

FIRST DATA CORP  
Form S-1  
July 20, 2015  
Table of Contents

As filed with the Securities and Exchange Commission on July 20, 2015

Registration No. 333-

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

FORM S-1  
REGISTRATION STATEMENT  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**First Data Corporation**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**7389**  
(Primary Standard Industrial  
Classification Code Number)

**47-0731996**  
(I.R.S. Employer  
Identification Number)

**225 Liberty Street, 29th Floor**

**New York, New York 10281**

**(800) 735-3362**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Adam L. Rosman, Esq.**

**Executive Vice President, General Counsel and Secretary**

**225 Liberty Street, 29th Floor**

**New York, New York 10281**

**(800) 735-3362**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*With copies to:*

**Joseph H. Kaufman, Esq.**

**Richard A. Fenyes, Esq.**

**Simpson Thacher & Bartlett LLP**

**425 Lexington Avenue**

**New York, New York 10017-3954**

**(212) 455-2000**

**Richard D. Truesdell, Jr., Esq.**

**Byron B. Rooney, Esq.**

**Davis Polk & Wardwell LLP**

**450 Lexington Avenue**

**New York, New York 10017**

**(212) 450-4000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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

Large accelerated filer " Accelerated filer "  
 Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company "

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum	
	Aggregate Offering Price (1)(2)	Amount of Registration Fee
Class A common stock, par value \$0.01 per share	\$100,000,000	\$11,620

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the aggregate offering price of shares of Class A common stock that the underwriters have the option to purchase. See Underwriting.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

**The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**Subject to Completion, dated July 20, 2015.**

**PRELIMINARY PROSPECTUS**

**Shares**

**FIRST DATA CORPORATION**

**Class A Common Stock**

This is an initial public offering of shares of Class A common stock of First Data Corporation. We are offering \_\_\_\_\_ shares of our Class A common stock.

Prior to this offering, there has been no public market for our Class A common stock. We currently expect that the initial public offering price of our Class A common stock will be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We intend to apply to list our Class A common stock on \_\_\_\_\_ under the symbol \_\_\_\_\_.

Upon consummation of this offering, we will have two classes of common stock: our Class A common stock and our Class B common stock. The rights of the holders of Class A common stock and Class B common stock will be identical, except with respect to voting, conversion, and transfer restrictions applicable to the Class B common stock. Each share of Class A common stock will be entitled to one vote. Each share of Class B common stock will be entitled to ten votes and will be convertible at any time into one share of Class A common stock.

After the completion of this offering, affiliates of Kohlberg Kravis Roberts & Co. L.P. (KKR) will continue to control a majority of the voting power of our common stock. As a result, we will be a \_\_\_\_\_ controlled company within the meaning of the corporate governance standards of the applicable stock exchange. See **Principal Stockholders**.

***Investing in our Class A common stock involves risk. See Risk Factors beginning on page 18 to read about factors you should consider before buying shares of our Class A common stock.***

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	<b>Per Share</b>	<b>Total</b>
Initial public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us <sup>(1)</sup>	\$	\$

<sup>(1)</sup> See Underwriting.

To the extent that the underwriters sell more than \_\_\_\_\_ shares of our Class A common stock, the underwriters have the option to purchase up to an additional \_\_\_\_\_ shares from us at the initial public offering price, less the underwriting discounts and commissions, within 30 days of the date of this prospectus.

The underwriters expect to deliver the shares against payment in New York, New York on or about \_\_\_\_\_, 2015.

**Prospectus dated \_\_\_\_\_, 2015.**

**Table of Contents**

**Table of Contents**

You should rely only on the information contained in this prospectus or in any free writing prospectus that we authorize to be delivered to you. We and the underwriters have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide you. We are offering to sell, and seeking offers to buy, these securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the securities. Our business, financial condition, results of operations, and prospects may have changed since that date.

**Table of Contents**

	<b>Page</b>
<u>Market, Ranking, and Other Industry Data</u>	ii
<u>Trademarks, Service Marks, and Trade Names</u>	ii
<u>Basis of Presentation</u>	ii
<u>Non-GAAP Financial Measures</u>	iii
<u>Glossary</u>	iv
<u>A Letter from Frank Bisignano</u>	v
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	18
<u>Special Note Regarding Forward-Looking Statements</u>	37
<u>Use of Proceeds</u>	39
<u>Dividend Policy</u>	40
<u>Dilution</u>	41
<u>Capitalization</u>	43
<u>Unaudited Pro Forma Consolidated Financial Statements</u>	45
<u>Selected Historical Consolidated Financial Data</u>	50
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	52
<u>Business</u>	92
<u>Management</u>	154
<u>Principal Stockholders</u>	188
<u>Certain Relationships and Related Party Transactions</u>	190
<u>Description of Indebtedness</u>	192
<u>Description of Capital Stock</u>	206
<u>Shares Eligible for Future Sale</u>	215
<u>Certain United States Federal Income and Estate Tax Consequences to Non-U.S. Holders</u>	218
<u>Underwriting</u>	221
<u>Legal Matters</u>	227
<u>Experts</u>	227
<u>Where You Can Find More Information</u>	227
<u>Index to Financial Statements</u>	F-1



Unless otherwise indicated or the context otherwise requires, financial data in this prospectus reflects the consolidated business and operations of First Data Corporation and its consolidated subsidiaries. Unless the context otherwise requires, all references herein to First Data, FDC, the Company, we, our, or us refer to First Data Corporation and its consolidated subsidiaries.

Amounts in this prospectus and the consolidated financial statements included in this prospectus are presented in U.S. Dollars rounded to the nearest million, unless otherwise noted. The accounting policies set out in the audited consolidated financial statements contained elsewhere in this prospectus have been consistently applied to all periods presented.

**Table of Contents**

**MARKET, RANKING, AND OTHER INDUSTRY DATA**

The data included in this prospectus regarding markets, ranking, and other industry information are based on reports of government agencies or published industry sources, and estimates are based on First Data management's knowledge and experience in the markets in which First Data operates. The Nilson Report, an industry source we cite in this prospectus, is generally published monthly. Data regarding the industries in which we compete and our market position and market share within these industries are inherently imprecise and are subject to significant business, economic, and competitive uncertainties beyond our control, but we believe they generally indicate size, position, and market share within these industries. Our own estimates are based on information obtained from our trade and business organizations and other contacts in the markets in which we operate. We are responsible for all of the disclosure in this prospectus, and we believe these estimates to be accurate as of the date of this prospectus or such other date stated in this prospectus. However, this information may prove to be inaccurate because of the method by which we obtained some of the data for the estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and other limitations and uncertainties. As a result, you should be aware that market, ranking, and other similar industry data included in this prospectus, and estimates and beliefs based on that data, may not be reliable. Neither we nor the underwriters can guarantee the accuracy or completeness of any such information contained in this prospectus.

**TRADEMARKS, SERVICE MARKS, AND TRADE NAMES**

Solely for convenience, the trademarks, service marks, and trade names referred to in this prospectus are presented without the ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, and trade names. All trademarks, service marks, and trade names appearing in this prospectus are the property of their respective owners.

**BASIS OF PRESENTATION**

A substantial portion of our business is conducted through alliances with banks and other institutions. Where we discuss the operations of our Global Business Solutions segment, such discussions include our alliances because they generally do not have their own operations (other than certain majority owned and equity method alliances) and are part of our core operations. Our alliance structures take on different forms, including consolidated subsidiaries, equity method investments, and revenue sharing arrangements. Under the alliance program, we and a bank or other institution form a venture, either contractually or through a separate legal entity. Merchant contracts may be contributed to the venture by us and/or the bank or institution. The banks or other institutions generally provide card association sponsorship, clearing, and settlement services. These institutions typically act as a merchant referral source when the institution has an existing banking or other relationship. We provide transaction processing and related functions. Both we and our alliance partners may provide management, sales, marketing, and other administrative services. The alliance structure allows us to be the processor for multiple financial institutions, any one of which may be selected by the merchant as their bank partner.

**Table of Contents**

**NON-GAAP FINANCIAL MEASURES**

This prospectus contains non-GAAP financial measures that are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with generally accepted accounting principles in the United States (GAAP). Specifically, we make use of the non-GAAP financial measures Adjusted EBITDA, Adjusted Net Income, and Covenant EBITDA.

Adjusted EBITDA represents:

Net income or loss attributable to First Data, *plus*

Interest expense, net;

Income tax (benefit) expense;

Depreciation and amortization;

Stock-based compensation; and

Other adjustments as described in Note (8) to Prospectus Summary Summary Historical Consolidated Financial and Other Data.

Adjusted Net Income represents:

Net income or loss attributable to First Data, *plus*

Stock-based compensation;

Loss on debt extinguishment;

Amortization of acquisition intangibles; and

Other adjustments as described in Note (9) to Prospectus Summary Summary Historical Consolidated Financial and Other Data.

We also make use of the non-GAAP financial measure Covenant EBITDA which is used to measure covenant compliance in agreements governing certain of our indebtedness. See Management's Discussion and Analysis of

Financial Condition and Results of Operations Liquidity and Capital Resources Guarantees and covenants.

Adjusted EBITDA, Adjusted Net Income, and Covenant EBITDA are not recognized terms under GAAP and do not purport to be alternatives to net income (loss) attributable to First Data as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, these measures are not intended to be a measure of free cash flow available for management's discretionary use as they do not consider certain cash requirements such as interest payments, tax payments, and debt service requirements. The presentations of these measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Management believes that Adjusted EBITDA and Adjusted Net Income are helpful in highlighting trends because they exclude the results of decisions that are outside the control of operating management. Management believes that the presentation of Covenant EBITDA is useful to provide additional information to investors about items that will impact the calculation of EBITDA that is used to determine covenant compliance under the agreements governing certain of our existing indebtedness. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, the presentations of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

**Table of Contents**

**GLOSSARY**

APIs	Application Program Interfaces
EFT	Electronic Funds Transfer
EMV	Europay, MasterCard and Visa
GSPs	Group Services Providers
ISOs	Independent Sales Organizations
ISVs	Independent Software Vendors
PCI	Payment Card Industry
POS	Point-of-Sale
PSPs	Payment Services Providers
SMBs	Small and Medium-Sized Businesses
SDKs	Software Developer Toolkits
VARs	Value-Added Resellers

**Table of Contents**

**A LETTER FROM FRANK BISIGNANO**

I joined First Data in the first half of 2013 because I saw a global leader in the rapidly innovating payments industry. First Data's central position in global electronic payments was undeniable. The company served millions of businesses around the world and processed more than 2,000 transactions per second. It had a financial services processing business with hundreds of millions of card accounts on file, owned a leading independent debit network, and operated an acquiring business that processed more than 40% of U.S. electronic payment volume, or roughly 10% of U.S. GDP. I considered First Data waterfront property.

Yes, the business had its challenges – continuous management change, a restructuring plan largely based on selling assets, \$24.5 billion of debt, and flat revenue growth the year before I joined. But I knew that payments was a growth industry, that technology was the great enabler, and that First Data had a fabulous set of assets and clients with whom it could do so much more. Simply put, I saw a unique opportunity – the potential for strong, profitable growth coupled with deleveraging, on an unparalleled scale.

I also saw that achieving this potential would require transforming this company. In the past two years, we've laid a strong foundation, and we are continuing to invest in innovation, infrastructure, and leadership. And we are just getting started.

Today, First Data offers investors the opportunity to join what I believe will be one of the most significant transformations in our industry. We will focus on three main areas: growing First Data profitably, continuing to improve our balance sheet through deleveraging and opportunistic debt refinancing, and building a durable enterprise that can withstand the uncertainties of our global economy.

This prospectus describes in detail our business and strategy, our progress, and how we're positioned well for the future. In this letter, I want to share my personal perspective on the foundation we've built, the transformation underway, and our journey ahead.

**Laying the Foundation**

As the journey began, it became immediately apparent that we weren't working on change, we were working on transformation. We needed to all row in the same direction, deliver integrated solutions, and truly manage the company as a global business.

With more than 24,000 employees in a company that was unsure of its direction, it was critical to have everyone completely aligned around a clear mission and purpose. When I arrived, fewer than 300 employees owned stock in this company. That wasn't sufficient. So in July 2013, we fundamentally changed our compensation and benefits structure. We decided that *all* employees would become *owner-associates* and have an equity stake in our future. Our managers, in particular, would receive equity as a significant component of their annual compensation.

We also decided that rather than selling assets to manage our balance sheet, we would invest and build. First Data's broad array of assets represented to us a source of tremendous competitive advantage. They gave us an opportunity to integrate our offerings and provide clients enterprise solutions on a scale our competitors could not rival.

We have global clients and we intend to further globalize our solutions. But our company was not organized to truly support our global aspirations. We recently reorganized First Data into three global lines of business. The individual geographies now report directly to me with the dissolution of our previous International segment.



## **Table of Contents**

### **Our Transformation**

We have what so many innovators often lack – the ability to distribute to a large client base. We have a unique opportunity to invest in innovation, integrate new innovations into our existing offerings, and leverage the scale of our distribution. Our team’s deep expertise in technology, commerce, security, operations, and control can all be harnessed to vertically extend our relationships with our clients.

We are focused on embedding innovation deeply into First Data. *Clover*, a Silicon Valley start-up that we acquired just a few months before I joined, was the first of many examples to follow of First Data’s ability to execute from concept to commercialization, at scale. We brought *Clover*’s integrated point-of-sale operating system to market in 11 months. After *Clover*, we acquired five additional innovative commerce technology start-ups, and we now have nearly 200 employees in Silicon Valley and Silicon Alley.

But buying start-ups is not the hard part. We are proud of our ability to retain the key founders and employees of each of the start-ups we have acquired, while commercializing their innovations. We know how to manage technology and technologists.

Our vision is to be the industry’s grand collaborator. Our core belief is that through collaboration, we will help our clients grow their business through greater choice. In the past two years, we have partnered on a variety of innovations and agreements with major and emerging networks, prominent global financial institutions, marquee brands, and leading technology companies large and small.

We have also invested significantly in our technology infrastructure, both in management expertise and dollars. We worked equally on our operations and our service models to deliver to our clients’ expectations. And maintaining a robust control environment is a core responsibility that we have to our clients and regulators. We view our technology infrastructure, operations, and control environment as mission-critical to our long-term success.

First Data had been both an underinvested and undermanaged business. Before I arrived, there were five people on our Management Committee. Critical functions such as operations, technology, and operating control were not even at the table. Diversity on the team was limited at best. Today, I’m honored to partner with 15 members of my Management Committee who are diverse in every aspect, and we are proud of our inclusive environment. Below the Management Committee, we have also injected new leadership talent into First Data. Two-thirds of our 150 most senior employees have been hired since I joined.

While making these investments, we’ve also taken significant steps to strengthen our balance sheet. In the summer of 2014, we raised \$3.5 billion of equity to pay down debt in one of the largest-ever U.S. private placements. As part of that capital raise, KKR chose to invest another \$1.2 billion in First Data, including capital from its own balance sheet, solidifying First Data as KKR’s largest investment ever and the largest on its own balance sheet. The most revealing part of that capital raise was that we attracted significant interest from *new* investors who understood our transformation.

### **The Journey Ahead**

Almost daily, when I meet prospective and existing clients, their receptiveness to our new solutions gives me incredible confidence in our future. They love the innovations, but they are equally delighted to learn that a trusted name like First Data can be their partner for a broad array of commerce solutions. We are unlocking the power of enterprise solutions at First Data.



Our transformation is just starting. We are only now beginning to see the benefits of offering our clients enterprise solutions. Our pipeline of innovations webstore-in-a-box solutions, virtual gift card capabilities, solutions for alternative lenders, next-generation network fraud solutions, among others are just beginning to enter the market. And key members of our Management Committee have been here less than one year.

**Table of Contents**

We love the hand that we have – we have millions of clients, we know how to innovate and collaborate, our leadership bench is deep, and being in business with KKR has been great. We have much work to do, and we know First Data has not yet truly arrived. We know we are on the right path, and we know we will get there.

I would like to extend my gratitude to First Data’s many clients around the world. This company would not be where it is today without your support. We are truly dedicated to helping you grow your business, as we know we cannot win if you do not prosper.

I would also like to thank all of the owner-associates of First Data worldwide. The changes we have undergone in the past few years have been significant to say the least, and I deeply appreciate your tenacity and loyalty to this storied company. I am honored to be in business with each and every one of you, and consider it my personal responsibility to ensure that First Data is a great place for you to work and prosper.

As we embark on this journey as a public company, we intend to be transparent with all of our owners about what’s working well, and what is not. We will work hard to achieve the full potential of this company and make you proud to be a part of First Data.

Sincerely yours,

Frank J. Bisignano

Chairman and Chief Executive Officer

**Table of Contents****PROSPECTUS SUMMARY**

*This summary highlights certain significant aspects of our business and this offering. This is a summary of information contained elsewhere in this prospectus, is not complete and does not contain all of the information that you should consider before making your investment decision. You should carefully read the entire prospectus, including the information presented under the sections entitled *Risk Factors* and *Special Note Regarding Forward-Looking Statements* and the consolidated financial statements and the notes thereto, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties.*

**Our Company**

First Data sits at the center of global electronic commerce. We believe we offer our clients the most complete array of integrated solutions in the industry, covering their needs across next-generation commerce technologies, merchant acquiring, issuing, and network solutions. We serve our clients in 118 countries, reaching approximately 6 million business locations and over 4,000 financial institutions. We believe we have the industry's largest distribution network, driven by our partnerships with many of the world's leading financial institutions, our direct sales force, and a network of distribution partners. We are the largest merchant acquirer, issuer processor, and independent network services provider in the world, enabling businesses to accept electronic payments, helping financial institutions issue credit, debit and prepaid cards, and routing secure transactions between them. In 2014, we processed 74 billion transactions globally, or over 2,300 per second, and processed 28% of the world's eCommerce volume. In our largest market, the United States, we acquired \$1.7 trillion of payment volume, accounting for nearly 10% of U.S. GDP last year.

Our company is organized around three primary lines of business:

**Global Business Solutions (GBS)** This segment provides retail point-of-sale (POS) merchant acquiring and eCommerce services as well as next-generation offerings such as mobile payment services, webstore-in-a-box solutions, and our cloud-based *Clower* point-of-sale operating system, which includes a marketplace for proprietary and third-party business apps.

**Global Financial Solutions (GFS)** This segment provides credit solutions for bank and non-bank issuers. These include credit and retail private-label card processing within the United States and international markets, as well as licensed financial software systems, such as our *VisionPLUS* bank processing application, and lending solutions. GFS also provides financial institutions with a suite of related services including card personalization and embossing, statement printing, client service, and remittance processing.

**Network & Security Solutions (NSS)** This segment provides a wide range of value-added solutions that we sell to clients in our GBS and GFS segments, smaller financial institutions, and other enterprise clients. These solutions include our electronic funds transfer (EFT) network solutions, such as our *STAR Network*, our debit card processing solutions, our stored value network solutions, such as *Money Network*, *ValueLink*, *Gyft*, and *Transaction Wireless*, and our security and fraud solutions, such as *TransArmor* and *TeleCheck*. This segment also supports our other digital strategies, including online and mobile banking, and our business supporting mobile wallets.

Our business is characterized by high levels of recurring revenue, such as transaction related fees, a diverse client base, and multi-year client contracts, which enable us to grow alongside our clients. Our business also generally

requires minimal incremental capital expenditures and working capital to support additional revenue within our existing business lines.

## **Table of Contents**

In 2014, we generated \$11.2 billion of revenue, \$1.4 billion of operating profit, and had a net loss attributable to First Data of \$458 million, reflecting an increase of 3%, 28% and 47% (decrease of loss), respectively, over 2013. For the same period, we generated segment revenues (which exclude reimbursable fees and other items) of \$6.9 billion, Adjusted EBITDA of \$2.7 billion, and Adjusted Net Income of \$409 million, reflecting an increase of 3%, 9% and 354%, respectively, over 2013. For additional information regarding our segment revenues and non-GAAP financial measures, including a reconciliation of Adjusted EBITDA and Adjusted Net Income to net income attributable to First Data, see Summary Historical Consolidated Financial and Other Data.

## **Our Distribution Platform**

We deliver our solutions around the world through a broad set of distribution channels. We believe these channels, collectively, give us one of the largest sales forces in our industry, enabling us to reach clients of all sizes, types, and industry verticals in a cost-effective manner. Our large distribution platform often makes us an attractive partner for established and emerging commerce solution providers.

