			Non-		
	FDC Parent Company	Guarantor Subsidiaries	Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss) income	$ (1,086.4)	$ 164.2	$ 261.0	$ (353.4)	$ (1,014.6)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	6.0	1,153.7	394.1		1,553.8
Charges (gains) related to other operating expenses and other income (expense)	88.4	173.9	88.2		350.5
Other non-cash and non-operating items, net	38.8	(86.9)	0.9	353.4	306.2
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(795.7)	903.6	(304.2)		(196.3)
Net cash (used in) provided by operating activities	(1,748.9)	2,308.5	440.0		999.6
CASH FLOWS FROM INVESTING ACTIVITIES					
Current period acquisitions, net of cash acquired		(141.2)	(74.0)	128.7	(86.5)
Payments related to other businesses previously acquired		(14.6)	(0.1)		(14.7)
Proceeds from dispositions, net of expenses paid and cash disposed			88.1		88.1
Proceeds from sale of property and equipment		7.1	22.3		29.4
Additions to property and equipment	(8.0)	(92.2)	(98.9)		(199.1)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(2.6)	(135.5)	(41.9)		(180.0)
Proceeds from the sale of marketable securities	1.5	2.4			3.9
Other investing activities	104.4	(27.3)	(16.8)	(109.0)	(48.7)
Net cash provided by (used in) investing activities	95.3	(401.3)	(121.3)	19.7	(407.6)
CASH FLOWS FROM FINANCING ACTIVITIES					
Short-term borrowings, net	(18.0)		(188.1)		(206.1)
Principal payments on long-term debt	(175.1)	(39.8)	(28.2)		(243.1)
Proceeds from issuance of common stock			321.7	(321.7)	
Distributions and dividends paid to noncontrolling interests			(10.0)		(10.0)
Contribution from noncontrolling interests				193.0	193.0
Cash dividends			(109.0)	109.0	
Intercompany	1,940.8	(1,879.5)	(61.3)		
Net cash provided by (used in) financing activities	1,747.7	(1,919.3)	(74.9)	(19.7)	(266.2)
Effect of exchange rate changes on cash and cash equivalents		(1.4)	6.3		4.9
Change in cash and cash equivalents	94.1	(13.5)	250.1		330.7
Cash and cash equivalents at beginning of period	10.5	38.9	356.9		406.3
Cash and cash equivalents at end of period	$ 104.6	$ 25.4	$ 607.0	$	$ 737.0

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Year ended December 31, 2008				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss	$ (3,764.3)	$ (2,058.0)	$ (104.3)	$ 2,318.6	$ (3,608.0)
Adjustments to reconcile to net cash provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	33.6	1,171.6	354.4		1,559.6
Charges (gains) related to other operating expenses and other income (expense)	21.1	2,692.3	553.6		3,267.0
Other non-cash and non-operating items, net	2,605.8	(239.7)	(9.6)	(2,318.6)	37.9
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(679.9)	224.8	(214.9)		(670.0)
Net cash (used in) provided by operating activities	(1,783.7)	1,791.0	579.2		586.5
CASH FLOWS FROM INVESTING ACTIVITIES					
Current period acquisitions, net of cash acquired		(3.2)	(185.5)		(188.7)
Payments related to other businesses previously acquired	(17.2)	(18.1)	(0.3)		(35.6)
Proceeds from dispositions, net of expenses paid and cash disposed	5.1	191.7	18.3		215.1
Additions to property and equipment, net	(4.4)	(162.5)	(117.0)		(283.9)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(1.4)	(111.1)	(51.4)		(163.9)
Proceeds from the sale of marketable securities		22.8	52.1		74.9
Other investing activities	138.6	12.5	0.9	(153.3)	(1.3)
Net cash provided by (used in) investing activities	120.7	(67.9)	(282.9)	(153.3)	(383.4)
CASH FLOWS FROM FINANCING ACTIVITIES					
Short-term borrowings, net	(42.0)		0.1		(41.9)
Proceeds from issuance of long-term debt	100.4				100.4
Principal payments on long-term debt	(265.7)	(30.9)	(30.2)		(326.8)
Distributions and dividends paid to noncontrolling interests and redeemable controlling interests			(150.9)		(150.9)
Purchases of noncontrolling interests	(17.6)	(60.8)			(78.4)
Capital contributed by Parent	126.8				126.8
Excess tax benefit from share-based payment arrangement	13.1				13.1
Cash dividends	(1.8)		(153.3)	153.3	(1.8)
Intercompany	1,699.7	(1,674.7)	(25.0)		
Net cash provided by (used in) financing activities	1,612.9	(1,766.4)	(359.3)	153.3	(359.5)
		21.5	(65.3)		(43.8)

Effect of exchange rate changes on cash and cash equivalents									
Change in cash and cash equivalents		(50.1)		(21.8)		(128.3)			(200.2)
Cash and cash equivalents at beginning of period		60.6		60.7		485.2			606.5
Cash and cash equivalents at end of period	$	10.5	$	38.9	$	356.9	$	$	406.3

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FIRST DATA CORPORATION

SCHEDULE II Valuation and Qualifying Accounts

(dollars, in millions)

		Additions			
Description	**Balance at Beginning of Period**	**Charged to Costs and Expenses**	**Charged to Other Accounts**	**Deductions**	**Balance at End of Period**
Year ended December 31, 2010 deducted from receivables	$ 22.5	$ 68.7	$ 0.0	$ 62.1(a)	$ 29.1
Year ended December 31, 2009 deducted from receivables	$ 23.8	$ 59.3	$ 0.0	$ 60.6(a)	$ 22.5
Year ended December 31, 2008 deducted from receivables	$ 21.7	$ 44.3	$ 0.0	$ 42.2(a)	$ 23.8

(a) Amounts related to business divestitures and write-offs against assets.

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FIRST DATA CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2011**	**2010**	**2011**	**2010**
Revenues:				
Transaction and processing service fees:				
Merchant related services(a)	$ 939.5	$ 883.8	$ 1,772.5	$ 1,676.2
Check services	84.5	97.8	168.5	188.3
Card services(a)	439.2	431.1	868.8	864.3
Other services	130.2	144.6	266.6	276.7
Product sales and other(a)	217.4	207.5	414.3	402.3
Reimbursable debit network fees, postage and other	939.0	849.9	1,803.3	1,609.0
	2,749.8	2,614.7	5,294.0	5,016.8
Expenses:				
Cost of services (exclusive of items shown below)	719.5	752.8	1,436.0	1,508.3
Cost of products sold	92.5	99.7	183.3	175.0
Selling, general and administrative	438.6	395.9	850.3	774.6
Reimbursable debit network fees, postage and other	939.0	849.9	1,803.3	1,609.0
Depreciation and amortization	329.8	347.4	671.6	698.7
Other operating expenses:				
Restructuring, net	18.4	23.9	31.0	36.4
Litigation and regulatory settlements		(1.7)		(2.0)
	2,537.8	2,467.9	4,975.5	4,800.0
Operating profit	212.0	146.8	318.5	216.8
Interest income	1.9	1.4	3.8	3.4
Interest expense	(462.3)	(450.9)	(904.6)	(899.8)
Other income (expense)	(1.4)	24.8	(27.7)	33.0
	(461.8)	(424.7)	(928.5)	(863.4)
Loss before income taxes and equity earnings in affiliates	(249.8)	(277.9)	(610.0)	(646.6)
Income tax benefit	(88.1)	(122.4)	(236.1)	(260.5)
Equity earnings in affiliates	33.5	33.3	61.2	55.5
Net loss	(128.2)	(122.2)	(312.7)	(330.6)
Less: Net income attributable to noncontrolling interests	47.6	49.0	80.2	80.7
Net loss attributable to First Data Corporation	$ (175.8)	$ (171.2)	$ (392.9)	$ (411.3)

(a) Includes processing fees, administrative service fees and other fees charged to merchant alliances accounted for under the equity method of \$36.5 million and \$72.2 million for the three and six months ended June 30, 2011, respectively, and \$34.6 million and \$64.7 million for the comparable periods in 2010.