For GBS, we believe we have the industry's largest network of bank partnerships for merchant acquiring, including equity alliances with eight large banks around the world in which we have a controlling or material equity stake, and over 80 revenue sharing partnerships. Our bank partnerships include some of the largest financial institutions in the world, such as Bank of America Corporation, Wells Fargo, The PNC Financial Services Group, Citigroup, SunTrust Banks, Lloyds Banking Group, Allied Irish Banks, ICICI Bank, and ABN AMRO Group.

In addition, we have a large direct sales force, and we partner with over 1,100 third parties who actively re-sell our solutions, including independent sales agents, independent sales organizations (ISOs), payment services providers (PSPs), independent software vendors (ISVs), and value-added resellers (VARs) who often have specialized sales capabilities to reach into local communities, small businesses, eCommerce channels, or specific industry verticals. We also have over 1,600 referral arrangements with bank and non-bank partners.

For GFS, we have a large direct sales force and reach a broad base of smaller financial institutions through group service providers (GSPs).

## Table of Contents

For NSS, we leverage the distribution platforms of GBS and GFS, and also distribute through a direct sales force.

### **Our Transformation**

In 2013, we began transforming our business by investing in next-generation commerce solutions aimed at helping our clients grow their businesses, investing in our client-facing teams to enhance their reach and effectiveness, and recruiting a new group of experienced leaders into critical positions across the Company.

**We have moved beyond payment processing.** We believe our long-term success will be driven by focusing on helping our clients grow their businesses by providing them with a suite of new commerce-enabling technologies as well as our broad set of existing solutions. Our focus on innovation combined with the direct relationships we enjoy with many businesses and financial institutions, and the critical nature of the services we already provide many clients positions us well to quickly develop, commercialize, and deliver new commerce solutions to our clients.

We have many opportunities, in our view, to sell our expanded set of commerce solutions. We intend to sell these products to *new* clients through all of our major existing distribution channels, often through more enhanced product bundling. In addition, given the large size of our existing client base, we believe we have an outsized opportunity to sell our new solutions to *existing* clients, many of whom may not be aware of the availability of our next-generation commerce solutions nor that these solutions are designed to easily integrate into their existing First Data solutions.

**First Data's focus on innovation has accelerated.** In the last three years, we have acquired six commerce-focused technology start-ups: *Clover*, *Perka*, *Gyft*, *SpreeCommerce*, *EasyWay Ordering*, and *Transaction Wireless*; we now employ nearly 200 employees in Silicon Valley and Silicon Alley; and we have partnered with some of the world's leading technology companies to deliver commerce-enabling solutions.

Since 2013, we have launched many innovative solutions. For example, we launched *Clover*, a tablet-based integrated POS system that can harness the creativity of third-party developer solutions, to target the small and medium-sized business (SMB) market; with *Clover* we aim to create the largest open architecture operating system for commerce-enabling solutions and applications for business owners. Recognizing the growing desire for analytics, we launched *Insightics*, an innovative cloud-based software solution that unlocks the power of big data behind payment transactions for the SMB market. Seeing the growing need for security solutions, we launched *TransArmor*, an encryption and tokenization solution for business owners, and we partnered with a leading chip technology company to build a comprehensive EMV (Europay, MasterCard and Visa) solution for card issuers. Seeing the growing interest in the virtualization of payment cards, we acquired *Gyft* and *Transaction Wireless*, significantly increasing our capabilities in the issuance and distribution of virtual cards. Finally, we launched a web / mobile-enabled version of our *VisionPLUS* software application with improved features for multi-currency, multi-wallet, and prepaid cards, and we commercialized functionality for enabling consumer alerts and card controls on our U.S. issuing platform.

**We are investing to enhance our client-facing teams.** We believe we can grow our business and serve our clients better by investing to improve the effectiveness of our client-facing teams. Given our now-expanded solution suite, we believe we have more opportunities to conduct enterprise selling to new and existing clients, and more opportunities to sell new innovations into our large existing base of clients. For example, we are building out enterprise coverage teams, and we believe initiatives like these should help drive new sales and increase client loyalty and retention.



## **Table of Contents**

**We have also focused heavily on adding new executive talent to First Data.** Led by Chairman and CEO Frank Bisignano, our Management Committee has been significantly reconstituted and expanded, bringing to First Data deep expertise from leading global organizations in technology, financial services, payments, cyber-security, operations, and controls. Beyond the Management Committee, 104 of our top 150 executives have joined First Data since May 2013, injecting a significant level of new talent into the Company's leadership.

### **Benefitting from Industry Trends**

We believe First Data is strongly positioned to take advantage of several global industry trends:

*Consumer payments are continuing to shift from cash to electronic*, including in the United States, where, according to The Nilson Report, credit and debit card purchase volumes are projected to increase by 65% and 49%, respectively, from 2013 to 2018;

*Consumer shopping continues to shift from brick and mortar locations to online*, as global eCommerce spending as a percentage of total global retail spending is projected to increase from 6% in 2013 to 9% in 2018 according to eMarketer;

*SMB owners are increasingly demanding next-generation technology* such as tablet-based POS systems and devices that accept mobile payments: for example, 67% of restaurant businesses surveyed by *Hospitality Technology* are planning to add new functionality, features and/or modules to current POS software in 2015;

*Given recent payment data breaches, clients are increasingly demanding robust security and fraud solutions*, resulting in projected spending of \$125 billion in 2015, according to *IDC*; and

*Financial institutions continue to outsource and leverage technology providers* given their constrained budgets and growing industry complexity.

We believe First Data is well positioned to take advantage of all of these trends given the breadth of our solutions and our global operating scale.

### **Our Competitive Strengths**

We believe First Data has many competitive advantages that position us favorably in the global marketplace and will help us drive growth in the future.

#### ***Our Industry Leadership and Large Scale Give Us Operating Advantages***

Based on our size, scale, and global footprint, we are a leading provider in our industry. Our clients include some of the largest and best known global retail and financial institutions, as well as millions of smaller businesses and banks across the world. We are:



#1 in global merchant acquiring;

#1 in global issuer processing;

#1 in independent network services; and

a world leader in global eCommerce.

Our scale enables us to cost-effectively leverage our fixed technology and operations infrastructure, helping us to produce high operating margins, incur low marginal capital expenditures, and generate strong

## **Table of Contents**

operating cash flow. Our scale also allows us to efficiently develop, acquire, and commercialize next-generation technologies globally.

### ***We Deliver Integrated Solutions Across the Commerce Value Chain***

We believe we offer our clients the most complete array of integrated solutions in the industry, covering their needs across next-generation commerce technology, merchant acquiring, issuing, and network solutions. We believe this differentiates us from our competition and will continue to drive growth in the future. Our suite of commerce-enabling solutions includes a range of products for businesses and financial institutions of all sizes and types that help our clients grow their business, interact with their customers, and manage their operations. These solutions include, among others, POS, mobile and online payment acceptance and the *Clover* operating system for business clients, and debit processing, *STAR Network* and online banking for financial institution clients.

### ***We Have a Large and Diverse Distribution Platform***

We sell our commerce-enabling solutions through a combination of channels that provide us with a large, global distribution platform. Our distribution channels allow us to reach clients of all types and sizes. Our distribution platform includes equity and revenue sharing alliances with bank partners, direct sales, referral partnerships with bank and non-bank entities, and indirect sales through third-party re-sellers.

### ***We Have a Global Footprint Enabling Us to Reach Clients Around the World***

We have operations in 36 countries and serve clients in 118 countries around the world directly and indirectly. We have well-established businesses and partnerships to serve clients in large developed economies and have also made strategic investments and developed key partnerships in fast-growing emerging markets where the penetration of electronic payments is lower, such as India and Brazil. We believe our global breadth is an increasing competitive advantage as multi-national organizations, such as retailers, restaurant chains, and financial institutions, want to work with a single trusted technology partner across multiple geographies to deploy various solutions.

### ***Our Broad-Based Client Service Capabilities Differentiate Us***

Most clients view their payments systems as mission-critical infrastructure for their businesses. In addition, our clients around the world are also facing increasing operating complexity due to new technologies, such as mobile payments, and the implementation of new regulations and standards, such as the EMV liability shift in the United States beginning in October 2015. Our ability to provide our clients with broad-based client service is a major competitive advantage, especially against emerging companies that often lack deep client service capabilities.

### ***We Have Powerful, Proprietary Technology Platforms***

We own and operate proprietary technology platforms which give us a wide range of capabilities that distinguish First Data in the global marketplace and provide us with significant competitive advantages. Our powerful technology platforms are strategically positioned around the world to meet the different technical needs of our large, diversified client base and support our global operations. We develop and maintain our platforms in-house, which enables us to ensure they are highly stable, secure and scalable with substantial excess capacity to expand our capabilities without the need for material new investment.



## **Table of Contents**

### ***We Have a Strong Controls Operation***

We have built a strong controls operation that helps us manage our risks and work collaboratively with our clients on control-related issues. This provides us with a stable controls environment around enterprise risk management, underwriting and credit risk, third-party risk, and regulatory compliance, among other areas. It also makes us an attractive third-party provider for all of our clients, but particularly for our financial institution clients and partners, who are under intense regulatory scrutiny. We believe these capabilities help us retain and win clients.

### ***Our Experienced, World-Class Management Team Has a Track Record of Execution***

Beginning with the hiring of Frank Bisignano, our Chairman and Chief Executive Officer and the former co-chief operating officer of JPMorgan Chase & Co., in April 2013, we have built a world-class management team as part of our transformation efforts. Beyond the Management Committee, 104 of our top 150 management executives have been hired since May 2013, bringing with them extensive operating experience in the financial services, payments, and technology industries and a track record of execution at leading public companies.

## **Our Strategies**

Our competitive strengths have positioned us favorably to pursue a variety of opportunities around the world. We plan to grow our business and improve our operations by executing on the following strategies.

### ***Help Our Clients Grow Their Businesses Through Our Expanded Set of Solutions***

We believe our success will be driven by our focus on helping our clients grow their businesses. We intend to achieve this by providing our clients with innovative, next-generation commerce solutions along with our broad set of existing solutions. Our focus on innovation combined with the direct relationships we enjoy with many businesses and financial institutions, and the critical nature of the services we already provide to many clients positions us well, in our view, to quickly develop, commercialize, and deploy new commerce innovation to our clients.

We have many opportunities, in our view, to sell our expanded set of commerce solutions. We intend to sell these products to *new* clients through all of our major existing distribution channels, often through more enhanced product bundling. In addition, given the large size of our existing client base, we believe we have an outsized opportunity to sell our new solutions to *existing* clients, many of whom may not be aware of the availability of our next generation commerce solutions nor that these solutions are designed to easily integrate into their existing First Data solutions.

### ***Continue Our Greater Focus on Innovation***

We drive innovation through a combination of building organically, partnering with other technology innovators, and selectively pursuing acquisitions all approaches in which we have significant experience. We believe we are an attractive partner and often the acquirer-of-choice for next-generation commerce technology companies, who seek to leverage our large distribution network and existing client base to deploy their solutions. Within the past three years, we acquired and are commercializing the solutions of six commerce-focused technology start-ups: *Clover*, *Perka*, *Gyft*, *SpreeCommerce*, *EasyWay Ordering*, and *Transaction Wireless*. We also partner with many leading technology companies to deliver commerce-enabling solutions.



## **Table of Contents**

Our innovation investments are focused on helping our clients attract new customers, interact in more innovative ways with their customers, understand their customers better, and protect their and their customers' data and other information.

### ***Enhance Our Client-Facing Teams***

We believe we can grow our business and serve our clients better by investing in our client-facing personnel. Given our now-expanded solution suite, we believe we have more opportunities to conduct enterprise selling to new and existing clients, and more opportunities to sell new innovations into our large existing base of clients. We believe these initiatives should help drive new sales and increase client loyalty and retention.

We are undertaking key initiatives to enhance the effectiveness of our client-facing teams, including expanding our sales force, building our enterprise coverage teams, deepening our focus on select attractive verticals, and expanding our distribution partnerships.

### ***Grow Our eCommerce Business***

Our leading eCommerce presence positions us well to continue to capitalize on this fast-growing segment. We are focused on improving the eCommerce technical capabilities we provide our clients, expanding our relationships with businesses whose presence is primarily online, and increasing sales of eCommerce to brick and mortar businesses.

We plan to strengthen our core eCommerce technical capabilities and global reach through significant ongoing investments. We are also focused on expanding our relationships with businesses whose presence is primarily online by, among other things, widening our integration with other eCommerce infrastructure partners. We also plan to increase the penetration of eCommerce sales to existing brick and mortar businesses through solutions such as *Payeezy*, increased bundling of eCommerce with other First Data solutions, and selling eCommerce solutions to clients who currently lack an online presence.

### ***Expand Our Clover Operating System***

We acquired *Clover*, an open architecture, integrated POS operating system, in December 2012. At the time of acquisition, *Clover* had less than a dozen employees, none or only partially developed software, hardware options, and distribution strategy. Since then, we have grown *Clover* to 53 engineers, launched three versions—*Clover Station*, *Clover Mobile* and *Clover Mini*—and built a robust open architecture platform that can service a broad array of business clients. Within *Clover*, we also offer a cloud-based *Clover App Market* for business applications.

Our goal with *Clover* is to create the largest open architecture platform of commerce-enabling solutions and applications for business owners. We believe we can achieve this goal by leveraging the breadth and scale of our distribution channels, and selling into our large existing client base. The recently launched *Clover Mini*, for example, will compete in the high-volume traditional POS terminal space, and will, over time, likely become First Data's preferred terminal solution for acquiring clients.

### ***Expanding the STAR Network's Capabilities***

We intend to drive the *STAR Network*'s growth by expanding its functionality and by cross-selling it more effectively with other First Data solutions. We have already expanded *STAR*'s available card holder verification methods from PIN to now also include PIN-less. We are also investing in more advanced fraud



**Table of Contents**

capabilities for *STAR*, and we will continue to consider additional enhancements to *STAR*'s capabilities. We believe financial institutions, businesses, and commerce technology companies are increasingly looking for additional network options. This, coupled with the expanded array of solutions we sell to these business and financial services client bases, creates more opportunities for us to cross-sell *STAR* issuance and *STAR* acceptance with our other issuing and acquiring solutions.

***Expand Our Global Footprint and Offerings***

We have expanded globally over the past 15 years, including recently in India and Brazil, and we intend to continue to expand our global footprint by making strategic investments and developing key partnerships in attractive new markets. This strategy allows us to expand our offerings by selling many of our integrated solutions, including several recently developed next-generation products, to our non-U.S. client base in existing and new markets. We are selective in determining which markets to enter and typically consider a range of factors before entering a new country or region, including local market size, growth, profitability, commerce and technology trends, regulatory and other risks, required investments, management resources, and the potential return on investment.

***Continue to Enhance Our Operating Efficiencies***

Our focus on cost optimization will remain a persistent part of our culture. We will leverage the deep operating expertise of our management team to identify opportunities to improve our operating efficiencies and continue to leverage our fixed technology and operations infrastructure as our business grows. We plan to execute on this strategy by implementing various initiatives, including productivity improvements, pursuing improved terms with vendors, implementing a location strategy to consolidate our work force in more efficient regional hubs, and strengthening our offshoring and outsourcing programs.

***Manage Our Capital Structure to Enhance Free Cash Flow Generation***

We intend to proactively manage our capital structure to reduce our interest expense and increase our free cash flow, which could be used to further de-leverage our consolidated balance sheet. For example, giving effect to this offering and our July 2014 recapitalization, in less than two years we will have raised \$ \_\_\_\_\_ in equity capital to reduce debt, which reduces our annual interest expense by approximately \$ \_\_\_\_\_.

We believe refinancing opportunities can further enhance free cash flow generation. After this offering and the related use of proceeds, we will have \$ \_\_\_\_\_ of debt outstanding with a weighted average cost of approximately \_\_\_\_\_. In the current market environment, we believe there may be material refinancing opportunities of our debt at lower interest rates. Over \$11.2 billion of our notes become callable on more favorable terms over the next 12 months, with approximately \$2.6 billion in the second half of 2015 and \$8.6 billion in the first half of 2016. For example, in July 2015, we will refinance \$955 million of our \$1.6 billion aggregate principal amount of 7.375% senior secured first lien notes that became callable on more favorable terms in June 2015 with term loans priced at the London Interbank Offered Rate (LIBOR) plus 375 basis points (the 2015 Refinancing \_\_\_\_\_).

**Risks Related to Our Business and this Offering**

Investing in our Class A common stock involves substantial risk, and our ability to successfully operate our business is subject to numerous risks, including those that are generally associated with operating in the commerce-enabling solutions industry. Any of the factors set forth under **Risk Factors** may limit our ability to





## **Table of Contents**

successfully execute our business strategy. You should carefully consider all of the information set forth in this prospectus and, in particular, should evaluate the specific factors set forth under **Risk Factors** in deciding whether to invest in our Class A common stock.

### **Corporate History and Information**

We were incorporated in Delaware in 1989 and were spun off from American Express in a public offering in 1992. On September 24, 2007, we were acquired by affiliates of KKR that resulted in our equity becoming privately held (the 2007 Merger). Our principal executive offices are located at 225 Liberty Street, 29<sup>th</sup> Floor, New York, New York 10281. The telephone number of our principal executive offices is (800) 735-3362. Our Internet address is [www.firstdata.com](http://www.firstdata.com). Information on our web site does not constitute part of this prospectus.

Prior to the consummation of this offering, First Data Holdings Inc. (FDH or Holdings), our direct parent company, will merge with and into First Data Corporation, with First Data Corporation being the surviving entity (the HoldCo Merger), pursuant to which holders of FDH capital stock will become holders of comparable classes of capital stock of First Data Corporation. Upon the consummation of this offering, all outstanding capital stock of First Data Corporation will automatically convert into common stock in accordance with its terms and we will amend and restate our certificate of incorporation to effectuate a dual class common stock structure consisting of our Class A common stock and Class B common stock, with all common stock outstanding prior to this offering being designated as Class B common stock. Prior to the consummation of this offering, we will also effect a 1-for-one reverse stock split of our capital stock (the Reverse Stock Split). We refer to these transactions collectively as the Reorganization.

### **About KKR**

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading investment firm with approximately \$99.1 billion in assets under management as of March 31, 2015. With offices around the world, KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms. KKR is publicly traded on The New York Stock Exchange (NYSE: KKR).

**Table of Contents**

**The Offering**

Class A common stock offered \_\_\_\_\_ shares.

Underwriters' option to purchase additional shares of Class A common stock \_\_\_\_\_ shares.

Class A common stock to be outstanding immediately after this offering \_\_\_\_\_ shares (or \_\_\_\_\_ shares if the underwriters exercise in full their option to purchase additional shares).

Class B common stock to be outstanding immediately after this offering \_\_\_\_\_ shares.

Total common stock to be outstanding immediately after this offering \_\_\_\_\_ shares (or \_\_\_\_\_ shares if the underwriters exercise in full their option to purchase additional shares).

Voting rights  
 Upon consummation of this offering, the holders of our Class A common stock will be entitled to one vote per share, and the holders of our Class B common stock will be entitled to ten votes per share.

Each share of Class B common stock may be converted into one share of Class A common stock at the option of the holder.

If, on the record date for any meeting of the stockholders, the number of shares of Class B common stock then outstanding is less than 10% of the aggregate number of shares of Class A common stock and Class B common stock outstanding, then each share of Class B common stock will automatically convert into one share of Class A common stock.

In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, except for certain transfers to other holders of Class B common stock or their affiliates or to certain unrelated third parties as described under Description of Capital Stock Common Stock Conversion and Restrictions on Transfer.

Holders of Class A common stock and Class B common stock will vote together as a single class on all matters unless otherwise required by law.

Upon consummation of this offering, assuming no exercise of the underwriters' option to purchase additional shares, (1) holders of Class A common stock will hold approximately % of the combined voting power of our outstanding common stock and approximately % of our total equity ownership and (2) holders of Class B common stock will hold approximately % of the combined voting power of our outstanding common stock and approximately % of our total equity ownership.

---

**Table of Contents**

If the underwriters exercise their option to purchase additional shares in full, (1) holders of Class A common stock will hold approximately % of the combined voting power of our outstanding common stock and approximately % of our total equity ownership and (2) holders of Class B common stock will hold approximately % of the combined voting power of our outstanding common stock and approximately % of our total equity ownership. See Description of Capital Stock Common Stock Voting Rights.

The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion, and transfer restrictions applicable to the Class B common stock. See Description of Capital Stock Common Stock for a description of the material terms of our common stock.

Use of proceeds

We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$ million (or \$ million, if the underwriters exercise in full their option to purchase additional shares), based on the assumed initial public offering price of \$ per share, which is the mid-point of the range set forth on the cover page of this prospectus. For sensitivity analysis as to the offering price and other information, see Use of Proceeds.

We intend to use the net proceeds from this offering for the repayment of certain indebtedness.

Risk factors

See Risk Factors beginning on page 18 and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.

Dividend policy

We do not currently anticipate paying any dividends on our common stock immediately following this offering. Following this offering and upon repayment of certain outstanding indebtedness, we may reevaluate our dividend policy. Any future determinations relating to our dividend policies will be made at the discretion of our board of directors (the Board ) and will depend on various factors. See Dividend Policy.

Proposed ticker symbol

Unless we indicate otherwise or the context otherwise requires, all information in this prospectus:

gives effect to the Reorganization;

assumes (1) no exercise of the underwriters' option to purchase additional shares of our Class A common stock and (2) an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the estimated price range set forth on the cover of this prospectus; and

**Table of Contents**

does not reflect (1) \_\_\_\_\_ shares of Class B common stock issuable upon the exercise of \_\_\_\_\_ options outstanding as of \_\_\_\_\_, at a weighted average exercise price of \$ \_\_\_\_\_ per share, \_\_\_\_\_ of which \_\_\_\_\_ were then vested and exercisable, and \_\_\_\_\_ shares of Class B common stock issuable upon vesting of outstanding restricted stock units and (2) \_\_\_\_\_ shares of Class A common stock available for issuance under our new 2015 Omnibus Incentive Plan, which we intend to adopt in connection with this offering. See Management Compensation Discussion and Analysis Compensation Arrangements to be Adopted in Connection with this Offering.

**Table of Contents****Summary Historical Consolidated Financial and Other Data**

Set forth below is summary historical consolidated financial and other data of First Data Corporation as of the dates and for the periods indicated. The summary historical financial data as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 have been derived from our historical consolidated financial statements included elsewhere in this prospectus, and the summary historical financial data as of December 31, 2012 have been derived from our historical consolidated financial statements not included in this prospectus, each of which have been audited by Ernst & Young LLP. The summary historical financial data as of March 31, 2015 and for the three month periods ended March 31, 2014 and 2015 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus, which have been prepared on a basis consistent with our annual audited consolidated financial statements. The summary historical financial data as of March 31, 2014 have been derived from our historical consolidated financial statements not included in this prospectus, which have been prepared on a basis consistent with our annual audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year or any future period.

The summary historical consolidated financial and other data should be read in conjunction with Unaudited Pro Forma Consolidated Financial Statements, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes included elsewhere in this prospectus.

(in millions, except shares and per share data)	Year Ended December 31,			Three Months Ended	
	2012	2013	2014	2014	2015
				(unaudited)	
<b>Statement of Operations Data:</b>					
Revenues <sup>(1)</sup> :	\$ 10,680	\$ 10,809	\$ 11,152	\$ 2,640	\$ 2,695
Expenses:					
Cost of services (exclusive of items shown below)	2,781	2,723	2,668	635	714
Cost of products sold	330	328	330	79	76
Selling, general and administrative	1,913	1,980	2,043	498	520
Reimbursable debit network fees, postage and other	3,362	3,507	3,604	875	873
Depreciation and amortization	1,192	1,091	1,056	265	251
Other operating expenses, net <sup>(2)</sup>	28	56	13	3	1
Operating profit	1,074	1,124	1,438	285	260
Interest income	9	11	11	3	1
Interest expense	(1,898)	(1,881)	(1,753)	(467)	(407)
Loss on debt extinguishment <sup>(3)</sup>			(260)		
Other income (expense) <sup>(4)</sup>	(94)	(47)	161	1	35
	(1,983)	(1,917)	(1,841)	(463)	(371)
	(909)	(793)	(403)	(178)	(111)



Loss before income taxes and equity earnings in affiliates

Income tax expense (benefit)	(224)	87	82	37	3
Equity earnings in affiliates	158	188	220	50	51
Net loss	(527)	(692)	(265)	(165)	(63)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	174	177	193	36	49
Net loss attributable to First Data	\$ (701)	\$ (869)	\$ (458)	\$ (201)	\$ (112)

**Table of Contents**

(in millions, except shares and per share data)	Year Ended December 31,			Three Months Ended	
	2012	2013	2014	2014	2015
				(unaudited)	
Pro forma net loss per share: <sup>(5)</sup>					
Basic			\$		\$
Diluted			\$		\$
Pro forma weighted average common shares outstanding: <sup>(5)</sup>					
Basic					
Diluted					
<b>Cash Flow Data:</b>					
Net cash provided by (used in) operating activities	\$ 767	\$ 673	\$ 1,013	\$ (44)	\$ (102)
Net cash (used in) investing activities	(397)	(353)	(329)	(112)	(167)
Net cash provided by (used in) financing activities	(249)	(490)	(721)	146	253
<b>Balance Sheet Data (at period end):</b>					
Cash and cash equivalents			\$ 358		\$ 340
Total assets (including settlement assets of \$7,558 (2014) and \$7,690 (March 31, 2015))			34,269		34,138
Total debt (including current portion of long-term debt)			20,872		21,137
Total First Data stockholder's equity (deficit)			(452)		(723)
<b>Other Financial Data (unaudited):</b>					
Pro forma interest expense <sup>(6)</sup>			\$		\$
Segment Revenue <sup>(7)</sup>	\$ 6,682	\$ 6,684	6,904	\$ 1,629	1,655
Adjusted EBITDA <sup>(8)</sup>	2,436	2,449	2,663	614	563
Adjusted Net Income <sup>(9)</sup>	(15)	90	409	(9)	40
<b>Operating Data (unaudited):</b>					
North America merchant transactions <sup>(10)</sup>	38,806	40,445	41,453	9,837	10,008
International merchant transactions <sup>(11)</sup>	4,867	5,338	6,030	1,363	1,549
North America card accounts on file <sup>(12)</sup>	676	692	714	694	719
International card accounts on file <sup>(13)</sup>	98	115	132	122	135
Network transactions <sup>(14)</sup>	16,299	16,763	17,435	4,228	4,415

- (1) Includes processing fees, administrative service fees, and other fees charged to merchant alliances accounted for under the equity method of \$181 million, \$164 million, and \$160 million for the years ended December 31, 2014, 2013 and 2012, respectively, and \$50 million for the three months ended March 31, 2015 and \$44 million for the three months ended March 31, 2014.
- (2) Other operating expenses, net includes restructuring, net; impairments; and litigation and regulatory settlements, as applicable to the periods presented.
- (3) Represents loss incurred due to early extinguishment of debt.
- (4) Includes investment gains and (losses), derivative financial instruments gains and (losses), divestitures, net, non-operating foreign currency exchange gains and (losses) and other, as applicable to the periods presented.

- (5) Gives effect to the Reorganization, the 2015 Refinancing, this offering and the related use of proceeds, and, for the year ended December 31, 2014 only, the partial redemptions of our 6.75% senior secured first lien notes due 2020, 10.625% senior unsecured notes due 2021, 11.25% senior unsecured notes due 2021, and 11.75% senior subordinated notes due 2021 with the proceeds from the July 2014 issuance of FDH's Class B common stock in a private placement (collectively, the Equity Recapitalization), and the repayment of all outstanding debt of FDH, which occurred during 2014, as if each had occurred on January 1, 2014. See Unaudited Pro Forma Consolidated Financial Statements.

**Table of Contents**

- (6) Gives effect to the 2015 Refinancing, the Equity Recapitalization, and this offering and the related use of proceeds, as if each had occurred on January 1, 2014. See Unaudited Pro Forma Consolidated Financial Statements.
- (7) A reconciliation of Segment Revenues to our Revenues is as follows:

(in millions)	Year ended December 31,			Three months ended	
	2012	2013	2014	2014	2015
Segment Revenues	\$ 6,682	\$ 6,684	\$ 6,904	\$ 1,629	\$ 1,655
Adjustments for non-wholly owned entities	73	39	57	1	20
ISO commission expense	563	579	587	135	147
Reimbursable debit network fees, postage, and other	3,362	3,507	3,604	875	873
<b>Revenues</b>	<b>\$ 10,680</b>	<b>\$ 10,809</b>	<b>\$ 11,152</b>	<b>\$ 2,640</b>	<b>\$ 2,695</b>

See the Segment Information notes to our consolidated financial statements included elsewhere in this prospectus.

- (8) EBITDA, a measure used by management to measure operating performance, is defined as net income (loss) attributable to First Data before interest expense, net, income tax (benefit) expense, and depreciation and amortization. EBITDA is not a recognized term under GAAP and does not purport to be an alternative to net income (loss) attributable to First Data as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, EBITDA is not intended to be a measure of free cash flow available for management's discretionary use as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. The presentation of EBITDA has limitations as an analytical tool and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Management believes that EBITDA is helpful in highlighting trends because EBITDA excludes the results of decisions that are outside the control of operating management. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, these presentations of EBITDA may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments.

Adjusted EBITDA is defined as EBITDA further adjusted to exclude certain items and other adjustments and is used by management as a measure of operating performance. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors about certain material non-cash items and about non-recurring items that we do not expect to continue at the same level in the future. Because not all companies use identical calculations, this presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Adjusted EBITDA is the profit (loss) measurement we utilize in the Segment Information notes to our consolidated financial statements included elsewhere in this prospectus.



**Table of Contents**

EBITDA and Adjusted EBITDA are calculated as follows:

(in millions)	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Net loss attributable to First Data	\$ (701)	\$ (869)	\$ (458)	\$ (201)	\$ (112)
Interest expense, net	1,889	1,870	1,742	464	406
Income tax (benefit) expense	(224)	87	82	37	3
Depreciation and amortization	1,331	1,212	1,163	292	277
<b>EBITDA</b>	<b>2,295</b>	<b>2,300</b>	<b>2,529</b>	<b>592</b>	<b>574</b>
Stock-based compensation(a)	12	38	50	29	7
Other items(b)	150	129	(95)	6	5
Cost of alliance conversions and data center, technology and savings initiatives(c)	77	68	20	7	3
KKR related items(d)	34	32	27	6	6
Debt issuance costs(e)	14	5	3	3	1
Loss on debt extinguishment			260		
Adjustments for non-wholly owned entities(f)	(102)	(81)	(86)	(18)	(22)
Amortization of initial payments for new contracts(g)	(44)	(42)	(45)	(11)	(11)
<b>Adjusted EBITDA</b>	<b>\$ 2,436</b>	<b>\$ 2,449</b>	<b>\$ 2,663</b>	<b>\$ 614</b>	<b>\$ 563</b>

- (a) Represents stock-based compensation recognized as expense.
- (b) Includes adjustments to exclude the official check and money order businesses due to the Company's wind down of these businesses, restructuring, certain retention bonuses, litigation and regulatory settlements, and Other income as presented in the consolidated statements of operations included elsewhere in this prospectus, which includes divestitures, impairments, derivative gains and (losses), and non-operating foreign currency gains and (losses).
- (c) Represents costs directly associated with the strategy to have First Data operate Bank of America N.A.'s legacy settlement platform and costs associated with the termination of our former Chase Paymentech alliance in 2008, both of which are considered business optimization projects, and other technology initiatives.
- (d) Represents KKR fees for management, consulting, financial and other advisory services.
- (e) Represents costs associated with refinancing and modifying our debt structure.
- (f) Net adjustment to reflect our proportionate share of alliance EBITDA within the Global Business Solutions segment, equity earnings in affiliates, and amortization related to equity method investments not included in segment EBITDA. See the Segment Information notes to our consolidated financial statements included elsewhere in this prospectus.
- (g) Represents adjustment for amortization of initial payments for new contracts which is included in Adjusted EBITDA.

- (9) Adjusted Net Income, a measure used by management to measure operating performance, is not a recognized term under GAAP and does not purport to be an alternative to net income (loss) attributable to First Data as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, Adjusted Net Income is not intended to be a measure of free cash flow available for management's discretionary use as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. The presentation of Adjusted Net Income has limitations as an analytical tool and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Management believes that Adjusted Net Income is helpful in highlighting trends because Adjusted Net Income excludes the results of decisions that are outside the control of operating management. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement GAAP results to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Because not all companies use identical calculations, these presentations of

**Table of Contents**

Adjusted Net Income may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments.

Adjusted Net Income is calculated as follows:

(in millions after-tax)	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Net loss attributable to First Data	\$ (701)	\$ (869)	\$ (458)	\$ (201)	\$ (112)
Stock-based compensation(a)	8	38	50	29	7
Loss on debt extinguishment			260		
Mark-to-market adjustment for derivatives and euro-denominated debt(b)	64	53	(82)	(4)	(66)
Amortization of acquisition intangibles(c)	532	721	657	169	153
Restructuring, impairment, litigation and other(d)	82	147	(18)	(2)	58
<b>Adjusted Net Income</b>	<b>\$ (15)</b>	<b>\$ 90</b>	<b>\$ 409</b>	<b>\$ (9)</b>	<b>\$ 40</b>

- (a) Stock-based compensation expense recognized as selling, general, and administrative expense in the consolidated statements of operations included elsewhere in this prospectus.
- (b) Represents mark-to-market activity related to our undesignated hedges, ineffectiveness of our designated hedges, and mark-to-market activity on our euro-denominated debt held in the United States.
- (c) Represents amortization of intangibles established in connection with the 2007 Merger and acquisitions we have made since 2007.
- (d) Includes net restructuring, impairments, litigation and regulatory settlements, investment gains and losses, net divestitures, integration costs, and debt extinguishment costs, as applicable to the periods presented.

- (10) North America merchant transactions in our GBS segment include acquired Visa and MasterCard credit and signature debit, American Express and Discover, PIN-debit, electronic benefits transactions, processed-only, and gateway customer transactions at the POS. North America merchant transactions reflect 100% of alliance transactions.
- (11) International merchant transactions in our GBS segment include Visa, MasterCard, and other payment network merchant acquiring transactions for clients outside the United States and Canada. Transactions include credit, POS, POS gateway, and ATM transactions.
- (12) North America card accounts on file in our GFS segment reflect the average number of bankcard and retail accounts during the periods presented.
- (13) International card accounts on file in our GFS segment reflect bankcard and retail accounts outside the United States and Canada as of the end of the periods presented.
- (14) Network transactions include the debit issuer processing transactions, *STAR Network* issuer transactions, and closed loop and open loop POS transactions.





**Table of Contents**

**RISK FACTORS**

*An investment in our Class A common stock involves risk. You should carefully consider the following risks as well as the other information included in this prospectus, including Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes, before investing in our Class A common stock. Any of the following risks could materially and adversely affect our business, financial condition, or results of operations. The selected risks described below, however, are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition, or results of operations. In such a case, the trading price of the Class A common stock could decline and you may lose all or part of your investment.*

**Business and Operational Risks**

***Global economic, political, and other conditions may adversely affect trends in consumer, business, and government spending, which may adversely impact the demand for our services and our revenue and profitability.***

Financial services, payments, and technology industries in which we operate depend heavily upon the overall level of consumer, business, and government spending. A sustained deterioration in the general economic conditions (including distress in financial markets, turmoil in specific economies around the world, and additional government intervention), particularly in the United States or Europe, or increases in interest rates in key countries in which we operate may adversely affect our financial performance by reducing the number or average purchase amount of transactions involving payment cards. A reduction in the amount of consumer spending could result in a decrease of our revenue and profits.

Adverse economic trends may accelerate the timing, or increase the impact of, risks to our financial performance. Such trends may include, but are not limited to, the following:

Declining economies, foreign currency fluctuations, and the pace of economic recovery can change consumer spending behaviors, such as cross-border travel patterns, on which a significant portion of our revenues is dependent.

Low levels of consumer and business confidence typically associated with recessionary environments and those markets experiencing relatively high unemployment, may cause decreased spending by cardholders.

Budgetary concerns in the United States and other countries around the world could affect the United States and other specific sovereign credit ratings, impact consumer confidence and spending, and increase the risks of operating in those countries.

Emerging market economies tend to be more volatile than the more established markets we serve in the United States and Europe, and adverse economic trends may be more pronounced in such emerging markets.

Financial institutions may restrict credit lines to cardholders or limit the issuance of new cards to mitigate cardholder defaults.

Uncertainty and volatility in the performance of our clients' businesses may make estimates of our revenues, rebates, incentives, and realization of prepaid assets less predictable.

Our clients may decrease spending for value-added services.

Government intervention, including the effect of laws, regulations, and/or government investments in our clients, may have potential negative effects on our business and our relationships with our clients or otherwise alter their strategic direction away from our products.

## **Table of Contents**

A weakening in the economy could also force some retailers to close, resulting in exposure to potential credit losses and declines in transactions, and reduced earnings on transactions due to a potential shift to large discount merchants. Additionally, credit card issuers may reduce credit limits and become more selective in their card issuance practices. Changes in economic conditions could adversely impact our future revenues and profits and result in a downgrade of our debt ratings, which may lead to termination or modification of certain contracts and make it more difficult for us to obtain new business. Any of these developments could have a material adverse impact on our overall business and results of operations.

***Our ability to anticipate and respond to changing industry trends and the needs and preferences of our clients and consumers may affect our competitiveness or demand for our products, which may adversely affect our operating results.***

Financial services, payments, and technology industries are subject to rapid technological advancements, new products and services, including mobile payment applications, evolving competitive landscape, developing industry standards, and changing client and consumer needs and preferences. We expect that new services and technologies applicable to the financial services, payments, and technology industries will continue to emerge. These changes in technology may limit the competitiveness of and demand for our services. Also, our clients and their customers continue to adopt new technology for business and personal uses. We must anticipate and respond to these changes in order to remain competitive within our relative markets. For example, our ability to provide innovative point-of-sale technology to our merchant clients could have an impact on our Global Business Solutions business. Furthermore, clients and their customers potential negative reaction to our products and services can spread quickly through social media and damage our reputation before we have the opportunity to respond. If we are unable to anticipate or respond to technological changes or evolving industry standards on a timely basis, our ability to remain competitive could be materially adversely affected.

***Substantial and increasingly intense competition worldwide in the financial services, payments, and technology industries may materially and adversely affect our overall business and operations.***

Financial services, payments, and technology industries are highly competitive and our payment solutions compete against all forms of financial services and payment systems, including cash and checks, and electronic, mobile, and eCommerce payment platforms. If we are unable to differentiate ourselves from our competitors, drive value for our clients and/or effectively align our resources with our goals and objectives, we may not be able to compete effectively. Our competitors may introduce their own innovative services or solutions more effectively than we do, which could adversely impact our growth. We also compete against new entrants that have developed alternative payment systems, eCommerce payment systems, and payment systems for mobile devices. Failure to compete effectively against any of these competitive threats could have a material adverse effect on us.

***Potential changes in the competitive landscape, including disintermediation from other participants in the payments value chain, could harm our business.***

We expect that the competitive landscape will continue to change, including:

Rapid and significant changes in technology, resulting in new and innovative payment methods and programs that could place us at a competitive disadvantage and that could reduce the use of our products.

Competitors, clients, governments, and other industry participants may develop products that compete with or replace our value-added products and services.

Participants in the financial services, payments, and technology industries may merge, create joint ventures, or form other business combinations that may strengthen their existing business services or create new payment services that compete with our services.

**Table of Contents**

New services and technologies that we develop may be impacted by industry-wide solutions and standards related to migration to EMV chip technology, tokenization, or other safety and security technologies. Failure to compete effectively against any of these competitive threats could have a material adverse effect on us.

***The market for our electronic commerce services is evolving and may not continue to develop or grow rapidly enough for us to maintain and increase our profitability.***

If the number of electronic commerce transactions does not continue to grow or if consumers or businesses do not continue to adopt our services, it could have a material adverse effect on the profitability of our business, financial condition, and results of operations. We believe future growth in the electronic commerce market will be driven by the cost, ease-of-use, and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to adopt our services, including our merchant suite, *Clover*, *Perka*, and *Gyft* solutions.

***We depend, in part, on our merchant relationships and alliances to grow our Global Business Solutions business. If we are unable to maintain these relationships and alliances, our business may be adversely affected.***

Our alliance structures take on different forms, including consolidated subsidiaries, equity method investments, and revenue sharing arrangements. Under our alliance program, a bank or other institution forms an alliance with us on an exclusive basis, either contractually or through a separate legal entity. Merchant contracts may be contributed to the alliance by us and/or the bank or institution. The banks and other institutions generally provide card association sponsorship, clearing, and settlement services and typically act as a merchant referral source when the institution has an existing banking or other relationship with such merchant. We provide transaction processing and related functions. Both we and our alliance partners may also provide management, sales, marketing, and other administrative services. The alliance structure allows us to be the processor for multiple financial institutions, any one of which may be selected by the merchant as its bank partner. We rely on the growth of our merchant relationships, alliances, and other distribution channels to support our business. There can be no guarantee that we will achieve this growth. The loss of merchant relationships or alliance and financial institution partners could negatively impact our business and result in a reduction of our revenue and profit.