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION

CONSOLIDATED BALANCE SHEETS

(in millions, except common stock share amounts)	As of June 30, 2011 (Unaudited)	As of December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 611.5	$ 509.5
Accounts receivable, net of allowance for doubtful accounts of $23.2 (2011) and $20.3 (2010)	1,876.4	2,169.6
Settlement assets	6,883.6	6,694.0
Other current assets	439.1	413.4
Total current assets	9,810.6	9,786.5
Property and equipment, net of accumulated depreciation of $791.9 (2011) and $691.6 (2010)	962.9	952.0
Goodwill	17,444.5	17,296.9
Customer relationships, net of accumulated amortization of $2,872.0 (2011) and $2,490.5 (2010)	4,894.6	5,223.7
Other intangibles, net of accumulated amortization of $1,148.2 (2011) and $975.8 (2010)	1,930.1	1,931.0
Investment in affiliates	1,201.7	1,208.2
Long-term settlement assets	242.7	365.1
Other long-term assets	803.2	780.7
Total assets	$ 37,290.3	$ 37,544.1
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 197.0	$ 180.9
Short-term and current portion of long-term borrowings	169.7	270.5
Settlement obligations	7,125.2	7,058.9
Other current liabilities	1,500.1	1,353.7
Total current liabilities	8,992.0	8,864.0
Long-term borrowings	22,584.3	22,438.8
Long-term deferred tax liabilities	826.4	1,013.7
Other long-term liabilities	1,023.7	1,139.6
Total liabilities	33,426.4	33,456.1
Commitments and contingencies (See Note 7)		
Redeemable noncontrolling interest	45.4	28.1
First Data Corporation stockholder s equity:		
Common stock, $.01 par value; authorized and issued 1,000 shares (2011 and 2010)		
Additional paid-in capital	7,385.6	7,395.1
Paid-in capital	7,385.6	7,395.1
Accumulated loss	(6,556.8)	(6,163.9)
Accumulated other comprehensive loss	(436.1)	(636.9)
Total First Data Corporation stockholder s equity	392.7	594.3

Noncontrolling interests	3,425.8	3,465.6
Total equity	3,818.5	4,059.9
Total liabilities and equity	$ 37,290.3	$ 37,544.1

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30,	
(in millions)	**2011**	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (312.7)	$ (330.6)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	725.0	753.8
Charges related to other operating expenses and other income (expense)	58.7	1.4
Other non-cash and non-operating items, net	(1.2)	138.3
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	291.6	264.8
Other assets, current and long-term	80.0	149.6
Accounts payable and other liabilities, current and long-term	64.6	(225.8)
Income tax accounts	(271.2)	(327.9)
Net cash provided by operating activities	634.8	423.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Current period acquisitions	(13.3)	(0.9)
Payments related to other businesses previously acquired		(1.3)
Proceeds from dispositions, net of expenses paid and cash disposed	1.7	21.2
Additions to property and equipment	(111.8)	(95.4)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(103.7)	(82.0)
Other investing activities	0.7	18.0
Net cash used in investing activities	(226.4)	(140.4)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term borrowings, net	(110.1)	8.3
Debt modification and related financing costs	(39.7)	
Principal payments on long-term debt	(35.0)	(119.5)
Proceeds from sale-leaseback transactions	7.3	
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interests	(131.2)	(86.7)
Purchase of noncontrolling interest		(213.3)
Redemption of Parent s redeemable common stock	(0.3)	(0.8)
Cash dividends		(14.9)
Net cash used in financing activities	(309.0)	(426.9)
Effect of exchange rate changes on cash and cash equivalents	2.6	(9.6)
Change in cash and cash equivalents	102.0	(153.3)
Cash and cash equivalents at beginning of period	509.5	737.0
Cash and cash equivalents at end of period	$ 611.5	$ 583.7

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION

CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

			First Data Corporation Shareholder				
Six months ended June 30, 2011 (in millions)	**Total**	**Comprehensive Income (Loss)**	**Accumulated Loss**	**Accumulated Other Comprehensive Income (Loss)**	**Common Shares**	**Paid-In Capital**	**Noncontrolling Interests**
Balance, December 31, 2010	$ 4,059.9		$ (6,163.9)	$ (636.9)	0.0	$ 7,395.1	$ 3,465.6
Dividends and distributions paid to noncontrolling interests	(114.3)						(114.3)
Comprehensive loss:							
Net (loss) income(a)	(328.0)	$ (328.0)	(392.9)				64.9
Other comprehensive income, net of taxes:							
Unrealized gains on securities	0.6	0.6		0.6			
Unrealized gains on hedging activities	46.8	46.8		46.8			
Foreign currency translation adjustment	163.0	163.0		153.4			9.6
Other comprehensive income		210.4					
Comprehensive loss		$ (117.6)					
Adjustment to redemption value of redeemable noncontrolling interest	(18.9)					(18.9)	
Stock compensation expense and other	9.4					9.4	
Balance, June 30, 2011	$ 3,818.5		$ (6,556.8)	$ (436.1)	0.0	$ 7,385.6	$ 3,425.8

Six months ended June 30, 2010 (in millions)							
Balance, December 31, 2009	$ 5,100.1		$ (5,127.3)	$ (681.7)	0.0	$ 7,394.3	$ 3,514.8
Dividends and distributions paid to noncontrolling interests	(74.8)						(74.8)
Purchase of noncontrolling interest						(2.5)	2.5
Comprehensive loss:							
Net (loss) income(a)	(348.9)	$ (348.9)	(411.3)				62.4
Other comprehensive loss, net of taxes:							
Unrealized gains on securities	6.0	6.0		6.0			
Unrealized gains on hedging activities	29.6	29.6		29.6			
Foreign currency translation adjustment	(273.4)	(273.4)		(264.8)			(8.6)
Pension liability adjustment	2.2	2.2		2.2			
Other comprehensive loss		(235.6)					
Comprehensive loss		$ (584.5)					
Adjustment to redemption value of redeemable noncontrolling interests	(7.0)					(7.0)	
Stock compensation expense and other	5.8					5.8	
Cash dividends paid by First Data Corporation to Parent	(14.9)		(14.9)				

Balance, June 30, 2010	$ 4,424.7	$ (5,553.5)	$ (908.7)	0.0	$ 7,390.6	$ 3,496.3

(a) The total net loss presented in the Consolidated Statements of Equity for the six months ended June 30, 2011 and 2010 is $15.3 million and $18.3 million, respectively, greater than the amount presented on the Consolidated Statements of Operations due to the net income attributable to the redeemable noncontrolling interests not included in equity.

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2011**	**2010**	**2011**	**2010**
Net loss [(a)]	$ (136.0)	$ (132.0)	$ (328.0)	$ (348.9)
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	1.2	6.1	0.6	6.0
Unrealized gains on hedging activities	20.0	19.9	46.8	29.6
Foreign currency translation adjustment	32.4	(153.3)	163.0	(273.4)
Pension liability adjustment	0.2	0.1	(0.0)	2.2
Total other comprehensive income (loss), net of tax	53.8	(127.2)	210.4	(235.6)
Comprehensive loss	(82.2)	(259.2)	(117.6)	(584.5)
Less: Comprehensive income attributable to noncontrolling interests	49.2	36.7	74.5	53.8
Comprehensive loss attributable to First Data Corporation	$ (131.4)	$ (295.9)	$ (192.1)	$ (638.3)

(a) The net loss presented in the Consolidated Statements of Comprehensive Income (Loss) is greater than the amounts presented on the Consolidated Statements of Operations due to the net income attributable to the redeemable noncontrolling interests not included in equity which totaled $7.8 million and $15.3 million for the three and six months ended June 30, 2011, respectively and $9.8 million and $18.3 million for the three and six months ended June 30, 2010, respectively.

See Notes to Consolidated Financial Statements.

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FIRST DATA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Basis of Presentation

The accompanying Consolidated Financial Statements of First Data Corporation (FDC or the Company) should be read in conjunction with the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Significant accounting policies disclosed therein have not changed.

The accompanying Consolidated Financial Statements are unaudited; however, in the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the consolidated financial position of the Company as of June 30, 2011, the consolidated results of its operations and comprehensive income (loss) for the three and six months ended June 30, 2011 and 2010 and the consolidated cash flows and changes in equity for the six months ended June 30, 2011 and 2010. Results of operations reported for interim periods are not necessarily indicative of results for the entire year due in part to the seasonality of certain business units.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results could differ from these estimates.

Presentation

Depreciation and amortization presented as a separate line item on the Company s Consolidated Statements of Operations does not include amortization of initial payments for new contracts which is recorded as a contra-revenue within Transaction and processing service fees. Also not included is amortization related to equity method investments which is netted within the Equity earnings in affiliates line. The following table presents the amounts associated with such amortization:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2011**	**2010**	**2011**	**2010**
Amortization of initial payments for new contracts	$ 10.1	$ 9.1	$ 19.7	$ 18.7
Amortization related to equity method investments	$ 18.0	$ 18.1	$ 33.7	$ 36.4

Revenue Recognition

The Company recognizes revenues from its processing services as such services are performed. Revenue is recorded net of certain costs such as credit and offline debit interchange fees and assessments charged by credit card associations. Debit network fees related to acquired personal identification number based debit (PIN-debit) transactions are recognized in the Reimbursable debit network fees, postage and other revenue and expense lines of the Consolidated Statements of Operations. The following table presents the amounts associated with processing services revenue:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2011**	**2010**	**2011**	**2010**
Interchange fees and assessments	$ 4,907.7	$ 4,465.8	$ 9,382.0	$ 8,535.4
Debit network fees	$ 797.5	$ 708.8	$ 1,523.2	$ 1,313.5

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

New Accounting Guidance

In May 2011, the Financial Accounting Standards Board revised its guidance on fair value measurements. The amendment clarifies certain aspects of the Board s intent for the application of existing fair value measurement requirements and additionally changes certain requirements for measuring fair value or for disclosing information about fair value measurements. The amendments will be effective for the Company during the first quarter of 2012. Management is currently assessing the impact of the revised guidance on its fair value measurements.

Note 2: Supplemental Financial Information

Supplemental Statement of Operations Information

The following table details the components of Other income (expense) on the Consolidated Statements of Operations:

(in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Investment gains	$	$	$	$ 1.8
Derivative financial instruments gains (losses)	6.2	(2.1)	(5.1)	(26.8)
Divestitures, net	(0.9)		(0.9)	20.0
Non-operating foreign currency (losses) and gains	(6.7)	26.9	(21.7)	38.0
Other income (expense)	$ (1.4)	$ 24.8	$ (27.7)	$ 33.0

Supplemental Cash Flow Information

During the six months ended June 30, 2011 and 2010, the principal amount of FDC s senior Payment In-Kind (PIK) notes due 2015 increased by $35.6 million and $176.6 million, respectively, resulting from the payment of accrued interest expense. Beginning October 1, 2011, the interest on FDC s senior PIK notes due 2015 will be required to be paid in cash and the first such payment will be due in March 2012.

During the six months ended June 30, 2011 and 2010, the Company entered into capital leases totaling approximately $116 million and $45 million, respectively.

Refer to Note 9 of these Consolidated Financial Statements for information concerning the Company s stock-based compensation plans.

Note 3: Restructuring

Restructuring Charges and Reversal of Restructuring Accruals

A summary of net pretax benefits (charges), incurred by segment, for each period is as follows:

Three months ended June 30, 2011 (in millions)	Pretax Benefit (Charge) International	Totals

	Approximate Number of Employees	Retail and Alliance Services	Financial Services		All Other and Corporate	
Restructuring charges	260	$ (1.2)	$ (0.4)	$ (16.0)	$ (1.6)	$ (19.2)
Restructuring accrual reversal		0.1		0.2	0.5	0.8
Total pretax charge, net of reversals		$ (1.1)	$ (0.4)	$ (15.8)	$ (1.1)	$ (18.4)

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

		Pretax Benefit (Charge)				
Six months ended June 30, 2011 (in millions)	**Approximate Number of Employees**	**Retail and Alliance Services**	**Financial Services**	**International**	**All Other and Corporate**	**Totals**
Restructuring charges	520	$ (2.7)	$ (5.6)	$ (22.5)	$ (2.8)	$ (33.6)
Restructuring accrual reversal		0.8		0.9	0.9	2.6
Total pretax charge, net of reversals		$ (1.9)	$ (5.6)	$ (21.6)	$ (1.9)	$ (31.0)

		Pretax Benefit (Charge)				
Three months ended June 30, 2010 (in millions)	**Approximate Number of Employees**	**Retail and Alliance Services**	**Financial Services**	**International**	**All Other and Corporate**	**Totals**
Restructuring charges	580	$ (6.0)	$ (1.7)	$ (6.3)	$ (13.3)	$ (27.3)
Restructuring accrual reversal		0.1	0.5	1.9	0.9	3.4
Total pretax charge, net of reversals		$ (5.9)	$ (1.2)	$ (4.4)	$ (12.4)	$ (23.9)

		Pretax Benefit (Charge)				
Six months ended June 30, 2010 (in millions)	**Approximate Number of Employees**	**Retail and Alliance Services**	**Financial Services**	**International**	**All Other and Corporate**	**Totals**
Restructuring charges	720	$ (6.7)	$ (7.1)	$ (12.7)	$ (17.4)	$ (43.9)
Restructuring accrual reversal		0.3	0.7	4.2	2.3	7.5
Total pretax charge, net of reversals		$ (6.4)	$ (6.4)	$ (8.5)	$ (15.1)	$ (36.4)

The Company recorded restructuring charges during the three and six months ended June 30, 2011 and 2010 in connection with management s alignment of the business with strategic objectives. Similar initiatives are expected to occur in future periods resulting in additional restructuring charges. Restructuring charges in 2010 also resulted from domestic site consolidations as well as the termination of certain management positions across the organization including the reorganization of executive officers.

The following table summarizes the Company s utilization of restructuring accruals for the six months ended June 30, 2011:

(in millions)	**Employee Severance**	**Facility Closure**
Remaining accrual as of January 1, 2011	$ 38.7	$ 0.2
Expense provision	33.6	
Cash payments and other	(34.2)	
Changes in estimates	(2.5)	(0.1)

Remaining accrual as of June 30, 2011	$ 35.6	$ 0.1

Note 4: Borrowings

Senior Secured Revolving Credit Facility

An affiliate of Lehman Brothers Holdings Inc. provided a commitment in the amount of $230.6 million of the Company s revolving credit facility. After filing for bankruptcy in September 2008, the affiliate did not

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

participate in requests for funding under the Credit Agreement. In June 2011, the commitment was terminated. In addition, as discussed below, the aggregate revolving credit commitments were reduced by $254.1 million in April 2011.

As of June 30, 2011, FDC s senior secured revolving credit facility had commitments from financial institutions to provide $1,515.3 million of credit. Up to $500 million of the senior secured revolving credit facility is available for letters of credit, of which $44.9 million and $51.9 million were issued as of June 30, 2011 and December 31, 2010, respectively. FDC had no borrowings outstanding against this facility as of June 30, 2011 or as of December 31, 2010 other than the letters of credit discussed above. At June 30, 2011, $1,470.4 million remained available under this facility after considering the outstanding letters of credit. The maximum amounts outstanding against this facility during both the three and six months ended June 30, 2011 were approximately $43 million.