***Failure to obtain new clients or renew client contracts on favorable terms could adversely affect results of operations and financial condition.***

Most of our sales involve long-term contracts, which generally require a notice period prior to their scheduled expiration if a client chooses not to renew. Some of these contracts may also allow for early termination upon the occurrence of certain events such as a change in control. While a vast majority of our contracts remain in effect through their scheduled expiration, we may face pricing pressure in obtaining and retaining our larger Global Business Solutions and Global Financial Solutions clients. Some of our competitors may offer more attractive fees to our current and prospective clients, or other services that we do not offer. Larger clients may be able to seek lower prices from us when they renew a contract, when a contract is extended, or when the client's business has significant volume changes. They may also reduce services if they decide to move services in-house. Further, our SMB clients may exert pricing pressure due to pricing competition or other economic needs or pressures such clients experience from their customers. On some occasions, this pricing pressure results in lower revenue from a client than we had anticipated based on our previous agreement with that client. This reduction in revenue could result in an adverse effect on our business, operating results, and financial condition.



---

**Table of Contents**

For potential clients of our Global Business Solutions and Global Financial Solutions segments, switching from one vendor of core processing or related software and services (or from an internally-developed system) to a new vendor is a significant undertaking. As a result, potential clients often resist change. We seek to overcome this resistance through strategies such as making investments to enhance the functionality of our software. However, there can be no assurance that our strategies for overcoming potential clients' reluctance to change vendors will be successful, and this resistance may adversely affect our growth.

***Security breaches or attacks of our systems may have a significant effect on our business.***

In order to provide our services, we process, store, and transmit sensitive business information and personal consumer information, including, but not limited to, names, bankcard numbers, home or business addresses, Social Security numbers, driver's license numbers, and bank account numbers. Under the card network rules and various federal and state laws, we are responsible for information provided to us by merchants, ISOs, third-party service providers, and other agents. The confidentiality of such sensitive business information and personal consumer information that resides on our systems is critical to our business because we require such information to approve merchant accounts, process transactions, and protect against fraud. We cannot be certain that the security measures and procedures we have in place to protect this sensitive data will be successful or sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential information. The increasing sophistication of cyber criminals may increase the risk of a security breach of our systems. A breach of our products or systems processing or storing sensitive business information or personal consumer information could lead to claims against us, reputational damage, loss of our financial institution sponsorship, loss of clients and their customers confidence, as well as imposition of fines and damages, or potential restrictions imposed by card networks on our ability to process transactions, all of which could have a material adverse effect on our revenues, profitability, financial condition, and future growth. In addition, as security threats continue to evolve we may be required to invest additional resources to modify the security of our systems, which could have a material adverse effect on our results of operations.

***We may experience breakdowns in our processing systems that could damage client relations and expose us to liability.***

Our core business depends heavily on the reliability of our processing systems. A system outage could have a material adverse effect on our business, financial condition, and results of operations. Not only would we suffer damage to our reputation in the event of a system outage, but we may also be liable to third parties. Many of our contractual agreements with financial institutions require us to pay penalties if our systems do not meet certain operating standards. To successfully operate our business, we must be able to protect our processing and other systems from interruption, including from events that may be beyond our control. Events that could cause system interruptions include, but are not limited to, fire, natural disaster, unauthorized entry, power loss, telecommunications failure, computer viruses, terrorist acts, and war. Although we have taken steps to protect against data loss and system failures, there is still risk that we may lose critical data or experience system failures. To help protect against these events, we perform the vast majority of disaster recovery operations ourselves, but we also utilize select third parties for certain operations, particularly outside of the United States. To the extent we outsource our disaster recovery, we are at risk of the vendor's unresponsiveness or other failures in the event of breakdowns in our systems. In addition, our property and business interruption insurance may not be adequate to compensate us for all losses or failures that may occur.

***We may experience software defects, computer viruses, and development delays, which could damage client relations, our potential profitability and expose us to liability.***



Our products are based on sophisticated software and computing systems that often encounter development delays, and the underlying software may contain undetected errors, viruses, or defects. Defects in our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of

---

**Table of Contents**

credibility with current or potential clients, harm to our reputation, fines imposed by card networks, or exposure to liability claims. In addition, we rely on technologies supplied to us by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on our business, financial condition and results of operations. Although we attempt to limit our potential liability for warranty claims through disclaimers in our software documentation and limitation-of-liability provisions in our license and other agreements with our clients, we cannot assure that these measures will be successful in limiting our liability.

***Our merchants may be unable to satisfy obligations for which we may also be liable.***

We are subject to the risk of our merchants being unable to satisfy obligations for which we may also be liable. For example, we and our merchants acquiring alliances may be subject to contingent liability for transactions originally acquired by us that are disputed by the cardholder and charged back to the merchants. If we or the alliance is unable to collect this amount from the merchant because of the merchant's insolvency or other reasons, we or the alliance will bear the loss for the amount of the refund paid to the cardholder. We have an active program to manage our credit risk and often mitigate our risk by obtaining collateral. It is possible, however, that a default on such obligations by one or more of our merchants could have a material adverse effect on our business.

***Fraud by merchants or others could have a material adverse effect on our business, financial condition, and results of operations.***

We may be subject to potential liability for fraudulent electronic payment transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant or other party knowingly uses a stolen or counterfeit credit, debit or prepaid card, card number, or other credentials to record a false sales transaction, processes an invalid card, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud would increase our chargeback liability or other liability. Increases in chargebacks or other liability could have a material adverse effect on our business, financial condition, and results of operations.

***Future consolidation of financial institution clients or other client groups may adversely affect our financial condition.***

In recent years, we have been negatively affected by the substantial consolidation in the bank industry. Bank industry consolidation affects existing and potential clients in our service areas, primarily in Global Business Solutions and Global Financial Solutions. Our alliance strategy could also be negatively affected by consolidations, especially where the banks involved are committed to their internal merchant processing businesses that compete with us. Bank consolidation has led to an increasingly concentrated client base, resulting in a changing client mix for Global Financial Solutions as well as increased price compression. Further consolidation in the bank industry or other client base could have a negative impact on us, including a loss of revenue and price compression.

***We rely on various financial institutions to provide clearing services in connection with our settlement activities. If we are unable to maintain clearing services with these financial institutions and are unable to find a replacement, our business may be adversely affected.***

We rely on various financial institutions to provide clearing services in connection with our settlement activities. If such financial institutions should stop providing clearing services we must find other financial institutions to provide those services. If we are unable to find a replacement financial institution we may no longer be able to provide processing services to certain clients, which could negatively impact our revenue and earnings.



---

**Table of Contents**

***Because we rely on third-party vendors to provide products and services, we could be adversely impacted if they fail to fulfill their obligations.***

Our business is dependent on third-party vendors to provide us with certain products and services. The failure of these vendors to perform their obligations in a timely manner could adversely affect our operations and profitability. In addition, if we are unable to renew our existing contracts with our most significant vendors, we might not be able to replace the related product or service at the same cost, which would negatively impact our profitability.

***Changes in card association and debit network fees or products could increase costs or otherwise limit our operations.***

From time to time, card associations and debit networks increase the organization and/or processing fees (known as interchange fees) that they charge. It is possible that competitive pressures will result in us absorbing a portion of such increases in the future, which would increase our operating costs, reduce our profit margin, and adversely affect our business, operating results, and financial condition. In addition, the various card associations and networks prescribe certain capital requirements. Any increase in the capital level required would further limit our use of capital for other purposes.

***Our business may be adversely affected by geopolitical and other risks associated with operations outside of the United States and, as we continue to expand internationally, we may incur higher than anticipated costs and may become more susceptible to these risks.***

We offer merchant acquiring, processing and issuing services outside of the United States, including in the United Kingdom, Germany, Argentina, Greece, India, and Australia, where our principal non-U.S. operations are located. Our revenues derived from these and other non-U.S. operations are subject to additional risks, including those resulting from social and geopolitical instability and unfavorable political or diplomatic developments, all of which could negatively impact our financial results.

As we expand internationally and grow our non-U.S. client base, we may face challenges due to the presence of more established competitors and our lack of experience in such non-U.S. markets, and we may also incur higher than anticipated costs. For example, we expanded our presence in Brazil in the third quarter of 2014 by launching our acquiring solution developed specifically for Brazil. If we are unable to successfully manage expenses relating to the international expansion of our business, our financial position and results of operations could be negatively impacted.

***Cost savings initiatives may not produce the savings expected and may negatively impact our other initiatives and efforts to grow our business.***

In recent years, we have implemented certain measures aimed at improving our profitability and maintaining flexibility in our capital resources, including restructuring efforts to align the business with our strategic objectives and the introduction of cost savings initiatives. For example, in the fourth quarter of 2014, we began an off-shoring initiative to employ lower cost off-shore resources. We have forecasted cost savings from these initiatives based on a number of assumptions and expectations which, if achieved, would improve our profitability and cash flows from operating activities. However, there can be no assurance the expected results will be achieved. In addition, these and any future spending reductions, if any, may negatively impact our other initiatives or our efforts to grow our business, which may negatively impact our future results of operations and increase the burden on existing management, systems, and resources.

***The ability to recruit, retain and develop qualified personnel is critical to our success and growth.***

All of our businesses function at the intersection of rapidly changing technological, social, economic, and regulatory developments that requires a wide range of expertise and intellectual capital. For us to

## **Table of Contents**

successfully compete and grow, we must retain, recruit, and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our intellectual capital needs. In addition, we must develop our personnel to provide succession plans capable of maintaining continuity in our business. The market for qualified personnel, however, is competitive and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. Our effort to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. We cannot assure that key personnel, including executive officers, will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on us.

### ***Acquisitions and integrating such acquisitions create certain risks and may affect our operating results.***

We have actively acquired businesses and may continue to make acquisitions of businesses or assets in the future. The acquisition and integration of businesses or assets involves a number of risks. The core risks are valuation (negotiating a fair price for the business), integration (managing the process of integrating the acquired company's people, products, technology, and other assets to extract the value and synergies projected to be realized in connection with the acquisition), regulation (obtaining necessary regulatory or other government approvals that may be necessary to complete acquisitions), and diligence (identifying undisclosed or unknown liabilities or restrictions that will be assumed in the acquisition).

In addition, acquisitions outside of the United States often involve additional or increased risks including, for example:

managing geographically separated organizations, systems and facilities;

integrating personnel with diverse business backgrounds and organizational cultures;

complying with non-U.S. regulatory requirements;

fluctuations in currency exchange rates;

enforcement of intellectual property rights in some non-U.S. countries;

difficulty entering new non-U.S. markets due to, among other things, consumer acceptance and business knowledge of these new markets; and

general economic and political conditions.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with acquisitions and the integration of the two companies

operations could have an adverse effect on our business, results of operations, financial condition or prospects.

### **Financial Risks**

*Our substantial leverage could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our debt obligations.*

We are highly leveraged. As of March 31, 2015, we had \$21.1 billion of total debt. Our high degree of leverage could have important consequences, including:

increasing our vulnerability to adverse economic, industry, or competitive developments;

requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use cash flow to fund our operations, capital expenditures, and future business opportunities;

**Table of Contents**

making it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the agreements governing such indebtedness;

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;

making it more difficult for us to obtain network sponsorship and clearing services from financial institutions or to obtain or retain other business with financial institutions;

limiting our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes; and

limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

***Our financial condition and results of operations are dependent in part upon our ongoing ability to refinance our maturing indebtedness at attractive interest rates.***

Successful execution of our business strategy is dependent in part upon our ability to manage our capital structure to reduce interest expense and enhance free cash flow generation. Our senior secured revolving credit facility has \$1.25 billion in commitments that are scheduled to mature in June 2020. In addition, approximately \$3.5 billion of obligations under our existing senior notes are scheduled to mature prior to December 31, 2020. We may not be able to refinance our senior secured credit facilities or our other existing indebtedness at or prior to their maturity at attractive rates of interest because of our high levels of debt, debt incurrence restrictions under our debt agreements or because of adverse conditions in credit markets generally.

***An increase in interest rates may negatively impact our operating results and financial condition.***

Certain of our borrowings, including borrowings under our senior secured credit facilities to the extent the interest rate is not fixed by an interest rate swap, are at variable rates of interest. An increase in interest rates would have a negative impact on our results of operations by causing an increase in interest expense.

As of March 31, 2015, we had \$8.6 billion aggregate principal amount of variable rate long-term indebtedness, of which interest rate swaps fix the interest rate on \$5.0 billion in notional amount. We also had a \$750 million fixed to floating swap to preserve the ratio of fixed and floating rate debt that we had prior to the April 2011 debt modification and amendment. See Description of Indebtedness. As a result, as of March 31, 2015, the impact of a 100 basis point increase in interest rates would increase our annual interest expense by approximately \$47 million.

***Our debt agreements contain restrictions that limit our flexibility in operating our business.***

The agreements governing our indebtedness contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and certain of our subsidiaries' ability to, among other things:



incur additional indebtedness or issue certain preferred shares;

pay dividends on, repurchase, or make distributions in respect of, our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens;

---

**Table of Contents**

consolidate, merge, sell, or otherwise dispose of all or substantially all of our assets; and

enter into certain transactions with our affiliates.

A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross-default provisions and, in the case of our senior secured revolving credit facility, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under these agreements, the holders of our debt could elect to declare all amounts outstanding thereunder to be immediately due and payable and, in the case of our senior secured revolving credit facility, terminate all commitments to extend further credit. Such actions by these holders could cause cross-defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under our senior secured credit facilities or holders of our senior secured notes could proceed against the collateral securing such debt. We have pledged a significant portion of our assets as collateral under our senior secured credit facilities and our senior secured notes. If the holders of our debt accelerate the repayment of borrowings, we may not have sufficient assets to repay our senior secured credit facilities or any other debt that may become due as a result of that acceleration and we could experience a material adverse effect on our financial condition and results of operations.

***Our consolidated balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would negatively affect our financial condition and results of operations.***

Our consolidated balance sheet includes goodwill and intangible assets that represent approximately 62% of our total assets at March 31, 2015. These assets consist primarily of goodwill and client relationship intangible assets associated with our acquisitions. We also expect to engage in additional acquisitions, which may result in our recognition of additional goodwill and intangible assets. Under current accounting standards, we are required to amortize certain intangible assets over the useful life of the asset, while goodwill and certain other intangible assets are not amortized. On a regular basis we assess whether there have been impairments in the carrying value of goodwill and certain intangible assets. If the carrying value of the asset is determined to be impaired, then it is written down to fair value by a charge to operating earnings. An impairment of a significant portion of goodwill or intangible assets could have a material adverse effect on our financial condition and results of operations.

***Our results of operations may be adversely affected by changes in foreign currency exchange rates.***

We are subject to risks related to the changes in currency rates as a result of our investments in non-U.S. operations and from revenues generated in currencies other than the U.S. dollar. Revenue and profit generated by such non-U.S. operations will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. From time to time, we utilize foreign currency forward contracts or other derivative instruments to mitigate the cash flow or market value risks associated with foreign currency-denominated transactions. These hedge contracts may not, however, eliminate all of the risks related to foreign currency translation. In addition, we may become subject to exchange control regulations that restrict or prohibit the conversion of our other revenue currencies into U.S. dollars. Any of these factors could decrease the value of revenues and earnings we derive from our non-U.S. operations and have a material adverse impact on our business.

***Unfavorable resolution of tax contingencies could adversely affect our results of operations and cash flows from operations.***

Our tax returns and positions are subject to review and audit by federal, state, local, and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations as well as our cash flows from operations. We have established contingency reserves for

material, known tax exposures relating to deductions, transactions, and other matters involving some uncertainty as to the proper tax treatment of the item. These reserves reflect what we believe to be reasonable

---

**Table of Contents**

assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the reserves are adequate to cover reasonably expected tax risks, there is no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial cost not in excess of any related reserve. An unfavorable resolution, therefore, could negatively impact our effective tax rate, financial position, results of operations, and cash flows in the current and/or future periods.

**Regulatory and Legal Risks**

***Failure to comply with, or changes in, laws, regulations and enforcement activities may adversely affect the products, services, and markets in which we operate.***

We and our clients are subject to laws and regulations that affect the electronic payments industry in the many countries in which our services are used. In particular, our clients are subject to numerous laws and regulations applicable to banks, financial institutions, and card issuers in the United States and abroad, and, consequently, we are at times affected by these federal, state, and local laws and regulations. The U.S. government has increased its scrutiny of a number of credit card practices, from which some of our clients derive significant revenue. Regulation of the payments industry, including regulations applicable to us and our clients, has increased significantly in recent years. Failure to comply with laws and regulations applicable to our business may result in the suspension or revocation of licenses or registrations, the limitation, suspension or termination of services, and/or the imposition of consent orders or civil and criminal penalties, including fines which could have an adverse effect on our results of operation and financial condition.

We are subject to U.S. and international financial services regulations, a myriad of consumer protection laws, economic sanctions, laws and regulations, and anti-corruption laws, escheat regulations and privacy and information security regulations to name only a few. Changes to legal rules and regulations, or interpretation or enforcement of them, could have a negative financial effect on us. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act), significantly changed the U.S. financial regulatory system by, among other things, creating the Consumer Financial Protection Bureau (the CFPB) to regulate consumer financial products and services (including many offered by our clients), restrict debit card fees paid by merchants to issuer banks and allow merchants to offer discounts for different payment methods. CFPB rules, examinations, and enforcement actions may require us to adjust our activities and may increase our compliance costs. Changing regulations or standards in the area of privacy and data protection could also adversely impact us. In addition, certain of our alliance partners are subject to regulation by federal and state authority and, as a result, could pass through some of those compliance obligations to us.

***Failure to comply with the U.S. Foreign Corrupt Practices Act, anti-money laundering, economic and trade sanctions regulations, and similar laws could subject us to penalties and other adverse consequences.***

We operate our business around the world, including in certain foreign countries with developing economies, where companies often engage in business practices that are prohibited by U.S. and U.K. regulations, including the United States Foreign Corrupt Practices Act, (the FCPA) and the U.K. Bribery Act. Such laws prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the U.S. and other business entities for the purpose of obtaining or retaining business. We have implemented policies to discourage such practices; however, there can be no assurance that all of our employees, consultants, and agents, including those that may be based in or from countries where practices that violate U.S. laws may be customary, will not take actions in violation of our policies, for which we may be ultimately responsible.

In addition, we are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the USA Patriot Act of 2001 (the BSA ). Among other things, the BSA requires money services businesses (such as money transmitters and providers of prepaid access) to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious activity, and maintain

---

**Table of Contents**

transaction records. Our subsidiary Money Network Financial LLC provides prepaid access for various open loop prepaid programs for which it is the program manager and therefore must meet the requirements of the Financial Crimes Enforcement Network, the agency that enforces the BSA.

We are also subject to certain economic and trade sanctions programs that are administered by the Treasury Department's Office of Foreign Assets Control ( OFAC ) which prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations.

Similar anti-money laundering and counter terrorist financing and proceeds of crime laws apply to movements of currency and payments through electronic transactions and to dealings with persons specified in lists maintained by the country equivalents to OFAC lists in several other countries and require specific data retention obligations to be observed by intermediaries in the payment process. Our businesses in those jurisdictions are subject to those data retention obligations. Changes in this regulatory environment, including changing interpretations and the implementation of new or varying regulatory requirements by the government, may significantly affect or change the manner in which we currently conduct some aspects of our business.

***Changes in credit card association or other network rules or standards could adversely affect our business.***

In order to provide our transaction processing services, several of our subsidiaries are registered with Visa and MasterCard and other networks as members or service providers for member institutions. As such, we and many of our clients are subject to card association and network rules that could subject us or our clients to a variety of fines or penalties that may be levied by the card associations or networks for certain acts or omissions by us, acquiring clients, processing clients, and merchants. Visa, MasterCard, and other networks, some of which are our competitors, set the rules and standards with which we must comply. The termination of our member registration or our status as a certified service provider, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to or through our clients, could have an adverse effect on our business, results of operations, and financial condition.