Other Short-Term Borrowings

As of June 30, 2011 and December 31, 2010, FDC had approximately $367 million and $428 million available, respectively, under short-term lines of credit and other arrangements with foreign banks and alliance partners primarily to fund settlement activity. These arrangements are primarily associated with international operations and are in various functional currencies, the most significant of which are the Australian dollar, the Polish zloty and the euro. Certain of these arrangements are uncommitted but FDC had $74.2 million and $150.6 million of borrowings outstanding against them as of June 30, 2011 and December 31, 2010, respectively. The total amounts outstanding against short-term lines of credit and other arrangements were $77.1 million and $180.3 million as of June 30, 2011 and December 31, 2010, respectively.

Senior Secured Term Loan Facility

The original terms of FDC s senior secured term loan facility required the Company to pay equal quarterly installments in aggregate annual amounts equal to 1% of the original principal amount. However, in conjunction with a debt modification in August 2010 as well as with the modification and amendment discussed below, proceeds from the issuance of new notes were used to prepay portions of the principal balances of FDC s senior secured term loans which satisfied the future quarterly principal payments until March 2018. Therefore, the Company made no principal payments during the three and six months ended June 30, 2011. During the three and six months ended June 30, 2010, the Company paid $32.0 million and $64.1 million, respectively, of principal payments on the senior secured term loan facility in accordance with the original provisions, of which $29.8 million and $59.5 million, respectively, related to the U.S. dollar denominated loan and $2.2 million and $4.6 million, respectively, related to the euro denominated loan.

10.55% Senior Payment In-Kind (PIK) Notes

The terms of FDC s 10.55% senior PIK notes due 2015 require that interest on the notes for the period up to and including September 30, 2011 be paid entirely by increasing the principal amount of the outstanding notes or by issuing senior PIK notes. During the six months ended June 30, 2011 and 2010, FDC increased the principal amount of these notes by $35.6 and $176.6 million, respectively, in accordance with this provision. The principal amount was not increased during the three months ended June 30, 2011 and 2010.

2010 Debt Financing Costs

During the six months ended June 30, 2011, the Company paid $18.6 million in fees that were recorded in 2010 related to the December 2010 debt exchange.

FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Modifications and Amendment to the Senior Secured Credit Facilities

On March 24, 2011, FDC executed a 2011 Extension Amendment (the Amendment Agreement) relating to its credit agreement, dated as of September 24, 2007, as amended and restated as of September 28, 2007, as further amended as of August 10, 2010, among FDC, the several lenders from time to time parties thereto and Credit Suisse AG, as administrative agent (the Credit Agreement). The Credit Agreement, as amended pursuant to the Amendment Agreement, is referred to below as the Amended Credit Agreement.

The Amendment Agreement, which became effective on April 13, 2011, among other things:

(i) resulted in the extension of the maturity date of $1.0 billion, after giving effect to the reduction discussed below, of the Company s revolving credit commitments (the Revolver Extension) under the Amended Credit Agreement to the earliest of: (x) June 24, 2015, if on such date the aggregate outstanding principal amount of FDC s 9.875% senior notes due 2015 and 10.55% senior PIK notes due 2015 exceeds $750.0 million, (y) December 31, 2015, if on such date the aggregate outstanding principal amount of FDC s 11.25% senior subordinated notes due 2016 exceeds $750.0 million and (z) September 24, 2016;

(ii) resulted in the extension of the maturity date of approximately $5.0 billion of term loans (consisting of approximately $4.5 billion of dollar denominated term loans and an amount of euro denominated term loans the dollar equivalent of which is approximately $0.5 billion (the Term Loan Extension)) under the Amended Credit Agreement to March 24, 2018;

(iii) provided for an increase in the interest rate applicable to the revolving credit loans subject to the Revolver Extension and the term loans subject to the Term Loan Extension to a rate equal to, at FDC s option, either (x) LIBOR for deposits in the applicable currency plus 400 basis points or (y) with regard to dollar denominated borrowings, a base rate plus 300 basis points;

(iv) provided for an increase in the commitment fee payable on the undrawn portion of the revolving credit commitments subject to the Revolver Extension to 75 basis points; and

(v) provided FDC with the ability to reduce the revolving credit commitments subject to the Revolver Extension while maintaining the revolving credit commitments not subject to the Revolver Extension in their original amount.

Accordingly, when the Amended Credit Agreement became effective, the Company immediately effected a permanent reduction of the revolving credit commitments that are subject to the Revolver Extension in an amount equal to $254.1 million.

Debt Offering. On April 13, 2011, FDC issued and sold $750 million aggregate principal amount of 7.375% senior secured notes due June 15, 2019. Interest on the notes will be payable semi-annually on June 15 and December 15 of each year, commencing on December 15, 2011. In accordance with the terms of FDC s Amended Credit Agreement, FDC used the net proceeds from the offering to repay approximately $735 million of its outstanding senior secured term loans, including $0.3 billion of the $5.0 billion that was extended until 2018 under the Amendment Agreement discussed above.

FDC may redeem the Notes, in whole or in part, at any time on or after June 15, 2015 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, FDC may redeem the notes, in whole or in part, at established redemption prices. In addition, on or prior to June 15, 2014, FDC may redeem up to 35% of the aggregate principal amount of notes with the net cash proceeds from certain equity offerings at established redemption prices.

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The notes will rank equally and ratably with all of FDC s existing and future senior indebtedness and will be senior to any of FDC s subordinated indebtedness. The notes will be guaranteed on a senior secured basis by each domestic subsidiary that guarantees FDC s senior secured credit facilities.

The notes and guarantees also will be secured by first-priority liens, subject to permitted liens, on FDC s and its subsidiary guarantors assets, subject to certain exceptions, that will from time to time secure FDC s senior secured credit facilities and other first-lien indebtedness on a first-priority basis. The notes will share equally in the collateral securing FDC s senior secured credit facilities.

Related Financing Costs. In connection with the debt modification and amendments and the debt offering discussed above, the Company incurred costs of $38.8 million, a significant portion of which was recorded as discounts on the debt and will be amortized to interest expense over the remaining terms of the loans.

Note 5: Segment Information

For a detailed discussion of the Company s principles regarding its operating segments refer to Note 15 to the Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

The following tables present the Company s operating segment results for the three and six months ended June 30, 2011 and 2010:

Three months ended June 30, 2011 (in millions)	**Retail and Alliance Services**	**Financial Services**	**International**	**All Other and Corporate**	**Totals**
Revenues:					
Transaction and processing service fees	$ 740.9	$ 337.7	$ 341.5	$ 28.0	$ 1,448.1
Product sales and other	102.8	6.9	100.3	9.1	219.1
Equity earnings in affiliates(a)			9.7		9.7
Total segment reporting revenues	$ 843.7	$ 344.6	$ 451.5	$ 37.1	$ 1,676.9
Internal revenue	$ 4.6	$ 9.8	$ 2.4	$	$ 16.8
External revenue	839.1	334.8	449.1	37.1	1,660.1
Depreciation and amortization	138.6	89.0	81.9	9.5	319.0
Segment EBITDA	352.2	142.5	119.1	(52.7)	561.1
Other operating expenses and other income (expense) excluding divestitures	(21.5)	(0.3)	(14.1)	17.0	(18.9)

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Three months ended June 30, 2010 (in millions)	Retail and Alliance Services	Financial Services	International	All Other and Corporate	Totals
Revenues:					
Transaction and processing service fees	$ 750.2	$ 341.5	$ 297.6	$ 36.1	$ 1,425.4
Product sales and other	103.5	9.9	82.5	13.5	209.4
Equity earnings in affiliates(a)			7.0		7.0
Total segment reporting revenues	$ 853.7	$ 351.4	$ 387.1	$ 49.6	$ 1,641.8
Internal revenue	$ 4.8	$ 9.5	$ 2.0	$	$ 16.3
External revenue	848.9	341.9	385.1	49.6	1,625.5
Depreciation and amortization	168.8	91.9	68.4	10.2	339.3
Segment EBITDA	344.9	134.6	73.0	(39.6)	512.9
Other operating expenses and other income (expense) excluding divestitures	16.2	0.5	(4.0)	(10.1)	2.6

Six months ended June 30, 2011 (in millions)	Retail and Alliance Services	Financial Services	International	All Other and Corporate	Totals
Revenues:					
Transaction and processing service fees	$ 1,405.0	$ 669.2	$ 665.2	$ 60.2	$ 2,799.6
Product sales and other	203.5	13.0	184.8	16.7	418.0
Equity earnings in affiliates(a)			16.8		16.8
Total segment reporting revenues	$ 1,608.5	$ 682.2	$ 866.8	$ 76.9	$ 3,234.4
Internal revenue	$ 9.0	$ 20.5	$ 4.6	$	$ 34.1
External revenue	1,599.5	661.7	862.2	76.9	3,200.3
Depreciation and amortization	294.3	175.7	155.9	21.9	647.8
Segment EBITDA	637.7	279.2	210.8	(98.8)	1,028.9
Other operating expenses and other income (expense) excluding divestitures	(21.8)	(5.5)	(19.8)	(10.7)	(57.8)

Six months ended June 30, 2010 (in millions)	Retail and Alliance Services	Financial Services	International	All Other and Corporate	Totals
Revenues:					
Transaction and processing service fees	$ 1,401.8	$ 679.8	$ 598.7	$ 75.0	$ 2,755.3
Product sales and other	189.1	17.7	166.3	32.8	405.9

Equity earnings in affiliates(a)			13.8		13.8
Total segment reporting revenues	$ 1,590.9	$ 697.5	$ 778.8	$ 107.8	$ 3,175.0
Internal revenue	$ 9.0	$ 18.0	$ 4.2	$	$ 31.2
External revenue	1,581.9	679.5	774.6	107.8	3,143.8
Depreciation and amortization	337.2	175.9	142.3	24.9	680.3
Segment EBITDA	594.2	267.7	151.1	(75.8)	937.2
Other operating expenses and other income (expense) excluding divestitures	12.8	(4.4)	(8.1)	(21.7)	(21.4)

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A reconciliation of reportable segment amounts to the Company s consolidated balances is as follows:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	**2011**	**2010**	**2011**	**2010**
Segment Revenues:				
Total reported segments	$ 1,639.8	$ 1,592.2	$ 3,157.5	$ 3,067.2
All Other and Corporate	37.1	49.6	76.9	107.8
Adjustment to reconcile to Adjusted revenue:				
Official check and money order revenues(b)	(3.9)	(4.7)	(6.8)	(14.6)
Eliminations of intersegment revenues	(16.8)	(16.3)	(34.1)	(31.2)
Adjusted revenue	1,656.2	1,620.8	3,193.5	3,129.2
Adjustment to reconcile to Consolidated revenues:				
Adjustments for non-wholly-owned entities(c)	50.1	57.7	98.1	110.1
Official check and money order revenues(b)	3.9	4.7	6.8	14.6
ISO commission expense	100.6	81.6	192.3	153.9
Reimbursable debit network fees, postage and other	939.0	849.9	1,803.3	1,609.0
Consolidated revenues	$ 2,749.8	$ 2,614.7	$ 5,294.0	$ 5,016.8
Segment EBITDA:				
Total reported segments	$ 613.8	$ 552.5	$ 1,127.7	$ 1,013.0
All Other and Corporate	(52.7)	(39.6)	(98.8)	(75.8)
Adjusted EBITDA	561.1	512.9	1,028.9	937.2
Adjustments to reconcile to Net loss attributable to First Data Corporation :				
Divested businesses		1.4		1.4
Adjustments for non-wholly-owned entities(c)	10.9	7.8	24.1	18.0
Depreciation and amortization	(329.8)	(347.4)	(671.6)	(698.7)
Interest expense	(462.3)	(450.9)	(904.6)	(899.8)
Interest income	1.9	1.4	3.8	3.4
Other items [(d)]	(22.5)	2.6	(66.9)	(1.4)
Income tax benefit	88.1	122.4	236.1	260.5
Stock-based compensation	(4.4)	(1.2)	(8.5)	(6.5)
Official check and money order EBITDA(b)	1.2	1.2	1.3	7.6
Costs of alliance conversions	(6.7)	(5.9)	(13.0)	(11.7)
Stock plan modification expenses		(7.8)		(7.8)
KKR related items	(9.8)	(7.7)	(19.0)	(13.5)
Debt issuance costs	(3.5)		(3.5)	
Net loss attributable to First Data Corporation	$ (175.8)	$ (171.2)	$ (392.9)	$ (411.3)

(a) Excludes equity losses that were recorded in expense and the amortization related to the excess of the investment balance over the Company s proportionate share of the investee s net book value for the International segment.

(b) Represents an adjustment to exclude the official check and money order businesses from revenue and EBITDA due to the Company s wind down of these businesses.

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(c) Represents the net adjustment to reflect First Data s proportionate share of alliance revenue and EBITDA within the Retail and Alliance Services segment and amortization related to equity method investments not included in segment EBITDA.

(d) Includes restructuring, litigation and regulatory settlements, and impairments as applicable to the periods presented and Other income (expense) as presented in the Consolidated Statements of Operations.

Segment assets are as follows:

(in millions)	As of June 30, 2011	As of December 31, 2010
Assets:		
Retail and Alliance Services	$ 24,293.9	$ 24,673.8
Financial Services	4,809.7	4,982.2
International	5,545.6	5,186.7
All Other and Corporate	2,641.1	2,701.4
Consolidated	$ 37,290.3	$ 37,544.1

A reconciliation of reportable segment depreciation and amortization amounts to the Company s consolidated balances in the Consolidated Statements of Cash Flows is as follows:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2011	2010	2011	2010
Depreciation and amortization:				
Total reported segments	$ 309.5	$ 329.1	$ 625.9	$ 655.4
All Other and Corporate	9.5	10.2	21.9	24.9
	319.0	339.3	647.8	680.3
Adjustments to reconcile to consolidated depreciation and amortization:				
Adjustments for non-wholly-owned entities	28.8	26.2	57.5	54.8
Amortization of initial payments for new contracts	10.1	9.1	19.7	18.7
Total consolidated depreciation and amortization	$ 357.9	$ 374.6	$ 725.0	$ 753.8

Note 6: Redeemable Noncontrolling Interest

The following table presents a summary of the redeemable noncontrolling interest activity:

(in millions)	Six months ended June 30, 2011	2010
Balance as of January 1	$ 28.1	$ 226.9
Distributions	(16.9)	(11.9)
Share of income	15.3	18.3
Purchase of noncontrolling interests		(213.3)
Adjustment to redemption value of redeemable noncontrolling interest	18.9	7.0
Other		0.1
Balance as of June 30	$ 45.4	$ 27.1

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Note 7: Commitments and Contingencies

The Company is involved in various legal proceedings. Accruals have been made with respect to these matters, where appropriate, which are reflected in the Company s consolidated financial statements. The Company may enter into discussions regarding settlement of these matters, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company. The matters discussed below, if decided adversely to or settled by the Company, individually or in the aggregate, may result in liability material to the Company s financial condition and/or results of operations.

Legal

On July 2, 2004, a class action complaint was filed against the Company, its subsidiary Concord EFS, Inc., and various financial institutions. Plaintiffs claim that the defendants violated antitrust laws by conspiring to artificially inflate foreign ATM fees that were ultimately charged to ATM cardholders. Plaintiffs seek a declaratory judgment, injunctive relief, compensatory damages, attorneys fees, costs and such other relief as the nature of the case may require or as may seem just and proper to the court. Five similar suits were filed and served in July, August and October 2004 (referred to collectively as the ATM Fee Antitrust Litigation). The Court granted judgment in favor of the defendants, dismissing the case on September 17, 2010. On October 14, 2010, the plaintiffs appealed the summary judgment. The Company continues to believe the complaints are without merit and intends to vigorously defend them.