***Failure to protect our intellectual property rights and defend ourselves from potential patent infringement claims may diminish our competitive advantages or restrict us from delivering our services.***

Our trademarks, patents, and other intellectual property are important to our future success. The *First Data* trademark and trade name and the *STAR* trademark and trade name are intellectual property rights which are individually material to us. These trademarks and trade names are widely recognized and associated with quality and reliable service. Loss of the proprietary use of the *First Data* or *STAR* trademarks and trade names or a diminution in the perceived quality associated with them could harm the growth of our businesses. We also rely on proprietary technology. It is possible that others will independently develop the same or similar technology. Further, we use open source architecture in connection with our solutions, in particular our *Clover* open architecture platform. Companies that incorporate open source platforms into their solutions have, from time to time, faced claims challenging the ownership of such platforms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software. We cannot guarantee that we can protect our trade secrets, know-how, or other proprietary information. Our patents could be challenged, invalidated or circumvented by others, and may not be of sufficient scope or strength to provide us with any meaningful protection or advantage. If we are unable to maintain the proprietary nature of our technologies, we could lose competitive advantages and be materially adversely affected. Additionally, the laws of certain non-U.S. countries where we do business or contemplate doing business in the future

may not recognize intellectual property rights or protect them to the same extent as do the laws of the United States. Adverse determinations in judicial or administrative proceedings could prevent us from selling our services or prevent us from preventing others from selling competing services, and thereby may have a material adverse effect on the business and

## **Table of Contents**

results of operations. Additionally, claims have been made, are currently pending, and other claims may be made in the future, with regard to our technology allegedly infringing on a patent or other intellectual property rights. Unfavorable resolution of these claims could either result in us being restricted from delivering the related product or service or result in a settlement that could be materially adverse to us.

### ***Failure to comply with state and federal antitrust requirements could adversely affect our business.***

Through our merchant alliances, we hold an ownership interest in several competing merchant acquiring businesses while serving as an electronic processor for those businesses. In order to satisfy state and federal antitrust requirements, we actively maintain an antitrust compliance program. Notwithstanding our compliance program, it is possible that perceived or actual violations of state or federal antitrust requirements could give rise to regulatory enforcement investigations or actions. Regulatory scrutiny of, or regulatory enforcement action in connection with, compliance with state and federal antitrust requirements could have a material adverse effect on our reputation and business.

### ***We are the subject of various legal proceedings which could have a material adverse effect on our revenue and profitability.***

We are involved in various litigation matters. We are also involved in or are the subject of governmental or regulatory agency inquiries or investigations and make voluntary self-disclosures to government or regulatory agencies from time to time. Our insurance or indemnities may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. If we are unsuccessful in our defense in these litigation matters, or any other legal proceeding, we may be forced to pay damages or fines, enter into consent decrees, and/or change our business practices, any of which could have a material adverse effect on our revenue and profitability.

## **Risks Related to this Offering and Ownership of Our Class A Common Stock**

### ***No market currently exists for our Class A common stock, and an active, liquid trading market for our Class A common stock may not develop, which may cause our Class A common stock to trade at a discount from the initial offering price and make it difficult for you to sell the Class A common stock you purchase.***

Prior to this offering, there has not been a public market for our Class A common stock. We cannot predict the extent to which investor interest in us will lead to the development of a trading market or how active and liquid that market may become. If an active and liquid trading market does not develop or continue, you may have difficulty selling any of our Class A common stock that you purchase. The initial public offering price for the shares will be determined by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the open market following this offering. The market price of our Class A common stock may decline below the initial offering price, and you may not be able to sell your shares of our Class A common stock at or above the price you paid in this offering, or at all.

### ***You will incur immediate and substantial dilution in the net tangible book value of the shares you purchase in this offering.***

Prior stockholders have paid substantially less per share of our common stock than the price in this offering. The initial public offering price of our Class A common stock will be substantially higher than the pro forma as adjusted net tangible book deficit per share of outstanding common stock prior to completion of the offering. Based on our pro forma net tangible book deficit as of March 31, 2015 and upon the issuance and sale of \_\_\_\_\_ shares of Class A



common stock by us at an assumed initial public offering price of \$ \_\_\_\_\_ per share (the midpoint of the estimated initial public offering price range set forth on the cover page of this prospectus), if you purchase our Class A common stock in this offering, you will pay more for your shares than the amounts paid by our existing stockholders for their shares and you will suffer immediate dilution of approximately \$ \_\_\_\_\_ per share in pro forma as adjusted net tangible book value. Dilution is the amount by which the offering

**Table of Contents**

price paid by purchasers of our Class A common stock in this offering will exceed the pro forma as adjusted net tangible book deficit per share of our common stock upon completion of this offering. If the underwriters exercise their option to purchase additional shares, or if outstanding options to purchase our Class B common stock are exercised, you will experience additional dilution. You may experience additional dilution upon future equity issuances or the exercise of stock options to purchase Class A common stock granted to our employees, executive officers, and directors under our 2015 Omnibus Incentive Plan or other equity compensation plans. See Dilution.

***Our stock price may change significantly following the offering, and you may not be able to resell shares of our Class A common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.***

We and the underwriters will negotiate to determine the initial public offering price. You may not be able to resell your shares at or above the initial public offering price due to a number of factors such as those listed in Business and Operational Risks and the following:

results of operations that vary from the expectations of securities analysts and investors;

results of operations that vary from those of our competitors;

changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;

technology changes, changes in consumer behavior or changes in clients relationships in our industry;

security breaches related to our systems or those of our clients, alliance partners, or competitors;

changes in economic conditions for companies in our industry;

changes in market valuations of, or earnings and other announcements by, companies in our industry;

declines in the market prices of stocks generally, particularly those of global payment companies;

strategic actions by us or our competitors;

announcements by us, our competitors or our alliance partners of significant contracts, new products, acquisitions, joint marketing relationships, joint ventures, other strategic relationships, or capital commitments;

changes in general economic or market conditions or trends in our industry or the economy as a whole and, in particular, in the consumer spending environment;

changes in business or regulatory conditions;

future sales of our Class A common stock or other securities;

investor perceptions of the investment opportunity associated with our Class A common stock relative to other investment alternatives;

the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;

announcements relating to litigation or governmental investigations;

guidance, if any, that we provide to the public, any changes in this guidance, or our failure to meet this guidance;

the development and sustainability of an active trading market for our stock;

changes in accounting principles; and

other events or factors, including those resulting from system failures and disruptions, natural disasters, war, acts of terrorism or responses to these events.

## **Table of Contents**

Furthermore, the stock market may experience extreme volatility that, in some cases, may be unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our Class A common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation. If we were involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation.

***Because we have no plans to pay cash dividends on our Class A common stock for the foreseeable future, you may not receive any return on investment unless you sell your Class A common stock for a price greater than your purchase price.***

We do not expect to pay any cash dividends on our Class A common stock for the foreseeable future. We currently intend to retain any additional future earnings to finance our operations and growth, including the repayment of our outstanding indebtedness. Going forward, any decision to pay cash dividends or other distributions on our Class A common stock will be at the discretion of our Board and will depend on our earnings, financial condition, operation results, capital requirements, and contractual, regulatory and other restrictions on the payment of dividends by us or by our subsidiaries to us, and other factors that our Board deems relevant. See Dividend Policy.

As a result, you may not receive any return on an investment in our Class A common stock unless you sell our Class A common stock for a price greater than your purchase price.

***If securities analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.***

The trading market for our Class A common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, the price of our stock could decline. If one or more of these analysts stop covering us or fail to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

***Transformation into a listed public company will increase our costs and may disrupt the regular operations of our business.***

Since 2007, we have operated as a privately owned company and we expect to incur additional legal, regulatory, finance, accounting, investor relations and other administrative expenses as a result of having publicly traded common stock. In addition, while we are currently in compliance with portions of the Sarbanes-Oxley Act of 2002 (the Sarbanes-Oxley Act ), we will be required under the Sarbanes-Oxley Act, as well as rules adopted by the SEC and the applicable stock exchange, to implement specified corporate governance practices that currently do not apply to us as a private company.

We are currently a voluntary filer and not subject to the periodic reporting requirements of the SEC. Upon completion of this offering, we will become obligated to file with the SEC annual and quarterly information and other reports. We will also be required to ensure that we have the ability to prepare financial statements on a timely basis that fully comply with all SEC reporting requirements and maintain effective internal controls over financial reporting.

The additional demands associated with being a public company may disrupt regular operations of our business by diverting the attention of some of our senior management team away from revenue producing activities to management and administrative oversight, adversely affecting our ability to attract and complete

**Table of Contents**

business opportunities and increasing the difficulty in both retaining professionals and managing and growing our businesses. Any of these effects could harm our business, financial condition and results of operations.

***Future sales, or the perception of future sales, by us or our existing stockholders in the public market following this offering could cause the market price for our Class A common stock to decline.***

After this offering, the sale of shares of our Class A common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our Class A common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Upon consummation of this offering, we will have outstanding a total of \_\_\_\_\_ shares of Class A common stock and \_\_\_\_\_ shares of Class B common stock that are convertible by the holders thereof at any time into an equal number of shares of Class A common stock. Of the outstanding shares, the \_\_\_\_\_ shares sold in this offering (or shares if the underwriters exercise in full their option to purchase additional shares) will be freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the Securities Act), except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act (Rule 144), including our directors, executive officers and other affiliates (including affiliates of KKR) may be sold only in compliance with the limitations described in Shares Eligible for Future Sale.

The remaining \_\_\_\_\_ shares of Class B common stock, representing \_\_\_\_\_ % of our total outstanding shares of common stock following this offering, will be restricted securities within the meaning of Rule 144 and subject to certain restrictions on resale following the consummation of this offering. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144, as described in Shares Eligible for Future Sale.

In connection with this offering, we, our directors and executive officers, and holders of \_\_\_\_\_ % of our common stock prior to this offering have each agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of our or their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date \_\_\_\_\_ days after the date of this prospectus, except with the prior written consent of the representatives of the underwriters. See Underwriting for a description of these lock-up agreements.

In addition, \_\_\_\_\_ shares of Class A common stock will be eligible for sale upon exercise of vested options. As soon as practicable following this offering, we intend to file one or more registration statements on Form S-8 under the Securities Act to register all shares of Class A common stock subject to outstanding stock options and the shares of Class A common stock subject to issuance under the 2015 Omnibus Incentive Plan to be adopted in connection with this offering. Any such Form S-8 registration statements will automatically become effective upon filing. We expect that the initial registration statement on Form S-8 will cover \_\_\_\_\_ shares of Class A common stock. Once these shares are registered, they can be sold in the public market upon issuance, subject to restrictions under the securities laws applicable to resales by affiliates.

Upon the expiration of the lock-up agreements described above, the remaining \_\_\_\_\_ shares will be eligible for resale, of which \_\_\_\_\_ would be subject to volume, manner of sale and other limitations under Rule 144. In addition, pursuant to a registration rights agreement to be entered into in connection with this offering, we will grant KKR the right, subject to certain conditions, to require us to register the sale of their shares of our Class A common stock under the Securities Act. By exercising their registration rights and selling a large number of shares, KKR could cause the prevailing market price of our Class A common stock to decline. Following completion of this offering, the shares

covered by registration rights would represent approximately % of our total common stock outstanding (or %, if the underwriters exercise in full their option to purchase additional shares). Registration of any of these outstanding shares of Class A common stock would result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement. See Shares Eligible for Future Sale.

---

**Table of Contents**

As restrictions on resale end or if these stockholders exercise their registration rights, the market price of our shares of Class A common stock could drop significantly if the holders of these shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of Class A common stock or other securities.

In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our Class A common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our Class A common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

***The dual class structure of our common stock has the effect of concentrating voting control with KKR and its affiliates; this will limit or preclude your ability to influence corporate matters.***

Our Class B common stock has ten votes per share, and our Class A common stock, which is the stock we are selling in this offering, has one vote per share. Stockholders who hold shares of Class B common stock, including KKR, its affiliates and certain other stockholders, will together hold approximately % of the voting power of our outstanding common stock following this offering. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders so long as the shares of Class B common stock represent at least % of all outstanding shares of our Class A and Class B common stock. This concentrated control will limit or preclude your ability to influence corporate matters for the foreseeable future.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected to permitted transferees or for estate planning or charitable purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. For a description of the dual class structure, see Description of Capital Stock Common Stock Voting Rights.

***Affiliates of KKR control us and their interests may conflict with ours or yours in the future.***

Immediately following this offering of Class A common stock, affiliates of KKR will not hold any of our Class A common stock, but will beneficially own % of our Class B common stock and, consequently, % of the combined voting power of our common stock. Each share of our Class B common stock will have ten votes per share, and our Class A common stock, which is the stock we are selling in this offering, will have one vote per share. As a result, affiliates of KKR will have the ability to elect all of the members of our Board and thereby control our policies and operations, including the appointment of management, future issuances of our Class A common stock or other securities, the payment of dividends, if any, on our Class A common stock, the incurrence of debt by us, amendments to our amended and restated certificate of incorporation and amended and restated bylaws, and the entering into of extraordinary transactions and the interests of affiliates of KKR may not in all cases be aligned with your interests.

In addition, KKR may have an interest in pursuing acquisitions, divestitures and other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to you. For example, KKR could cause us to make acquisitions that increase our indebtedness or cause us to sell revenue-generating assets. KKR is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Our amended and restated certificate of incorporation will provide that none of KKR, any of its affiliates or any director who is not employed by us (including any



non-employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates will have any duty to refrain from engaging, directly or

## **Table of Contents**

indirectly, in the same business activities or similar business activities or lines of business in which we operate. KKR also may pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

So long as KKR and its affiliates continue to beneficially own a sufficient number of shares of Class B common stock, even if they own significantly less than 50% of the shares of our outstanding common stock, they will continue to be able to effectively control our decisions. For example, if our Class B common stock amounted to 15% of our outstanding common stock, holders of our Class B common stock (including KKR and its affiliates), would collectively control 64% of the voting power of our common stock. The shares of our Class B common stock held by KKR and its affiliates may be transferred to an unrelated third party if the holders of a majority of the shares of Class B common stock have consented to such transfer in writing in advance.

In addition, KKR will be able to determine the outcome of all matters requiring stockholder approval and will be able to cause or prevent a change of control of our Company or a change in the composition of our Board and could preclude any acquisition of our Company. This concentration of voting control could deprive you of an opportunity to receive a premium for your shares of Class A common stock as part of a sale of our Company and ultimately might affect the market price of our Class A common stock.

### ***Certain provisions of Delaware law and anti-takeover provisions in our organizational documents could delay or prevent a change of control.***

Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer, or prevent a merger, acquisition, tender offer, takeover attempt, or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

a dual class common stock structure, which currently provides the holders of Class B common stock with the ability to control the outcome of matters requiring stockholder approval, so long as they continue to beneficially own a sufficient number of shares of Class B common stock, even if they own significantly less than 50% of the shares of our outstanding common stock;

a classified Board with staggered three-year terms;

the ability of our Board to issue one or more series of preferred stock;

advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;

certain limitations on convening special stockholder meetings;

the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66  $\frac{2}{3}$ % in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class, once no shares of our Class B common stock remain outstanding; and

that certain provisions may be amended only by the affirmative vote of at least 66  $\frac{2}{3}$ % in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class, once no shares of our Class B common stock remain outstanding.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. See Description of Capital Stock.

---

**Table of Contents*****Our ability to utilize net operating loss carryforwards could be limited if we were to experience an ownership change as defined in the Internal Revenue Code.***

Section 382 of the Internal Revenue Code of 1986, as amended (the Code), contains rules that impose an annual limitation on the ability of a company with net operating loss carryforwards that undergoes an ownership change, which is generally any change in ownership of more than 50% of its stock (by value) over a three-year period, to utilize its net operating loss carryforwards in years after the ownership change. These rules generally operate by focusing on ownership changes among holders owning directly or indirectly 5% or more of the shares of stock of a company or any change in ownership arising from a new issuance of shares of stock by such company. If a company's income in any year is less than the annual limitation prescribed by Section 382 of the Code, the unused portion of such limitation amount may be carried forward to increase the limitation (and net operating loss carryforward utilization) in subsequent tax years.

We do not believe that this offering will result in an ownership change for purposes of Section 382 of the Code. If, however, we were to undergo an ownership change as a result of future transactions involving our common stock, including a follow-on offering of our common stock or purchases or sales of common stock between 5% holders, our ability to use our net operating loss carryforwards would be subject to the limitations of Section 382 of the Code. As a result, a portion of our net operating loss carryforwards may expire before we would be able to use them. If we are unable to utilize our net operating loss carryforwards, there may be a negative impact on our financial position and results of operations.

In addition to the aforementioned federal income tax implications pursuant to Section 382 of the Code, most states follow the general provisions of Section 382 of the Code, either explicitly or implicitly resulting in separate state net operating loss limitations.

***We will be a controlled company within the meaning of applicable stock exchange rules and the rules of the SEC. As a result, we will qualify for, and intend to rely on, exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.***

After completion of this offering, KKR will continue to control a majority of the voting power of our outstanding common stock. As a result, we will be a controlled company within the meaning of the corporate governance standards of the applicable stock exchange. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including:

the requirement that a majority of the Board consist of independent directors as defined under the rules of the applicable stock exchange;

the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;

the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

the requirement for an annual performance evaluation of the nominating/corporate governance and compensation committees.

Following this offering, we intend to utilize these exemptions. As a result, we will not have a majority of independent directors, our nominating/corporate governance committee and compensation committee will not consist entirely of independent directors and such committees will not be subject to annual performance evaluations. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the applicable stock exchange.

**Table of Contents**

In addition, on June 20, 2012, the SEC adopted Rule 10C-1 ( Rule 10C-1 ) under the Exchange Act, to implement provisions of the Dodd-Frank Act pertaining to compensation committee independence and the role and disclosure of compensation consultants and other advisers to the compensation committee. The national securities exchanges (including any applicable stock exchange on which we will list our Class A common stock) have since adopted amendments to their existing listing standards to comply with provisions of Rule 10C-1, and on January 11, 2013, the SEC approved such amendments. The amended listing standards require, among others, that

compensation committees be composed of fully independent directors, as determined pursuant to new and existing independence requirements;

compensation committees be explicitly charged with hiring and overseeing compensation consultants, legal counsel and other committee advisers; and

compensation committees be required to consider, when engaging compensation consultants, legal counsel or other advisers, certain independence factors, including factors that examine the relationship between the consultant or adviser s employer and us.

As a controlled company, we will not be subject to these compensation committee independence requirements.

**Table of Contents**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain matters we discuss in this prospectus may constitute forward-looking statements. You can identify forward-looking statements because they contain words such as believes, expects, may, will, should, seeks, plans, estimates, or anticipates, or similar expressions which concern our strategy, plans, projections, or intentions. Examples of forward-looking statements include, but are not limited to, all statements we make relating to revenue, EBITDA, earnings, margins, growth rates, and other financial results for future periods. By their nature, forward-looking statements: speak only as of the date they are made; are not statements of historical fact or guarantees of future performance; and are subject to risks, uncertainties, assumptions, or changes in circumstances that are difficult to predict or quantify. Our expectations, beliefs, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties, and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this prospectus. Such risks, uncertainties, and other important factors include, among others, the risks, uncertainties and factors set forth above under Risk Factors, and the following risks, uncertainties, and factors:

adverse impacts from global economic, political, and other conditions affecting trends in consumer, business, and government spending;

our ability to anticipate and respond to changing industry trends, including technological changes and increasing competition;

our ability to successfully renew existing client contracts on favorable terms and obtain new clients;

our ability to prevent a material breach of security of any of our systems;

our ability to implement and improve processing systems to provide new products, improve functionality, and increase efficiencies;

our merchant alliance program which involves several alliances not under our sole control and each of which acts independently of the others;

credit and fraud risks in our business units and merchant alliances, particularly in the context of eCommerce and mobile markets;

consolidation among financial institution clients or other client groups that impacts our client relationships;

our ability to improve our profitability and maintain flexibility in our capital resources through the implementation of cost savings initiatives;

our ability to successfully value and integrate acquired businesses, including those outside of the United States;

our high degree of leverage;

adverse impacts from currency exchange rates or currency controls imposed by any government or otherwise;

changes in the interest rate environment that increase interest on our borrowings;

the impact of new laws, regulations, credit card association rules, or other industry standards; and

new lawsuits, investigations, or proceedings, or changes to our potential exposure in connection with pending lawsuits, investigations or proceedings.



**Table of Contents**

There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed under the sections entitled *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* in this prospectus. You should evaluate all forward-looking statements made in this prospectus in the context of these risks and uncertainties.