There are asserted claims against the Company where an unfavorable outcome is considered to be reasonably possible. These claims can generally be categorized in the following three areas: (1) patent infringement which results from claims that the Company is using technology that has been patented by another party; (2) Merchant customer matters often associated with alleged processing errors or disclosure issues and claims that one of the subsidiaries of the Company has violated a federal or state requirement regarding credit reporting or collection in connection with its check verification guarantee, and collection activities; and (3) other matters which may include issues such as employment. The Company s estimates of the possible ranges of losses in excess of any amounts accrued are $0 to $2 million for patent infringement, $0 to $20 million for merchant customer matters and $0 to $4 million for other matters, resulting in a total estimated range of possible losses of $0 to $26 million for all of the matters described above.

The estimated range of reasonably possible losses is based on currently available information and involves elements of judgment and significant uncertainties. As additional information becomes available and the resolution of the uncertainties become more apparent, it is possible that actual losses may exceed even the high end of the estimated range.

Other

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.

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Note 8: Employee Benefit Plans

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

(in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Service costs	$ 0.8	$ 0.8	$ 1.6	$ 1.6
Interest costs	10.1	9.7	20.0	19.8
Expected return on plan assets	(11.8)	(9.8)	(23.4)	(20.0)
Amortization	0.3	0.5	0.6	1.1
Net periodic benefit expense/(income)	$ (0.6)	$ 1.2	$ (1.2)	$ 2.5

The Company estimates pension plan contributions for 2011 to be approximately $30 million. During the six months ended June 30, 2011, approximately $16 million was contributed to the United Kingdom plan and no contributions were made to the U.S. plan.

Note 9: Stock Compensation Plans

The Company recognizes stock-based compensation expense related to stock options and non-vested restricted stock awards and units that were granted prior to plan modifications made in May 2010. Due to the nature of call rights associated with options and restricted stock awards and units granted subsequent to the plan modifications in 2010, the Company will recognize expense related to such awards only upon certain liquidity or employment termination events.

Total stock-based compensation expense recognized in the Selling, general and administrative line item of the Consolidated Statements of Operations was as follows:

(in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Total stock-based compensation expense (pretax)	$ 4.4	$ 1.2	$ 8.9	$ 6.5

The amount of stock-based compensation expense recognized in the three months ended June 30, 2011 as compared to the same period in 2010 was higher due to a forfeiture rate adjustment made during the three months ended June 30, 2010.

Stock Options

During the six months ended June 30, 2011 time-based and performance-based options were granted under the stock plan. The time-based options granted vest equally over a three to five year period and performance-based options vest based upon the Company achieving certain EBITDA targets.

As of June 30, 2011 there was approximately $110 million of total unrecognized compensation expense, net of estimated forfeitures, related to non-vested stock options. Approximately $23 million will be recognized over a weighted-average period of approximately 2.5 years while approximately $87 million will only be recognized upon the occurrence of certain liquidity or employment termination events.

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The fair value of Holdings stock options granted for the six months ended June 30, 2011 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Six months ended June 30, 2011	
Risk-free interest rate		2.89%
Dividend yield		
Volatility		54.72%
Expected term (in years)		7
Fair value of stock	$	3
Fair value of options	$	2

A summary of Holdings stock option activity for the six months ended June 30, 2011 is as follows:

(options in millions)	Options	Weighted-Average Exercise Price	
Outstanding at January 1, 2011	70.0	$	3
Granted	6.5	$	3
Cancelled / Forfeited	(3.0)	$	3
Outstanding at June 30, 2011	73.5	$	3

Restricted Stock Awards and Restricted Stock Units

Restricted stock awards were granted under the stock plan during the six months ended June 30, 2011. As of June 30, 2011 there was approximately $32 million of total unrecognized compensation expense, net of estimated forfeitures, related to restricted stock. Approximately $2 million will be recognized over a weighted-average period of approximately 2 years while approximately $30 million will only be recognized upon the occurrence of certain liquidity or employment termination events.

A summary of Holdings restricted stock award and restricted stock unit activity for the six months ended June 30, 2011 is as follows:

(awards/units in millions)	Awards/Units	Weighted-Average Grant-Date Fair Value	
Non-vested at January 1, 2011	8.4	$	3
Granted	2.8	$	3
Cancelled / Forfeited	(0.3)	$	3
Non-vested at June 30, 2011	10.9	$	3

Note 10: Investment Securities

The majority of the Company s investment securities are a component of settlement assets and represent the investment of funds received by FDC from the sale of payment instruments (official checks and financial institution money orders) by authorized agents. The Company s investment securities included in current settlement assets primarily consists of money market funds, discounted and municipal commercial paper, corporate, state, and municipal bonds maturing within one year, and time deposits. The Company s long-term

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settlement assets are primarily comprised of student loan auction rate securities (SLARS) and corporate bonds. Realized gains and losses and other-than-temporary impairments (OTTI) on investments classified as settlement assets are recorded in the Product sales and other line item of the Consolidated Statements of Operations. The Company carried other investments including equity securities and shares of a money market fund which are carried at fair value and included in the Other current assets and Other long-term assets line items of the Consolidated Balance Sheets. Realized gains and losses on these investments are recorded in the Other income (expense) line item of the Consolidated Statements of Operations described in Note 2.

The principal components of the Company s investment securities are as follows:

As of June 30, 2011 (in millions)	Cost(a)	Gross Unrealized Gain	Gross Unrealized (Loss) excluding OTTI(b)	OTTI Recognized in OCI(b)(c)	Fair Value(d)
Student loan auction rate securities	$ 218.2	$ 1.9	$ (1.8)	$	$ 218.3
Corporate bonds	62.4	0.1			62.5
State and municipal obligations	43.1				43.1
Other securities:					
Cost method investments	24.0				24.0
Other	0.1	1.0			1.1
Total other	24.1	1.0			25.1
Totals	$ 347.8	$ 3.0	$ (1.8)	$	$ 349.0
As of December 31, 2010 (in millions)					
Student loan auction rate securities	$ 341.1	$	$	$	$ 341.1
Corporate bonds	63.0	0.1	(0.1)		63.0
State and municipal obligations [e]	0.5				0.5
Other securities:					
Cost method investments	24.5				24.5
Other	0.1	0.1			0.2
Total other	24.6	0.1			24.7
Totals	$ 429.2	$ 0.2	$ (0.1)	$	$ 429.3

(a) Represents amortized cost for debt securities.
(b) OTTI refers to other-than-temporary impairments.
(c) For debt securities, represents the fair value adjustment excluding that attributable to credit losses.
(d) Represents cost for cost method investments.
(e) State and municipal obligations have been reclassed from Other to conform to current year presentation.

The following table presents the gross unrealized losses and fair value of the Company s investments with unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	Less than 12 months		More than 12 months			
As of June 30, 2011 (in millions)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Total Fair Value**	**Total Unrealized Losses**
Student loan auction rate securities	$ 109.3	$ (1.8)	$	$	$ 109.3	$ (1.8)

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As of December 31, 2010 (in millions)	Less than 12 months Fair Value	Less than 12 months Unrealized Losses	More than 12 months Fair Value	More than 12 months Unrealized Losses	Total Fair Value	Total Unrealized Losses
Corporate bonds	$ 45.8	$ (0.1)	$	$	$ 45.8	$ (0.1)

During the six months ended June 30, 2011, the Company sold and redeemed SLARS with an amortized cost basis of $122.9 million, resulting in net realized losses of $1.9 million. Also during the six months ended June 30, 2011, the Company sold corporate bonds with an amortized cost basis of $60.7 million, resulting in a realized gain of approximately $0.2 million.

In June 2011, the Company participated in a tender offer, tendering $35.7 million of its holdings in SLARS. The offer was accepted on June 30, 2011 and the Company anticipates a realized gain of approximately $1.6 million during the third quarter of 2011.

All of the above investments, with the exception of cost method investments, were classified as available-for-sale. The Company uses specific identification to determine the cost of a security sold and the amount of gains and losses reclassified out of other comprehensive income (OCI) into the Consolidated Statements of Operations. Unrealized gains and losses on investments carried at fair value are included as a separate component of OCI, net of any related tax effects.

The following table presents additional information regarding available-for-sale securities:

(in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Proceeds from sales(a)	$ 63.3	$ 2.3	$ 181.9	$ 21.3
Gross realized gains included in earnings as a result of sales(a)	0.5		1.0	5.0
Gross realized (losses) included in earnings as a result of sales(a)			(2.7)	
Impairments included in earnings				(0.3)
Net unrealized gains or (losses) included in OCI, net of tax	1.5	6.1	(0.5)	5.8
Net gains or (losses) reclassified out of OCI into earnings, net of tax	0.3		(1.1)	(0.2)

(a) Includes activity resulting from sales, redemptions, liquidations and related matters. Gains and losses are recorded in the Product sales and other or Other income (expense) line items of the Consolidated Statements of Operations.

The following table presents maturity information for the Company s investments in debt securities as of June 30, 2011:

(in millions)	Fair Value
Due within one year	$ 84.5
Due after one year through five years	21.1
Due after five years through 10 years	29.3
Due after 10 years	189.0
Total debt securities	$ 323.9

The Company also maintained investments in non-marketable securities, held for strategic purposes (collectively referred to as cost method investments) which are carried at cost and included in Other long-term assets in the Company s Consolidated Balance Sheets. These investments are evaluated for impairment upon an

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indicator of impairment such as events or changes in circumstances that may have a significant adverse effect on the fair value of the investment. As of June 30, 2011, there were no indicators of impairment. Where there are no indicators of impairment present, the Company estimates the fair value for the cost method investments only if it is practicable to do so. As of June 30, 2011, it was deemed impracticable to estimate the fair value on $18.6 million of cost method assets due to the lack of sufficient data upon which to develop a valuation model and the costs of obtaining an independent valuation in relation to the size of the investments. Realized pretax gains and losses associated with these investments are recognized in the Other income (expense) line item of the Consolidated Statements of Operations described in Note 2.

Note 11: Derivative Financial Instruments

Risk Management Objectives and Strategies

The Company is exposed to various financial and market risks, including those related to changes in interest rates and foreign currency exchange rates that exist as part of its ongoing business operations. The Company utilizes certain derivative financial instruments to enhance its ability to manage these risks.

As of June 30, 2011, the Company uses derivative instruments (i) to mitigate cash flow risks with respect to changes in interest rates (forecasted interest payments on variable rate debt), (ii) to preserve the ratio of fixed rate and floating rate debt that the Company held prior to the debt modifications and amendments discussed in Note 4 and (iii) to protect the initial net investment in certain foreign subsidiaries and/or affiliates with respect to changes in foreign currency exchange rates.

Derivative instruments are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company applies strict policies to manage each of these risks, including prohibition against derivatives trading, derivatives market-making or any other speculative activities. Although certain derivatives do not qualify for hedge accounting, they are maintained for economic hedge purposes and are not considered speculative.

The Company s policy is to manage its cash flow and net investment exposures related to adverse changes in interest rates and foreign currency exchange rates. The Company s objective is to engage in risk management strategies that provide adequate downside protection.

Accounting for Derivative Instruments and Hedging Activities

The Company recognizes all derivatives in the Other long-term assets , Other current liabilities and Other long-term liabilities captions in the Consolidated Balance Sheets at their fair values. The Company has designated certain of its interest rate swaps as cash flow hedges of forecasted interest rate payments related to its variable rate debt and a cross-currency swap as a foreign currency hedge of its net investment in a foreign subsidiary. Other interest rate swaps and cross-currency swaps on various foreign currencies no longer qualify or have not been designated as accounting hedges and do not receive hedge accounting treatment.

With respect to derivative instruments that are afforded hedge accounting, the effective portion of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recorded in OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Changes in the fair value of a net investment hedge that qualifies for hedge accounting are recorded as part of the cumulative translation adjustment in OCI. Any ineffectiveness associated with the aforementioned cash flow hedges, as well as any change in the fair value of a derivative that is not designated as a hedge, is recorded immediately in Other income (expense) in the Consolidated Statements of Operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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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 various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to forecasted transactions and net investment hedges to the underlying investment in a foreign subsidiary or affiliate. The Company formally assesses, both at inception of the hedge and on an ongoing basis, whether the hedge is highly effective in offsetting changes in cash flows or foreign currency exposure of the underlying hedged items. The Company also performs an assessment of the probability of the forecasted transactions on a periodic basis. If it is determined that a derivative ceases to be highly effective during the term of the hedge or if the forecasted transaction is no longer probable, the Company will discontinue hedge accounting prospectively for such derivative.

Credit Risk

The Company monitors the financial stability of its derivative counterparties and all counterparties remain highly-rated (in the A category or higher). The credit risk inherent in these agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review at inception of the hedge, as circumstances warrant, and at least on a quarterly basis of the credit risk of these counterparties. The Company also monitors the concentration of its contracts with individual counterparties. The Company s exposures are in liquid currencies (primarily in U.S. dollars, euros and Australian dollars), so there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

Derivatives Not Qualifying For Hedge Accounting

As of June 30, 2011, the Company had certain derivative instruments that functioned as economic hedges but no longer qualified or were not designated to qualify for hedge accounting. Such instruments included cross-currency swaps to mitigate foreign currency exposure on intercompany loans and interest rate swaps to mitigate the exposure on interest payments on variable rate debt to fluctuations in interest rates. Additionally, during 2011, the Company entered into a fixed to floating interest rate swap in order to preserve the ratio of fixed rate and floating rate debt that it held prior to the debt modification and amendments discussed in Note 4. The swap has a notional value of $750.0 million and expires on June 15, 2019.

During the first quarter of 2011, the Company held a foreign exchange rate collar with a notional value of $1.9 million that expired on March 31, 2011.

As of June 30, 2011, the Company held cross-currency swaps not qualifying for hedge accounting with a notional value of 91.1 million euro (approximately $130.2 million). The notional value of the interest rate swaps that do not qualify for hedge accounting was $2.3 billion.

The periodic change in the fair value of the derivative instruments not designated as accounting hedges is recorded immediately in the Other income (expense) line of the Consolidated Statements of Operations. For information on the location and amounts of derivative fair values in the Consolidated Balance Sheets and derivative gains and losses in the Consolidated Statements of Operations, see the tabular information presented below.

Derivatives That Qualify for Hedge Accounting

Hedge of a net investment in a foreign operation. As of June 30, 2011, the Company held a cross-currency swap that was designated as a hedge of a net investment in a foreign operation with an aggregate notional amount of 115.0 million Australian dollars (approximately $120.1 million).

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Cash flow hedges. As of June 30, 2011, the Company held interest rate swaps which were designated as cash flow hedges of the variability in the interest payments on $3.5 billion of the approximate $11.3 billion of variable rate senior secured term loan. Although these hedges remain highly effective on an ongoing basis in offsetting the variability in the interest payments, any ineffectiveness is recognized immediately in the Consolidated Statements of Operations.

At June 30, 2011, the maximum length of time over which the Company is hedging its exposure is approximately 1.2 years. The Company follows the hypothetical derivative method to measure hedge ineffectiveness which resulted mostly from the hedges being off-market at the time of designation. Ineffectiveness associated with these hedges is recognized immediately in the Consolidated Statements of Operations. The amount of losses in OCI related to the hedged transactions as of June 30, 2011 that is expected to be reclassified into the Consolidated Statements of Operations within the next 12 months is approximately $75.9 million.

For information on the location and amounts of derivative fair values in the Consolidated Balance Sheets and derivative gains and losses in the Consolidated Statements of Operations, see the tabular information presented below.