We caution you that the risks, uncertainties, and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits, or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this prospectus apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this prospectus. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

**Table of Contents**

**USE OF PROCEEDS**

We estimate that we will receive net proceeds of approximately \$ \_\_\_\_\_ million from the sale of \_\_\_\_\_ shares of our Class A common stock in this offering, assuming an initial public offering price of \$ \_\_\_\_\_ per share, the mid-point of the estimated price range set forth on the cover page of this prospectus, and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise in full their option to purchase additional shares, the net proceeds to us will be approximately \$ \_\_\_\_\_ million.

We intend to use the net proceeds from this offering for the repayment of certain indebtedness.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, based on the mid-point of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by \$ \_\_\_\_\_ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1,000,000 shares from the expected number of shares to be sold by us in this offering, assuming no change in the assumed initial public offering price per share, the mid-point of the range on the cover of this prospectus, would increase (decrease) our net proceeds from this offering by \$ \_\_\_\_\_ million.

**Table of Contents**

**DIVIDEND POLICY**

We do not currently anticipate paying any dividends on our common stock immediately following this offering. Following this offering and upon repayment of our outstanding indebtedness, we may reevaluate our dividend policy. Any future determinations relating to our dividend policies and the declaration, amount and payment of any future dividends on our common stock will be at the sole discretion of our Board and, if we elect to pay such dividends in the future, we may reduce or discontinue entirely the payment of such dividends at any time. Our Board may take into account general and economic conditions, our financial condition and operating results, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, and such other factors as our Board may deem relevant.

We paid dividends to FDH totaling \$28 million, \$686 million, and \$1 million in 2013, 2014, and the first quarter of 2015, respectively. FDH used the proceeds from these dividends for the repayment of indebtedness (including a significant repayment in 2014), and the repurchase of equity from departing employees. FDH did not pay any dividends on its common stock in 2013, 2014 or the first quarter of 2015.

Because a significant portion of our operations is through our subsidiaries, our ability to pay dividends depends in part on our receipt of cash dividends from our operating subsidiaries, which may further restrict our ability to pay dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under any existing and future outstanding indebtedness we or our subsidiaries incur. In addition, our ability to pay dividends is limited by covenants in our senior secured credit facilities and the indentures governing our senior notes. See [Description of Indebtedness](#) for a description of the restrictions on our ability to pay dividends.

**Table of Contents****DILUTION**

If you invest in our Class A common stock in this offering, your ownership interest in us will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock and the pro forma as adjusted net tangible book deficit per share of our common stock after this offering. Dilution results from the fact that the per share offering price of the Class A common stock is substantially in excess of the book deficit per share attributable to the shares of common stock held by existing stockholders.

Our pro forma net tangible book deficit as of March 31, 2015 and after giving effect to the Reorganization and the 2015 Refinancing was approximately \$(18.7) billion, or \$ \_\_\_\_\_ per share of our common stock. We calculate pro forma net tangible book deficit per share by taking the amount of our total tangible assets, reduced by the amount of our total liabilities, and then dividing that amount by the total number of shares of common stock outstanding.

After giving effect to (i) the Reorganization and the 2015 Refinancing, (ii) our sale of the shares in this offering at an assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range described on the cover of this prospectus, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, and (iii) the application of the net proceeds from this offering, our pro forma as adjusted net tangible book deficit on March 31, 2015 would have been \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share of our common stock. This amount represents an immediate decrease in pro forma net tangible book deficit of \$ \_\_\_\_\_ per share to existing stockholders and an immediate and substantial dilution in net tangible book value of \$ \_\_\_\_\_ per share to new investors purchasing shares in this offering at the assumed initial public offering price.

The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share of Class A common stock	\$
Pro forma net tangible book value (deficit) per share as of March 31, 2015	\$
Increase in pro forma tangible book value (deficit) per share attributable to new investors	\$
Pro forma as adjusted net tangible book value (deficit) per share after this offering	\$
Dilution per share to new investors	\$

Dilution is determined by subtracting pro forma as adjusted net tangible book deficit per share of common stock after the offering from the initial public offering price per share of Class A common stock.

If the underwriters exercise in full their option to purchase additional shares, the pro forma as adjusted tangible book deficit per share after giving effect to the offering would be \$ \_\_\_\_\_ per share. This represents a decrease in pro forma as adjusted net tangible book deficit of \$ \_\_\_\_\_ per share to the existing stockholders and dilution in pro forma as adjusted net tangible book value of \$ \_\_\_\_\_ per share to new investors.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions and offering expenses payable by us, a \$1.00 increase or

decrease in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the range set forth on the cover of this prospectus, would decrease or increase the pro forma as adjusted net tangible book deficit attributable to new investors purchasing shares in this offering by \$ \_\_\_\_\_ per share and the dilution to new investors by \$ \_\_\_\_\_ per share and decrease or increase the pro forma as adjusted net tangible book deficit per share after offering by \$ \_\_\_\_\_ per share.

**Table of Contents**

The following table summarizes, as of March 31, 2015, the differences between the number of shares purchased from us, the total consideration paid to us, and the average price per share paid by existing stockholders and by new investors. As the table shows, new investors purchasing shares in this offering will pay an average price per share substantially higher than our existing stockholders paid. The table below assumes an initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the range set forth on the cover of this prospectus, for shares purchased in this offering and excludes underwriting discounts and commissions and estimated offering expenses payable by us:

	Shares Purchased		Total Consideration		Avg / Share
	Number	%	Amount	%	
<b>(in millions)</b>					
Existing stockholders		%	\$	%	\$
New investors					
<b>Total</b>		%	\$	%	\$

If the underwriters were to fully exercise the underwriters' option to purchase \_\_\_\_\_ additional shares of our Class A common stock, the percentage of shares of our common stock held by existing stockholders who are directors, officers or affiliated persons would be \_\_\_\_\_ % and the percentage of shares of our common stock held by new investors would be \_\_\_\_\_ %.

Assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions and offering expenses payable by us, a \$1.00 increase or decrease in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the range set forth on the cover of this prospectus, would increase or decrease total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ \_\_\_\_\_ million.

To the extent that we grant options to our employees in the future and those options are exercised or other issuances of common stock are made, there will be further dilution to new investors.

**Table of Contents****CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2015:

on an actual basis;

on a pro forma basis to give effect to reflect the Reorganization and the 2015 Refinancing; and

on a pro forma basis as adjusted to give effect to (1) the sale by us of approximately                    shares of our Class A common stock in this offering, after deducting estimated underwriting discounts and commissions and offering expenses payable by us; and (2) the application of the estimated net proceeds from the offering at an assumed initial public offering price of \$                    per share, the mid-point of the price range set forth on the cover page of this prospectus, as described in Use of Proceeds.

You should read this table in conjunction with the information contained in Use of Proceeds, Unaudited Pro Forma Consolidated Financial Statements, Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Description of Indebtedness, as well as the consolidated financial statements and the notes thereto included elsewhere in this prospectus.

	Actual	As of March 31, 2015 Pro Forma for the Reorganization and the 2015 Refinancing	Pro Forma As Adjusted
<b>(in millions, except shares)</b>			
Cash and cash equivalents <sup>(1)</sup>	\$ 340	\$ 340	
<b>Debt:</b>			
<b>Senior secured credit facilities:</b>			
Revolving credit facility <sup>(2)</sup>	\$ 381	\$ 381	
Term Loans <sup>(3)</sup>	8,570	9,575	
First Lien Notes <sup>(4)</sup>	3,502	2,547	
Second Lien Notes <sup>(5)</sup>	3,000	3,000	
Unsecured Notes <sup>(6)</sup>	4,050	4,050	
Subordinated Notes <sup>(7)</sup>	1,609	1,609	
Capital leases	194	194	
Other existing debt <sup>(8)</sup>	30	30	
<b>Total debt</b>	<b>21,336</b>	<b>21,386</b>	
<b>Stockholders' equity (deficit):</b>			

Common Stock, \$0.01 par value (1,000 shares authorized, issued and outstanding, *actual*; no shares authorized, issued and outstanding, *pro forma* and *pro forma as adjusted*)

Class A common stock, \$0.01 par value (no shares authorized, issued and outstanding, *actual*;      shares authorized and shares issued and outstanding, *pro forma*;      shares authorized and      shares issued and outstanding, *pro forma as adjusted*)

Class B common stock, \$0.01 par value (no shares authorized, issued and outstanding, *actual*;      shares authorized and shares issued and outstanding, *pro forma*;      shares authorized and      shares issued and outstanding, *pro forma as adjusted*)

		23
Additional paid-in capital	9,904	10,122
Accumulated loss	(9,542)	(9,783)
Accumulated other comprehensive loss	(1,085)	(1,085)
Total First Data Corporation stockholders' deficit	(723)	(723)
Total capitalization	\$ 20,613	\$ 20,663



---

**Table of Contents**

- (1) Pro forma as adjusted reflects estimated fees and expenses (other than underwriting discounts and commissions) of \$        million incurred in connection with this offering.
- (2) As of March 31, 2015, our senior secured revolving credit facility had commitments from financial institutions to provide approximately \$1.0 billion of credit which matures on September 24, 2016, subject to certain conditions. As of March 31, 2015, \$635 million remained available under this facility (without giving effect to \$42 million of outstanding letters of credit). On June 2, 2015, we refinanced this revolving credit facility with the \$1.25 billion 2020 Revolving Credit Facility.
- (3) Represents the aggregate face amount of our March 2017 Term Loans, March 2018 Term Loans, September 2018 Term Loans and March 2021 Term Loans. Pro forma reflects the addition of the July 2022 Term Loans (includes face amount of    250 million estimated at \$276 million).
- (4) Represents the aggregate face amount of our 7.375% senior secured first lien notes due 2019, 8.875% senior secured first lien notes due 2020, and 6.75% senior secured first lien notes due 2020 (collectively, the    first lien notes    ).
- (5) Represents the aggregate face amount of our 8.25% senior secured second lien notes due 2021 and 8.75% senior secured second lien notes due 2022 (collectively, the    second lien notes    and, together with the first lien notes, the    senior secured notes    ).
- (6) Represents the aggregate face amount of our 12.625% senior unsecured notes due 2021, 11.25% senior unsecured notes due 2021, 10.625% senior unsecured notes due 2021, and 4.95% unsecured notes due 2015 (collectively, the    senior notes    ).
- (7) Represents the face amount of our 11.75% senior subordinated notes due 2021 (the    senior subordinated notes    ).
- (8) Consists of \$30 million of borrowings outstanding under lines of credit. As of March 31, 2015, we had approximately \$304 million available under short-term lines of credit and other arrangements with foreign banks and alliance partners primarily to fund settlement activity. As of March 31, 2015, we had a \$150 million committed line of credit for one of our U.S. alliances. The remainder of these arrangements is 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. Of the amounts outstanding as of March 31, 2015, \$27 million was uncommitted.

---

**Table of Contents**

**UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

We derived the unaudited pro forma financial information set forth below by the application of pro forma adjustments to the audited and unaudited consolidated financial statements included elsewhere in this prospectus.

The unaudited pro forma consolidated statements of operations for the year ended December 31, 2014 and the three months ended March 31, 2015 have been presented on a pro forma basis giving effect to the following as of January 1, 2014:

the Reorganization and the 2015 Refinancing and, for the pro forma consolidated statement of operations for the year ended December 31, 2014 only, the Equity Recapitalization and the repayment of all outstanding debt of FDH, which occurred during 2014; and

as further adjusted to give effect to the sale of \_\_\_\_\_ shares of our Class A common stock in this offering at an initial public offering price of \$ \_\_\_\_\_ per share, the mid-point of the estimated offering price range set forth on the cover page of this prospectus, and net proceeds of \$ \_\_\_\_\_ million which will be used to repay certain indebtedness.

The unaudited pro forma consolidated balance sheet as of March 31, 2015 has been presented on a pro forma basis which gives effect to the following as of that date:

the Reorganization and the 2015 Refinancing; and

as further adjusted to give effect to the sale of \_\_\_\_\_ shares of our Class A common stock in this offering at an initial public offering price of \$ \_\_\_\_\_ per share, the mid-point of the estimated offering price range set forth on the cover page of this prospectus, and net proceeds of \$ \_\_\_\_\_ million which will be used to repay certain indebtedness.

The unaudited pro forma consolidated statements of operations give effect to the pro forma adjustments as if they had occurred at the beginning of the periods presented. The notes to the unaudited pro forma financial statements provide a more detailed discussion of how such adjustments were derived and presented in the pro forma financial statements.

The pro forma adjustments set forth below were based on available information and certain assumptions made by our management and may be revised as additional information becomes available. The unaudited pro forma financial data is presented for informational purposes only, and does not purport to represent what our results of operations would actually have been if the transactions had occurred on the date indicated, nor does it purport to project our results of operations that we may achieve in the future. The pro forma adjustments do not include the impact of any non-recurring additional charges which are directly related to the completion of this offering.

The unaudited pro forma financial data and the accompanying notes should be read in conjunction with Selected Historical Consolidated Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.



Table of Contents**FIRST DATA CORPORATION****UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS****FOR THE YEAR ENDED DECEMBER 31, 2014**

(in millions, except shares and per share data)	Actual	Reorganization, 2015 Refinancing and Equity Recapitalization Adjustments	Pro Forma for the Reorganization, the 2015 Refinancing and the Equity Recapitalization	Offering Adjustments	Pro Forma As Adjusted
Revenues	\$ 11,152		\$ 11,152		
Expenses	9,714		9,714		
Operating profit	1,438		1,438		
Interest income	11		11		
Interest expense	(1,753)	\$ 156 <sup>(a)</sup>	(1,597)		
Loss on debt extinguishment	(260)	260 <sup>(b)</sup>			
Other income	161		161		
	(1,841)	416	(1,425)		
Loss before income taxes and equity earnings in affiliates	(403)	416	13		
Income tax expense	82		82		
Equity earnings in affiliates	220		220		
Net (loss) income	(265)	416	151		
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	193		193		
Net loss attributable to First Data Corporation	\$ (458)	\$ 416	\$ (42)		
Net loss per share:					
Basic	\$ (458,000)		\$		
Diluted	\$ (458,000)		\$		
Weighted average common shares outstanding:					

Basic	1,000	
Diluted	1,000	(c)

Table of Contents

**FIRST DATA CORPORATION**  
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2015**

(in millions, except shares and per share data)	Actual	Reorganization and 2015 Refinancing Adjustments	Pro Forma for the Reorganization and the 2015 Refinancing	Offering Adjustments	Pro Forma As Adjusted
Revenues	\$ 2,695		\$ 2,695		
Expenses	2,435		2,435		
Operating profit	260		260		
Interest income	1		1		
Interest expense	(407)	\$ 8 <sup>(a)</sup>	(399)		
Other income	35		35		
	(371)	8	(363)		
Loss before income taxes and equity earnings in affiliates	(111)	8	(103)		
Income tax expense	3		3		
Equity earnings in affiliates	51		51		
Net loss	(63)	8	(55)		
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	49		49		
Net loss attributable to First Data Corporation	\$ (112)	\$ 8	\$ (104)		
Net loss per share:					
Basic	\$ (112,000)		\$		
Diluted	\$ (112,000)		\$		
Weighted average common shares outstanding:					
Basic	1,000				
Diluted	1,000		(c)		

Table of Contents

**FIRST DATA CORPORATION**  
**UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET**  
**AS OF MARCH 31, 2015**

(in millions, except shares)	Actual	Reorganization and 2015 Refinancing Adjustments	Pro Forma for the 2015 Reorganization and Refinancing	Offering Adjustments	Pro Forma As Adjusted
<b>Assets</b>					
Total current assets	\$ 10,157		\$ 10,157		
Property and equipment, net of accumulated depreciation of \$1,259	908		908		
Goodwill	16,861		16,861		
Customer relationships, net of accumulated amortization of \$4,964	2,471		2,471		
Other intangibles, net of accumulated amortization of \$1,971	1,757		1,757		
Investment in affiliates	1,088		1,088		
Other long-term assets	896		896		
<b>Total assets</b>	<b>\$ 34,138</b>		<b>\$ 34,138</b>		
<b>Liabilities and Equity</b>					
Total current liabilities	\$ 9,747		\$ 9,747		
Long-term borrowings	20,641		20,641		
Long-term deferred tax liabilities	530		530		
Other long-term liabilities	790		790		
<b>Total liabilities</b>	<b>31,708</b>		<b>31,708</b>		
Redeemable noncontrolling interest	78		78		
First Data Corporation shareholder's deficit:					
Common Stock, \$0.01 par value; (1,000 shares authorized, issued and outstanding, <i>actual</i> ; no shares authorized, issued and outstanding, <i>pro forma</i> and <i>pro forma as adjusted</i> )					

Class A common stock, \$0.01  
par value (no shares authorized  
and outstanding, *actual*;  
shares authorized and  
shares issued and  
outstanding, *pro forma*;  
shares authorized and  
shares issued and  
outstanding, *pro forma as  
adjusted*)

Class B common stock, \$0.01  
par value (no shares authorized  
and outstanding, *actual*;  
shares authorized and  
shares issued and  
outstanding, *pro forma*;  
shares authorized and  
shares issued and  
outstanding, *pro forma as  
adjusted*)

		\$	23	23
Additional paid-in capital	9,904		218	10,122
Accumulated loss	(9,542)		(241)	(9,783)
Accumulated other comprehensive loss	(1,085)			(1,085)
Total First Data Corporation shareholder s deficit	(723)			(723)
Noncontrolling interests	3,075			3,075
Total equity	2,352			2,352
Total liabilities and equity	\$ 34,138	\$	\$	34,138



**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA**

- (a) Represents net reduction of interest expense associated with the Reorganization and the 2015 Refinancing and the Equity Recapitalization and the repayment of all outstanding debt of FDH, which occurred during 2014.

<b>Reduction of interest expense (in millions)</b>		<b>Year Ended December 31, 2014</b>	<b>Three Months Ended March 31, 2015</b>
Holdco Merger and the repayment of all outstanding debt of FDH	(i)	\$	\$
Equity Recapitalization	(ii)	124	
2015 Refinancing	(iii)	32	8
Total		\$ 156	\$ 8

- (i) FDH's interest expense in 2014 was \$127 million. All debt was fully repaid in 2014.
- (ii) Represents net interest savings related to the Equity Recapitalization. Savings were calculated based on the difference between fixed rate debt extinguished and new fixed rate debt.
- (iii) Represents interest savings related to 2015 Refinancing executed on July 10, 2015. The Company entered into an agreement to its senior secured credit facilities providing for incremental term loans of \$725 million and 250 million, the proceeds of which will be used to redeem \$955 million of our 7.375% senior secured first lien notes due 2019. Savings were calculated based on the differential in fixed rate debt redeemed and variable rate interest on incremental term loans based on one month LIBOR rates plus 3.75% as of June 30, 2015. A 0.125% change in interest rates would impact our interest expense by \$1 million annually.

For the year ended December 31, 2014, on a pro forma basis for the combination of the Reorganization, Equity Recapitalization and full payment of FDH debt in 2014 (\$228 million in cash interest at FDC and \$215 million in payment-in-kind interest expense at FDH), and 2015 Refinancing (\$32 million in cash interest based on LIBOR at July 10, 2015), as if each had occurred on January 1, 2014, cash and payment-in-kind interest would have been reduced by approximately \$475 million relative to a full year when they were all outstanding.

- (b) Represents the reduction of call premiums and discounts for the Equity Recapitalization.
- (c) Unaudited pro forma diluted net loss per share excludes all outstanding options and unvested restricted stock from the calculation of diluted shares due to these securities being anti-dilutive because of the Company's net loss attributable to First Data Corporation.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA**

The following table sets forth our selected historical consolidated financial data as of the dates and for the periods indicated. The selected historical consolidated financial data as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 have been derived from our audited consolidated financial statements and related notes appearing elsewhere in this prospectus. The selected historical consolidated financial data for the three month periods ended March 31, 2014 and 2015 and as of March 31, 2015 have been derived from our unaudited consolidated financial statements and related notes appearing elsewhere in this prospectus, which have been prepared on a basis consistent with our annual audited consolidated financial statements. The selected historical consolidated financial data as of December 31, 2010, 2011 and 2012 and for the years ended December 31, 2010 and 2011 have been derived from our audited consolidated financial statements and related notes thereto not included in this prospectus. The selected historical consolidated financial data as of March 31, 2014 have been derived from our unaudited consolidated financial statements and related notes thereto not included in this prospectus, which have been prepared on a basis consistent with our annual audited consolidated financial statements. In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year or any future period.