Fair Value of Derivative Instruments

Fair Value of Derivative Instruments in the Consolidated Balance Sheets

	As of June 30, 2011	
(in millions)	**Assets(a)**	**Liabilities(b)**
Derivatives designated as hedging instruments		
Interest rate contracts	$	$ (192.6)
Foreign exchange contracts		(29.2)
Total derivatives designated as hedging instruments	$	$ (221.8)
Derivatives not designated as hedging instruments		
Interest rate contracts	$ 15.2	$ (80.3)
Foreign exchange contracts	0.5	(3.0)
Total derivatives not designated as hedging instruments	15.7	(83.3)
Total derivatives	$ 15.7	$ (305.1)

	As of December 31, 2010	
(in millions)	**Assets(a)**	**Liabilities(b)**
Derivatives designated as hedging instruments		
Interest rate contracts	$	$ (252.2)
Foreign exchange contracts		(21.3)
Total derivatives designated as hedging instruments	$	$ (273.5)
Derivatives not designated as hedging instruments		
Interest rate contracts	$	$ (105.0)

Foreign exchange contracts	7.7	(0.9)
Total derivatives not designated as hedging instruments	7.7	(105.9)
Total derivatives	$ 7.7	$ (379.4)

(a) Derivative assets are included in the Other long-term assets line of the Consolidated Balance Sheets.
(b) Derivative liabilities are included in the Other current liabilities and Other long-term liabilities lines of the Consolidated Balance Sheets.

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FIRST DATA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The Effect of Derivative Instruments on the Consolidated Statements of Operations

	Three months ended June 30,			
	2011		2010	
(in millions, pretax)	Interest Rate Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Foreign Exchange Contracts
Derivatives in cash flow hedging relationships:				
Amount of gain or (loss) recognized in OCI (effective portion)	$ 12.8		$ (12.3)	
Amount of gain or (loss) reclassified from accumulated OCI into income(a)	$ (19.0)		$ (44.1)	
Amount of gain or (loss) recognized in income (ineffective portion)(b)	$ (0.6)		$ (1.3)	
Derivatives in net investment hedging relationships:				
Amount of gain or (loss) recognized in OCI (effective portion)		$ (4.9)		$ 4.1
Amount of gain or (loss) recognized in income (ineffective portion)(b)				$ 3.3
Derivatives not designated as hedging instruments				
Amount of gain or (loss) recognized in income(b)	$ 10.0	$ (3.2)	$ (16.0)	$ 11.9

(a) Gain (loss) is recognized in the Interest expense line of the Consolidated Statements of Operations.
(b) Gain (loss) is recognized in the Other income (expense) line of the Consolidated Statements of Operations.

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	Six months ended June 30,			
	2011		2010	
(in millions, pretax)	Interest Rate Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Foreign Exchange Contracts
Derivatives in cash flow hedging relationships:				
Amount of gain or (loss) recognized in OCI (effective portion)	$ 32.3		$ (36.2)	
Amount of gain or (loss) reclassified from accumulated OCI into income(a)	$ (38.0)		$ (83.6)	
Amount of gain or (loss) recognized in income (ineffective portion)(b)	$ (1.7)		$ (3.5)	
Derivatives in net investment hedging relationships:				
Amount of gain or (loss) recognized in OCI (effective portion)		$ (9.8)		$ 4.1
Amount of gain or (loss) recognized in income (ineffective portion)(b)				$ 0.5
Derivatives not designated as hedging instruments				
Amount of gain or (loss) recognized in income(b)	$ 6.1	$ (9.5)	$ (42.8)	$ 19.0

(a) Gain (loss) is recognized in the Interest expense line of the Consolidated Statements of Operations.
(b) Gain (loss) is recognized in the Other income (expense) line of the Consolidated Statements of Operations.

Accumulated Derivatives Gains and Losses

The following table summarizes activity in other comprehensive income for the six months ended June 30, 2011 related to derivative instruments classified as cash flow hedges and a net investment hedge held by the Company:

(in millions, after tax)	Six months ended June 30, 2011
Accumulated loss included in other comprehensive income (loss) at beginning of the period	$ (181.3)
Less: Reclassifications into earnings from other comprehensive income (loss)	23.8
	(157.5)
Net gain in fair value of derivatives [(a)]	16.8
Accumulated loss included in other comprehensive income (loss) at end of the period	$ (140.7)

(a) Gains and losses are included in Unrealized gains on hedging activities and in Foreign currency translation adjustment on the Consolidated Statements of Equity.

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(Unaudited)

Note 12: Fair Value Measurement

Fair Value of Financial Instruments

Carrying amounts for certain of the Company s financial instruments (cash and cash equivalents and short-term borrowings) approximate fair value due to their short maturities. Accordingly, these instruments are not presented in the following table. The following table provides the estimated fair values of the remaining financial instruments:

As of June 30, 2011 (in millions)	Carrying Value	Fair Value(a)
Financial instruments:		
Settlement assets:		
Short-term investment securities	$ 84.5	$ 84.5
Long-term investment securities	$ 240.0	$ 240.0
Other long-term assets:		
Long-term investment securities	$ 0.5	$ 0.5
Cost method investments	$ 24.0	$ 24.0
Derivative financial instruments	$ 15.7	$ 15.7
Other current liabilities:		
Derivative financial instruments	$ 4.5	$ 4.5
Long-term borrowings:		
Long-term borrowings	$ 22,584.3	$ 22,007.4
Other long-term liabilities:		
Derivative financial instruments	$ 300.6	$ 300.6

(a) Represents cost for cost method investments. Refer to Note 10 of these Consolidated Financial Statements for a more detailed discussion of cost method investments.

The estimated fair values of investment securities and derivative financial instruments are described below. Refer to Notes 10 and 11 of these Consolidated Financial Statements for additional information regarding the Company s investment securities and derivative financial instruments, respectively.

The estimated fair market value of FDC s long-term borrowings was primarily based on market trading prices. For additional information regarding the Company s borrowings, refer to Note 4 of these Consolidated Financial Statements as well as to Note 8 of the Company s Consolidated Financial Statements in Item 8 of the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

Concentration of Credit Risk

The Company s investment securities are diversified across multiple issuers within its investment portfolio (investment securities plus cash and cash equivalents). In addition to investment securities, the Company maintains other financial instruments with various financial institutions. The Company s largest single issuer represents approximately 11% of the total carrying value of the investment portfolio and the Company limits its derivative financial instruments credit risk by maintaining contracts with counterparties having a credit rating of A or higher. The Company periodically reviews the credit standings of these institutions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Financial instruments carried and measured at fair value on a recurring basis are classified in the table below according to the fair value hierarchy:

	Fair Value Measurement Using			
As of June 30, 2011 (in millions)	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets:				
Settlement assets:				
Student loan auction rate securities	$	$	$ 218.3	$ 218.3
Corporate bonds		62.5		62.5
State and municipal obligations		42.6		42.6
Preferred stock	1.1			1.1
Total settlement assets	1.1	105.1	218.3	324.5
Other long-term assets:				
Available-for-sale securities		0.5		0.5
Foreign currency derivative contracts		0.5		0.5
Interest rate swap contracts		15.2		15.2
Total other long-term assets		16.2		16.2
Total assets at fair value	$ 1.1	$ 121.3	$ 218.3	$ 340.7
Liabilities:				
Other current liabilities:				
Interest rate swap contracts	$	$ 4.5	$	$ 4.5
Other long-term liabilities:				
Interest rate swap contracts		268.4		268.4
Foreign currency derivative contracts		32.2		32.2
Total liabilities at fair value	$	$ 305.1	$	$ 305.1

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	Fair Value Measurement Using			
As of December 31, 2010 (in millions)	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Assets:				
Settlement assets:				
Student loan auction rate securities	$	$	$ 341.1	$ 341.1
Corporate bonds		63.0		63.0
Preferred stock	0.2			0.2
Total settlement assets	0.2	63.0	341.1	404.3
Other long-term assets:				
Available-for-sale securities		0.5		0.5
Foreign currency derivative contracts		7.7		7.7
Total other long-term assets		8.2		8.2
Total assets at fair value	$ 0.2	$ 71.2	$ 341.1	$ 412.5
Liabilities:				
Other current liabilities:				
Interest rate swap contracts	$	$ 4.4		