The results of operations for any period are not necessarily indicative of the results to be expected for any future period. The selected historical consolidated financial data set forth below should be read in conjunction with, and are qualified by reference to Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

(in millions, except shares and per share data)	Year Ended December 31,					Three Months Ended March 31,	
	2010	2011	2012	2013	2014	2014 (unaudited)	2015 (unaudited)
<b>Statement of Operations Data:</b>							
Revenues	\$ 10,380	\$ 10,714	\$ 10,680	\$ 10,809	\$ 11,152	\$ 2,640	\$ 2,695
Operating expenses <sup>(1)</sup>	9,782	9,728	9,578	9,629	9,701	2,352	2,434
Other operating expenses, net <sup>(2)</sup>	82	44	28	56	13	3	1
Interest expense	(1,797)	(1,833)	(1,898)	(1,881)	(1,753)	(467)	(407)
Net loss	(847)	(336)	(527)	(692)	(265)	(165)	(63)
Net loss attributable to First Data Corporation	(1,022)	(516)	(701)	(869)	(458)	(201)	(112)
Depreciation and amortization <sup>(3)</sup>	1,526	1,344	1,331	1,212	1,163	292	277
<b>Historical:</b>							
Net loss per share:							
Basic and diluted	\$ (1,022,000)	\$ (516,000)	\$ (701,000)	\$ (869,000)	\$ (458,000)	\$ (201,000)	\$ (112,000)
Weighted average common shares outstanding:							

Edgar Filing: FIRST DATA CORP - Form S-1

Basic and diluted	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<i>Pro forma:</i> <sup>(4)</sup>							
Net loss per share							
Basic					\$		\$
Diluted					\$		\$
Weighted average common shares outstanding:							
Basic							
Diluted							

**Table of Contents**

(in millions)	2010	Year Ended December 31,			2014	Three Months Ended	
		2011	2012	2013		March 31,	2015
						(unaudited)	
<b>Balance Sheet Data (at period end):</b>							
Total assets	\$ 37,544	\$ 40,276	\$ 37,899	\$ 35,240	\$ 34,269	\$ 37,158	\$ 34,138
Total current and long-term settlement assets	7,059	10,839	9,228	7,557	7,558	9,704	7,690
Total liabilities	33,456	36,801	35,205	33,478	31,551	35,620	31,708
Settlement obligations	7,059	10,838	9,226	7,553	7,557	9,700	7,689
Long-term borrowings	22,439	22,522	22,529	22,557	20,711	22,549	20,641
Other long-term liabilities <sup>(5)</sup>	2,153	1,459	1,331	1,303	1,309	1,311	1,320
Redeemable noncontrolling interests	28	67	68	69	70	71	78
Total equity	4,060	3,408	2,626	1,693	2,648	1,468	2,352

- (1) Operating expenses include Cost of services; Cost of products sold; Selling, general and administrative; Reimbursable debit network fees, postage and other; and Depreciation and amortization.
- (2) Other operating expenses, net includes restructuring, net; impairments; and litigation and regulatory settlements, as applicable to the periods presented.
- (3) Includes amortization of initial payments for new contracts, which is recorded as a contra-revenue within Transaction and processing service fees and amortization related to equity method investments, which is netted within Equity earnings in affiliates in our consolidated statements of operations.
- (4) Gives effect to the Reorganization, the 2015 Refinancing, this offering and the related use of proceeds, and, for the year ended December 31, 2014 only, the Equity Recapitalization, and the repayment of all outstanding debt of FDH, which occurred during 2014, as if each had occurred on January 1, 2014. See Unaudited Pro Forma Consolidated Financial Statements.
- (5) Other long-term liabilities include Long-term deferred tax liabilities.

---

**Table of Contents****MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS**

*The following discussion contains management's discussion and analysis of our financial condition and results of operations and should be read together with Prospectus Summary Summary Historical Consolidated Financial Data, Selected Historical Consolidated Financial Data, and our consolidated financial statements and related notes thereto included elsewhere in this prospectus. This discussion contains forward-looking statements and involves numerous risks and uncertainties. Our actual results may differ materially from those anticipated in any forward-looking statements as a result of many factors, including those set forth under Special Note Regarding Forward-Looking Statements, Risk Factors, and elsewhere in this prospectus.*

**Executive Overview**

First Data sits at the center of global electronic commerce. We believe we offer our clients the most complete array of integrated solutions in the industry, covering their needs across next generation commerce technologies, merchant acquiring, issuing, and network solutions. We serve our clients in 118 countries, reaching approximately 6 million business locations and over 4,000 financial institutions. We believe we have the industry's largest distribution network, driven by our partnerships with many of the world's leading financial institutions, our direct sales force, and a network of distribution partners. We are the largest merchant acquirer, issuer processor, and independent network services provider in the world, enabling businesses to accept electronic payments, helping financial institutions issue credit, debit and prepaid cards, and routing secure transactions between them. In 2014, we processed 74 billion transactions globally, or over 2,300 per second, and processed 28% of the world's eCommerce volume. In our largest market, the United States, we acquired \$1.7 trillion of payment volume, accounting for nearly 10% of U.S. GDP last year.

Our business is characterized by high levels of recurring revenue, such as transaction related fees, a diverse client base, and multi-year client contracts, which enable us to grow alongside our clients. Our business also generally requires minimal incremental capital expenditures and working capital to support additional revenue within our existing business lines.

**Our Segments**

In the second quarter of 2015, we realigned our operating segments for financial reporting purposes into three reportable segments: Global Business Solutions, Global Financial Solutions, and Network & Security Solutions. Our new segments are designed to establish global lines of businesses that will work seamlessly with our teams in our regions (the United States and Canada ( North America ), Europe, Middle East and Africa ( EMEA ), Latin America ( LATAM ), and Asia Pacific ( APAC )) and be supported by a corporate team focused on companywide issues. Following the realignment, we retroactively adjusted all segment information to reflect this new segmentation.

*Global Business Solutions*

Our largest segment, Global Business Solutions, provides businesses of all sizes and types with a wide range of solutions at the point of sale, including merchant acquiring, eCommerce, mobile commerce, POS technology, and other business solutions. We serve approximately 4 million business locations in the United States and 2 million outside the United States. Our largest service in this segment is merchant acquiring, which facilitates the acceptance of commercial transactions at the point of sale, including retail transactions at physical business locations, mobile commerce transactions through mobile or tablet devices, or eCommerce transactions over the Internet. In 2014, we acquired \$1.7 trillion of payment volume in the United States and \$211 billion of payment volume outside the United

States, up 2% and 14%, respectively, over 2013.

---

**Table of Contents**

The Global Business Solutions segment generates approximately 77% of its revenues from clients in our North America region, 14% from clients in our EMEA region, 5% from clients in our APAC region, and 4% from clients in our LATAM region. The Global Business Solutions segment's revenues and earnings are impacted by the number of transactions, payment volume, the mix of credit cards, debit cards, stored value cards, and checks at the POS, and the size of the client. GBS generally experiences increased POS activity during the traditional holiday shopping period in the fourth quarter, the back-to-school buying period in the third quarter, and certain holidays.

*Global Financial Solutions*

Our Global Financial Solutions segment provides financial institutions, which include bank and non-bank issuers such as retailers with proprietary card portfolios, with a broad range of solutions that enable them to offer financial products and solutions to their customers. We serve over 4,000 financial institutions globally and deliver value to clients through a variety of channels, including end-to-end outsourced processing, managed services, and various software delivery models utilizing our proprietary *VisionPLUS* application. Our solutions include credit card and loans processing, commercial payments, and related supporting services. In 2014, we processed 6.5 billion transactions on our platforms.

The Global Financial Solutions segment generates approximately 55% of its revenues from clients in our North America region, 33% from clients in our EMEA region, 6% from clients in our LATAM region, and 6% from clients in our APAC region. Within the United States, revenues are diversified across financial institutions of all sizes, which are spread across the country. The Global Financial Solutions segment's revenues and earnings are impacted by the number of consumer, commercial, and retail private label credit card accounts that are issued and actively in use. Revenue and profit growth comes primarily from increased card usage, issuance of new cards from growth in existing clients and sales to new clients, and the related account conversions.

*Network & Security Solutions*

Our Network & Security Solutions segment provides a wide range of network services and security, risk and fraud management solutions to business and financial institution clients in our GBS and GFS segments and independently to other financial institutions, businesses, governments, processors, and other clients. Our largest service in this segment is our *STAR Network*, which enables clients to encrypt, route, and decrypt various types of financial data, process debit and ATM transactions, and provide access to demand deposit accounts.

Our Network & Security Solutions segment is divided into four product lines: EFT Network, Stored Value Network, Security and Fraud, and Other.

**Components of Revenue**

We generate revenue by providing commerce-enabling solutions. Set forth below is a description of our revenues by segment and factors impacting segment revenues.

*Global Business Solutions*

Our GBS segment revenues are primarily derived from processing credit and debit card transactions for business clients and also include fees for providing processing, loyalty and software services and sales and leases of POS devices. Revenues are generated from a variety of sources:

Discount fees charged to a merchant, net of credit and debit card interchange and assessment fees charged by the payment networks. The discount fee is typically either a percentage of the purchase amount or an interchange fee plus a fixed dollar amount;



## **Table of Contents**

Processing fees charged to our alliances;

Processing fees charged to merchant acquirers who have outsourced their transaction processing to us;

Sales and leases of POS devices;

Fees from providing reporting and other services; and

Software-as-a-service fees generated from the *Clover App Market*.

GBS revenue is presented net of interchange fees and assessments but includes reimburseable debit network fees and other, which is also included as an expense.

A substantial portion of our business within the GBS segment is conducted through merchant alliances between the Company and financial institutions. If we have majority ownership and management control over an alliance, then the alliance's financial statements are consolidated with ours and the related processing fees are treated as an intercompany transaction and eliminated upon consolidation. If we do not have a controlling ownership interest in an alliance, we use the equity method of accounting to account for our investment in the alliance. As a result, our consolidated revenues include certain processing fees charged to alliances accounted for under the equity method.

### *Global Financial Solutions*

Our GFS revenues are primarily derived from credit and retail card processing services and also include output, loyalty, management, marketing, and software services provided to financial institutions. Revenues for GFS services are typically generated on the basis of transactions processed, number of accounts on file, or a combination of the two.

### *Network & Security Solutions*

Our NSS revenues are primarily derived from network and card processing fees and also include security, risk and fraud management solutions and information services. Network access fees charged to businesses are assessed on a per transaction basis.

## **Recent Developments**

### *New Products and Markets*

We recently launched new products to help our clients grow their businesses. For example:

*Clover Station* our tablet based integrated POS solution that simplifies the way SMBs operate.

*Clover Mobile* allows our clients to accept payments wherever their business takes them.

*Clover Mini* a sleek, powerful device that features a large touch screen, an intuitive interface, and the choice of Wi-Fi or 3G/4G connectivity that makes transactions easy.

*Insightics* an innovative cloud-based software that unlocks the power of big data behind payment transactions to give SMBs the ability to monitor key business metrics affecting their business, better understand customers to engage effectively, and derive more value from marketing and loyalty programs to grow revenue.

*Perka* a digital loyalty marketing platform, an alternative to traditional paper and plastic card-based incentive programs. With *Perka*, virtually any business can customize and launch a mobile loyalty program that works on all cell phones, creating customer loyalty and driving growth.

---

## **Table of Contents**

*Gyft* a leading digital platform that enables consumers to buy, send, manage, and redeem gift cards using mobile devices. *Gyft*'s capabilities, combined with our long-standing experience in prepaid solutions, create a distinct combination in a rapidly growing market for virtual gift cards. Additionally, in October 2014 *Gyft* became the first gift card solution to enable consumers to buy virtual gift cards with Apple Pay's in-app payment functionality.

We also recently announced a global alliance with a leading technology consultant to develop next generation payment technology software using our *VisionPLUS* platform.

Internationally, we expanded our presence in Brazil in the third quarter of 2014 with our launch of *Bin*, our Brazilian acquiring solution. Brazil is one of the fastest-growing payments markets in the world and our partnership with local banking cooperative, Bancoob, is providing access to an existing base of merchants and sponsorship to expand across Brazil.

In June 2015, we acquired Transaction Wireless, Inc. (TWI), a digital platform that enables businesses to offer gift card programs, loyalty incentives, and integrated marketing solutions for retailers, partners, and consumers. TWI will be reported as part of our Network & Security Solutions segment.

### *Changes in Capital Structure*

During 2014, we made significant changes to our capital structure. This included our parent company, FDH, completing a \$3.5 billion private equity placement. \$2.5 billion of the net proceeds were contributed to us as a capital contribution and used to strengthen our consolidated balance sheet by paying down debt. Additionally, we repriced \$5.7 billion of our 2018 Term Loans during 2014. As a result, as of December 31, 2014, we had a weighted average interest rate of 7.4% across our debt and approximately 80% of our debt was at a fixed rate, providing a measure of protection if interest rates begin to rise.

On June 2, 2015, we refinanced our senior secured revolving credit facility and increased the amount available under this facility to \$1.25 billion. On July 10, 2015, we entered into a joinder agreement to our senior secured credit facilities providing for incremental term loans of \$725 million and \$250 million, the proceeds of which will be used to redeem \$955 million of our 7.375% senior secured first lien notes due 2019. In addition, we will also use the proceeds of this offering to repay certain indebtedness. Should interest rates remain stable, we anticipate that these transactions will reduce our cash interest expense going forward.

We also plan to effect the Reorganization, which will change the structure of our capital stock. See Prospectus Summary Corporate History and Information and Description of Capital Stock.

### **Factors and Trends Impacting Our Business and Results of Operations**

We believe there are a number of factors that impact our business, results of operations and financial condition. In general, revenues across our Global Business Solutions, Global Financial Solutions and Network & Security Solutions segments are impacted by factors such as global economic and consumer spending trends, foreign exchange rates, geopolitical events, the pace of adoption of commerce-enablement and payment solutions, types and quantities of products and services provided to enterprises, timing and length of contract renewals, new enterprise wins, retention rates, mix of payment solution types employed by consumers, changes in interchange rates and size of enterprise served.

Additional factors impacting our Global Business Solutions segment include the mix of business vertical categories served and the pace of business creation and dissolution.

Additional factors impacting our Global Financial Solutions segment include the mix of financial institution types served, financial industry consolidation and regulatory changes.

## **Table of Contents**

Additional factors impacting our Network & Security Solutions segment include the mix of enterprise types served, the pace of business creation and dissolution, financial industry consolidation, regulatory changes, the occurrence of data breaches and cybersecurity threats.

We also believe our results of operations could be impacted by changes to our expense structure as a result of capital structure modifications, operational efficiencies, investments in new products and solutions, advancements in technology, foreign exchange rates, geographic expansion, acquisitions and divestitures.

## **Factors Affecting the Comparability of Our Results of Operations**

As a result of a number of factors, our historical results of operations are not comparable from period to period and may not be comparable to our financial results of operations in future periods. Key factors affecting the comparability of our results of operations are summarized below.

### *Currency Impact*

A portion of our revenues and liabilities are in foreign currencies. As a result, changes in foreign currencies against the U.S. dollar can impact our results of operations. Additionally, we have substantial intercompany debts in foreign currencies, which impacts our results of operations. In recent periods, the U.S. dollar has appreciated significantly against most foreign currencies, which has negatively impacted our revenues generated in foreign currencies as presented in U.S. dollars in our consolidated financial statements. We have presented changes related to our segment results of operations on a constant currency basis in      Segments.

### *Interest Expense and Debt Extinguishment Costs*

As a result of the Equity Recapitalization, we incurred substantial debt extinguishment costs, but lowered the average interest rate of our outstanding debt and thereby lowered our interest expense. In connection with the use of proceeds from this offering, we also expect to incur debt extinguishment costs, but expect to lower our ongoing interest expense. We also anticipate that the 2015 Refinancing will lower our ongoing interest expense.

### *Sale of Electronic Funds Source LLC*

The sale of Electronic Funds Source LLC (EFS) in the second quarter of 2014 resulted in a pretax gain of \$98 million and we no longer generate the revenues or EBITDA that were associated with the EFS business.

### *TeleCheck*

The amount of revenue generated from our *TeleCheck* business continues to drop steadily. Our *TeleCheck* business involves the verification and guaranteeing of checks. The revenue generated by this business is decreasing with the general decline in the use of checks.

### *Stock-Based Compensation Expense*

Most of our outstanding stock-based compensation awards vest upon the later of a service condition, a liquidity event, such as this offering, or termination of employment. In connection with this offering, we expect to incur \$              in stock-based compensation expense. Furthermore, we expect stock-based compensation to be higher in the future as our awards will be expensed over the requisite service period. See Note 11 in the audited consolidated financial statements included elsewhere in this prospectus for additional information about our stock compensation plans.



**Table of Contents****Results of Operations**

Consolidated results should be read in conjunction with segment results and the Segment Information notes to our consolidated financial statements included elsewhere in this prospectus, which provides more detailed discussions concerning certain components of our consolidated statements of operations. All significant intercompany accounts and transactions have been eliminated within the consolidated results.

**Consolidated Results for the Three Months Ended March 31, 2015 and 2014**

(in millions)	Three Months Ended March 31, 2015      2014 (unaudited)		Percent Change
<b>Statement of Operations Data:</b>			
Revenues	\$ 2,695	\$ 2,640	2%
Expenses:			
Cost of services (exclusive of items shown below)	714	635	12%
Cost of products sold	76	79	(4)%
Selling, general and administrative	520	498	4%
Reimbursable debit network fees, postage and other	873	875	%
Depreciation and amortization	251	265	(5)%
Other operating expenses, net	1	3	(67)%
Total expenses	2,435	2,355	3%
Operating profit	260	285	(9)%
Interest income	1	3	(67)%
Interest expense	(407)	(467)	(13)%
Other income	35	1	3,400%
	(371)	(463)	(20)%
Loss before income taxes and equity earnings in affiliates	(111)	(178)	(38)%
Income tax expense	3	37	(92)%
Equity earnings in affiliates	51	50	2%
Net loss	(63)	(165)	(62)%
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	49	36	36%
Net loss attributable to First Data	\$ (112)	\$ (201)	(44)%

***Operating revenues overview***

(in millions)	Three months ended March 31,		Percent Change
	2015	2014	
Transaction and processing service fees	\$ 1,566	\$ 1,540	2%
Product sales and other	256	225	14%
Reimbursable debit network fees, postage, and other	873	875	%
Total revenues	\$ 2,695	\$ 2,640	2%

*Transaction and processing service fees* revenue increased during the three months ended March 31, 2015 compared to the same period in 2014 due to increased card services and merchant related services revenue resulting from net new business and organic growth, both domestically and internationally. Revenue increased due to growth in transactions and volume, offset by lower rates, changes in mix and attrition. As expected, we continue to experience decreases in check processing revenue primarily as a result of lower overall check



**Table of Contents**

volumes due to a shift toward electronic payments. Transaction growth was also negatively impacted by Walmart's shift to a dual processor strategy which started in the first quarter of 2014. Foreign currency exchange movements negatively impacted the transaction and processing service fees revenue growth rate by approximately 2 percentage points for the three months ended March 31, 2015 compared to the same period in 2014.

*Product sales and other* revenue increased for the three months ended March 31, 2015 compared to the same periods in 2014 due to higher equipment sales and growth of professional services. Foreign currency exchange rate movements negatively impacted the product sales and other growth rate by approximately 5 percentage points for the three months ended March 31, 2015 compared to the same period in 2014.

**Operating expenses overview**

(in millions)	Three months ended March 31,		Percent Change
	2015	2014	
Cost of services (exclusive of items shown below)	\$ 714	\$ 635	12%
Cost of products sold	76	79	(4)%
Selling, general, and administrative	520	498	4%
Reimbursable debit network fees, postage, and other	873	875	%
Depreciation and amortization	251	265	(5)%
Other operating expenses, net (a)	1	3	(67)%
<b>Total expenses</b>	<b>\$ 2,435</b>	<b>\$ 2,355</b>	<b>3%</b>

(a) Other operating expenses, net includes restructuring, net.

*Cost of services* expense increased for the three months ended March 31, 2015 compared to the same periods in 2014 due to an increase in employee and contractor related expenses, and product development initiatives. Furthermore, the first quarter of 2015 was negatively impacted by two client-related matters totaling \$25 million. Additionally, in the first quarter of 2014, cost of services benefited by a combined \$17 million from a tax recovery in Australia and a gain on the revaluation of settlement funds associated with the devaluation of the Argentina Peso.

*Cost of products sold* expense decreased for the three months ended March 31, 2015 compared to the same periods in 2014 due to lower expenses in our international operations in part driven by the strength of the U.S. dollar.

**Selling, general, and administrative**

(in millions)	Three months ended March 31,		Percent Change
	2015	2014	
Salaries, wages, bonus, and other	\$ 196	\$ 197	(1)%
ISO commissions	147	135	9%
Internal sales commissions	39	34	15%

Edgar Filing: FIRST DATA CORP - Form S-1

Outside professional services	54	53	2%
Other	84	79	6%
Selling, general, and administrative expense	\$ 520	\$ 498	4%

*Selling, general and administrative* expense increased for the three months ended March 31, 2015 compared to the same period in 2014 due to increased commissions, higher use of consulting services, marketing activity and an increase in employee related expenses offset by lower stock compensation expense related to the departure of executive officers in the first quarter of 2014.

**Table of Contents**

*Depreciation and amortization* expense decreased during the three months ended March 31, 2015 compared to the same period in 2014 due to a decrease in the amortization of acquisition-related intangible assets.

*Other operating expenses, net* includes restructuring, net. Refer to Note 3 *Restructuring* to our unaudited consolidated financial statements included elsewhere in this prospectus for details regarding restructuring charges. Pursuant to our recently announced restructuring program, annualized savings are expected to be \$200 million by mid-2016. We expect to incur \$75 million of restructuring charges beginning in the second quarter of 2015.

**Interest income (expense)**

(in millions)	Three months ended March 31,		Percent Change
	2015	2014	
Interest income	\$ 1	\$ 3	(67)%
Interest expense	(407)	(467)	(13)%

*Interest expense* decreased for the three months ending March 31, 2015 compared to the same period in 2014 due to lower outstanding debt balances as a result of debt extinguishments, lower interest rates as a result of debt exchanges and refinancing, and lower financing fees amortization. Refer to Note 4 *Borrowings* to our unaudited consolidated financial statements included elsewhere in this prospectus for additional information.

**Other income**

(in millions)	Three months ended March 31,	
	2015	2014
Derivative financial instruments (losses) and gains	\$ (2)	\$ 3
Divestitures, net gains	1	
Non-operating foreign currency gains and (losses)	36	(2)
Other income	\$ 35	\$ 1

*Non-operating foreign currency gains and (losses)* for the three months ended March 31, 2015 and 2014 primarily relate to currency translations on our euro-denominated debt and our intercompany loans. The gain during 2015 was driven by the U.S. dollar strengthening 11% against the euro for the three months ended March 31, 2015 compared to the same period in 2014.

**Income taxes**

(in millions)	Three months ended March 31,	
	2015	2014
Income tax expense	\$ 3	\$ 37
Effective income tax rate	(5)%	(29)%

*Income taxes.* The effective income tax rates for the three months ended March 31, 2015 and 2014 were different from the statutory rate primarily as a result of our inability to recognize tax benefits attributable to our domestic losses while at the same time recording tax expense on our foreign earnings. Our tax expense in all quarters was also impacted by the fact that we do not record tax expense on noncontrolling interests from pass through entities.

**Table of Contents**

Our liability for unrecognized tax benefits was approximately \$240 million as of March 31, 2015. We anticipate it is reasonably possible that the liability for unrecognized tax benefits may decrease by approximately \$123 million over the next twelve months beginning March 31, 2015 as a result of the possible closure of federal tax audits, potential settlements with certain states and foreign countries, and the lapse of the statute of limitations in various state and foreign jurisdictions.

***Equity earnings in affiliates***

(in millions)	Three months ended March 31,		
	2015	2014	Percent Change
Equity earnings in affiliates	\$ 51	\$ 50	2%

*Equity earnings in affiliates* primarily relate to the earnings of our merchant alliance partnerships and increased for the three months ended March 31, 2015 compared to the same period in 2014 mostly due to higher volumes, pricing initiatives and increased terminal revenues.

***Net income attributable to noncontrolling interests and redeemable noncontrolling interest***

(in millions)	Three months ended March 31,		
	2015	2014	Percent Change
Net income attributable to noncontrolling interests and redeemable noncontrolling interest	\$ 49	\$ 36	36%

*Net income attributable to noncontrolling interests and redeemable noncontrolling interest* mostly relates to our consolidated merchant alliances. Net income attributable to noncontrolling interests and redeemable noncontrolling interest increased for the three months ended March 31, 2015 compared to the same period in 2014 due to organic growth and new revenues partially offset by attrition. Refer to Note 6 Redeemable Noncontrolling Interests to our unaudited consolidated financial statements included elsewhere in this prospectus for additional information.

**Table of Contents****Consolidated Results for the Years Ended December 31, 2014, 2013 and 2012**

(in millions)	Year Ended December 31,			Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Revenues	\$ 11,152	\$ 10,809	\$ 10,680	3%	1%
Expenses:					
Cost of services (exclusive of items shown below)	2,668	2,723	2,781	(2)%	(2)%
Cost of products sold	330	328	330	1%	(1)%
Selling, general and administrative	2,043	1,980	1,913	3%	4%
Reimbursable debit network fees, postage and other	3,604	3,507	3,362	3%	4%
Depreciation and amortization	1,056	1,091	1,192	(3)%	(8)%
Other operating expenses, net	13	56	28	(77)%	100%
Total expenses	9,714	9,685	9,606	%	1%
Operating profit	1,438	1,124	1,074	28%	5%
Interest income	11	11	9	%	22%
Interest expense	(1,753)	(1,881)	(1,898)	(7)%	(1)%
Loss on debt extinguishment	(260)			N/A	N/A
Other income (expense)	161	(47)	(94)	N/A	(50)%
	(1,841)	(1,917)	(1,983)	(4)%	(3)%
Loss before income taxes and equity earnings in affiliates	(403)	(793)	(909)	(49)%	(13)%
Income tax expense (benefit)	82	87	(224)	(6)%	N/A
Equity earnings in affiliates	220	188	158	17%	19%
Net loss	(265)	(692)	(527)	(62)%	31%
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	193	177	174	9%	2%
Net loss attributable to First Data	\$ (458)	\$ (869)	\$ (701)	(47)%	24%

**Operating revenues overview**

(in millions)	Year ended December 31,			Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012

Edgar Filing: FIRST DATA CORP - Form S-1

Transaction and processing service fees	\$ 6,510	\$ 6,345	\$ 6,330	3%	%
Product sales and other	1,038	957	988	8%	(3)%
Reimbursable debit network fees, postage, and other	3,604	3,507	3,362	3%	4%
Total revenues	\$ 11,152	\$ 10,809	\$ 10,680	3%	1%

*Transaction and processing service fees* revenue increased during 2014 compared to 2013 primarily due to increased card services and merchant-related services revenue as a result of net new business and organic growth, both domestically and internationally. Revenue increased due to growth in transactions and volume, offset by lower rates, changes in mix, and attrition. As expected, we continue to experience decreases in check processing revenue primarily as a result of lower overall check volumes due to a shift toward electronic payments. During 2014, foreign currency exchange rate movements negatively impacted our transaction and processing service fees revenue growth rate compared to the same period in 2013 by approximately 1 percentage point.

**Table of Contents**

Revenue remained flat in 2013 compared to 2012 as increases in merchant-related services revenue were offset by decreases in card services and check services. The net increases in merchant-related services revenue resulted from increases in both domestic and international merchant transactions and dollar volumes in addition to new sales, pricing increases, and network routing incentives. These increases were offset by decreases resulting from the impact of merchant mix on transactions and dollar volumes, the effects of shifts in pricing mix, merchant attrition, and price compression. The decreases in card services revenue resulted primarily from net lost business both domestically and internationally. We experienced decreases in check processing revenue as a result of lower overall check volumes and merchant attrition. The foreign currency exchange rate movements did not materially impact the transaction and processing service fees revenue growth rate for 2013 compared to 2012.

*Product sales and other* revenue increased during 2014 compared to 2013 due to higher equipment sales and revenue streams with lower variable expenses such as portfolio growth in the leasing business, including interest income and fees on terminal leases, and the \$12 million sale of a merchant portfolio in Poland in the fourth quarter of 2014. During 2014, we recognized \$5 million for contract settlements and waivers. Foreign currency exchange rate movements negatively impacted the product sales and other growth rate for 2014 compared to 2013 by approximately 3 percentage points.

Revenue decreased in 2013 compared to 2012 due to a decline in domestic terminal sales, including lower bulk sales, a decrease in international software license sales and foreign currency exchange rates partially offset by growth in professional services revenue resulting from new projects. Foreign currency exchange rate movements negatively impacted the product sales and other growth rate in 2013 compared to 2012 by approximately 1 percentage point.

*Reimbursable debit network fees, postage, and other* revenue increased in 2014 and 2013 due to transaction and volume growth related to debit network fees related to both new and existing clients partially offset by changes in regulated financial institution mix.

Reimbursable debit network fees, postage, and other revenue increased in 2013 compared to 2012 due to transaction and volume growth related to debit network fees, partially offset by rate decreases.

**Operating expenses overview**

(in millions)	Year ended December 31,			Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Cost of services (exclusive of items shown below)	\$ 2,668	\$ 2,723	\$ 2,781	(2)%	(2)%
Cost of products sold	330	328	330	1%	(1)%
Selling, general, and administrative	2,043	1,980	1,913	3%	4%
Reimbursable debit network fees, postage, and other	3,604	3,507	3,362	3%	4%
Depreciation and amortization	1,056	1,091	1,192	(3)%	(8)%
Other operating expenses, net	13	56	28	(77)%	100%
<b>Total expenses</b>	<b>\$ 9,714</b>	<b>\$ 9,685</b>	<b>\$ 9,606</b>	<b>%</b>	<b>1%</b>

*Cost of services* expense decreased in 2014 compared to 2013 due to our focus on operational and processing efficiencies including lower headcount and changes in compensation programs, a tax recovery in Australia, and lower bonus expense, partially offset by product development initiatives and a \$22 million reserve for uncollectible



receivables in Latin America.

Cost of services expense decreased in 2013 compared to 2012 mostly due to cost reduction initiatives offset by increases in product development costs.

**Table of Contents*****Selling, general, and administrative***

(in millions)	Year ended December 31,			Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Salaries, wages, bonus, and other	\$ 741	\$ 742	\$ 700	%	6%
ISO commissions	587	579	563	1%	3%
Outside professional services	216	196	199	10%	(2)%
Internal sales commissions	147	136	152	8%	(11)%
Other	352	327	299	8%	9%
Selling, general, and administrative expense	\$ 2,043	\$ 1,980	\$ 1,913	3%	4%

*Selling, general, and administrative expense* increased in 2014 compared to 2013 largely due to growth in payments to independent sales organizations resulting from increased transactions and volumes, higher legal fees, and expenses incurred throughout 2014 related to the transition of several corporate functions from Denver to Atlanta. Other, which includes advertising and promotional expenses, business travel and entertainment expenses, and other selling expenses, increased mainly due to increased marketing expenditures related to new products. Commissions expense increased due to increased sales.

Selling, general, and administrative expense increased in 2013 compared to 2012 largely due to increased sales staff, litigation expense, and additional non-payroll taxes, partially offset by reduced commissions expense due to lower payouts related to lower sales volume.

*Reimbursable debit network fees, postage, and other expense* increased in 2014 and 2013 due to transaction and volume growth related to debit network fees for both new and existing clients, partially offset by changes in regulated financial institution mix.

Reimbursable debit network fees, postage, and other increased in 2013 compared to 2012 due to transaction and volume growth related to debit network fees, partially offset by rate decreases.

*Depreciation and amortization* expense decreased in 2014 and 2013 due to a decrease in the amortization of certain intangible assets that are being amortized on an accelerated basis and certain other assets that have become fully amortized, partially offset by amortization of new assets.

*Other operating expenses, net* includes restructuring, litigation and regulatory settlements, impairments, and other as applicable to the periods presented. Refer to Note 2 *Restructuring* to our audited consolidated financial statements included elsewhere in this prospectus for details regarding restructuring charges.

***Interest income (expense)***

(in millions)	Year ended December 31,			Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Interest income	\$ 11	\$ 11	\$ 9	%	22%
Interest expense	(1,753)	(1,881)	(1,898)	(7)%	(1)%

*Interest expense* decreased in 2014 compared to 2013 due to lower outstanding debt balances as a result of debt extinguishments, lower interest rates as a result of debt exchanges and refinancing, and lower financing fees amortization. Refer to Note 6 Borrowings to our audited consolidated financial statements included elsewhere in this prospectus.

**Table of Contents**

Interest expense decreased slightly in 2013 compared to 2012 due to the de-designation of cash flow hedges, which resulted in the reclassification of \$115 million of accumulated losses from other comprehensive income (OCI) into interest expense during 2012. This was substantially offset by increased interest expense related to higher interest rates resulting from debt modifications and amendments. As of December 31, 2014 and 2013, there were no amounts carried in OCI related to interest rate swaps. Refer to Note 5 *Derivative Financial Instruments* to our audited consolidated financial statements included elsewhere in this prospectus for additional information.

***Loss on debt extinguishment***

We incurred a \$260 million loss on the extinguishment of \$2.2 billion of outstanding debt during the third quarter of 2014. Refer to Note 6 *Borrowings Debt Repurchase* to our audited consolidated financial statements included elsewhere in this prospectus for more information.

***Other income (expense)***

<b>(in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Investment gains and (losses)	\$ 100	\$ 2	\$ (8)
Derivative financial instruments gains and (losses)		(24)	(91)
Divestitures, net	2	(5)	
Non-operating foreign currency gains and (losses)	59	(20)	5
<b>Other income (expense)</b>	<b>\$ 161</b>	<b>\$ (47)</b>	<b>\$ (94)</b>

*Investment gains and (losses).* Gains in 2014 relate primarily to the sale of our 30% minority interest in EFS which resulted in a pretax gain of \$98 million. The net investment losses in 2012 relate primarily to the impairment of a strategic investment.

*Derivative financial instruments gains and (losses).* The net loss in 2013 was due to fair value adjustments for interest rate swaps and cross currency swaps that are not designated as accounting hedges while the loss in 2012 was primarily driven by fair value adjustments related to interest rate swaps.

*Non-operating foreign currency gains and (losses).* Amounts represent net gains and losses related to currency translations on our intercompany loans and euro-denominated debt. The gain during 2014 was driven by the U.S. dollar strengthening against the Euro.

***Income taxes***

<b>(in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Income tax expense (benefit)	\$ 82	\$ 87	\$ (224)
Effective income tax rate	(45)%	(14)%	30%

The effective tax rates in each year differ from the statutory rates primarily as a result of recognizing tax expense in jurisdictions with pretax income while being precluded from recognizing deferred tax benefits on pre-tax losses in the

U.S. and certain foreign jurisdictions that are subject to valuation allowances. In each year, the negative impact from the valuation allowance was partially offset by us not having to record tax expense attributable to the noncontrolling interest portion of pretax income from pass through entities.

**Table of Contents**

Following the recognition of significant valuation allowances in 2012, we have regularly experienced substantial volatility in our effective tax rate in interim periods and across years. This is due to deferred income tax benefits not being recognized in several jurisdictions, and changes in the amount, mix, and timing of pretax earnings in tax paying jurisdictions that can have a significant impact on the overall effective tax rate. This interim and full year volatility is likely to continue in future periods until the valuation allowances can be released.

Since 2007, we have been and continue to be in a net operating loss position in the U.S. federal and combined state jurisdictions. These net operating losses caused our net deferred tax assets to exceed our net deferred tax liabilities as of December 31, 2014. This net deferred tax asset position, combined with the history of operating losses, is significant negative evidence that the more likely than not criteria requires us to record a valuation allowance against our net deferred tax assets. Further, we are not able to record a benefit related to tax losses in many separate filing states and certain foreign countries, requiring the establishment of valuation allowances.

Despite the net operating loss position discussed above, we continue to incur income tax expense in some states for which we file returns on a separate entity basis and in certain foreign countries. Generally, these foreign income taxes would result in a foreign tax credit in the United States. However, due to limitations placed by the U.S. foreign tax credit rules, we have also established a partial valuation allowance against our foreign tax credits.

We or one or more of our subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. As of December 31, 2014, we were no longer subject to income tax examination by the U.S. federal jurisdiction for years before 2005. State and local examinations are substantially complete through 2006. Foreign jurisdictions generally remain subject to examination by their respective authorities from 2008 forward, none of which are considered major jurisdictions. Refer to Note 15 *Income Taxes* to our audited consolidated financial statements included elsewhere in this prospectus for additional information.

***Equity earnings in affiliates***

(in millions)	Year ended December 31,			Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Equity earnings in affiliates	\$ 220	\$ 188	\$ 158	17%	19%

*Equity earnings in affiliates* primarily relate to the earnings of our merchant alliance partnerships and increased in 2014 and 2013 mostly due to higher volumes and pricing initiatives as well as a decrease in amortization. The sale of EFS in the second quarter of 2014 did not significantly impact these earnings.

***Net income attributable to noncontrolling interests and redeemable noncontrolling interest***

(in millions)	Year ended December 31,			Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
Net income attributable to noncontrolling interests and redeemable noncontrolling interest	\$ 193	\$ 177	\$ 174	9%	2%

*Net income attributable to noncontrolling interests and redeemable noncontrolling interest* relates to the interests of our merchant partners in our consolidated merchant alliances. Net income attributable to noncontrolling interests and redeemable noncontrolling interest increased in 2014 compared to 2013 due to organic growth, new revenue, and lower credit losses from our consolidated alliances.

Income increased in 2013 compared to 2012 due most significantly to increased profit by one of our merchant alliances driven by increased volumes and network routing incentives.

## Table of Contents

### Segment Results

We classify our businesses into three segments: Global Business Solutions, Global Financial Solutions, and Network & Security Solutions. Our Corporate operations (as described below) are not discussed separately as any results that had a significant impact on operating results are included in the consolidated results discussion above.

The business segment measurements provided to and evaluated by the chief operating decision maker are computed in accordance with the principles listed below.

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

Intersegment revenues are eliminated in the segment that sells directly to the end market.

Segment revenue excludes reimbursable debit network fees, postage, and other revenue.

Segment EBITDA includes equity earnings in affiliates and excludes depreciation and amortization expense, net income attributable to noncontrolling interests, other operating expenses, and other income (expense). Additionally, segment EBITDA is adjusted for items similar to certain of those used in calculating our compliance with debt covenants. The additional items that are adjusted to determine segment EBITDA are:

stock-based compensation and related expense is excluded;

official check and money order businesses' EBITDA are excluded as these are winding down;

certain costs directly associated with the termination of the Chase Paymentech Solutions alliance in 2008 and expenses related to the conversion of certain Banc of America Merchant Services, LLC (BAMS) alliance merchant clients onto our platforms (excludes costs accrued in purchase accounting). Effective October 1, 2011, we and Bank of America N.A. jointly decided to have us operate the bank's legacy settlement platform. Transition costs associated with the revised strategy are also excluded from segment EBITDA;

debt issuance costs are excluded and represent costs associated with issuing debt and modifying our debt structure; and

KKR related items including annual sponsor and other fees for management, consulting, financial, and other advisory services are excluded.



For significant affiliates, segment revenue and EBITDA are reflected based on our proportionate share of the results of our investments in businesses accounted for under the equity method and consolidated subsidiaries with noncontrolling ownership interests. For other affiliates, we include equity earnings in affiliates, excluding amortization expense, in segment revenue and EBITDA. In addition, our Global Business Solutions segment measures reflect revenue-based commission payments to ISOs and sales channels, which are treated as an expense in the consolidated statements of operations as contra revenue to be consistent with revenue share arrangements with other ISOs and sales channels that are recorded as contra revenue.

Corporate operations include corporate-wide governance functions such as our executive management team, aviation, tax, treasury, internal audit and corporate strategy and certain accounting, human resources and legal costs related to supporting the corporate function. Costs incurred by Corporate that are attributable to a segment are allocated to the respective segment.

**Table of Contents****Segment Results for the Three Months Ended March 31, 2015 and 2014*****Global Business Solutions segment results***

The following table displays total segment revenue and EBITDA and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue and EBITDA growth.

(in millions)	Three months ended March 31,			Constant Currency Percent Change
	2015	2014	Change	
Revenues:				
Transaction and processing service fees	\$ 769	\$ 767	%	3%
Product sales and other	187	170	10%	15%
Equity earnings in affiliates	6	7	(14)%	%
Segment revenue	\$ 962	\$ 944	2%	5%
Segment EBITDA (a)	\$ 360	\$ 386	(7)%	(5)%
Segment margin	37%	41%	(400) bps	

(a) Earnings before net interest expense, income taxes, depreciation, and amortization (EBITDA).

*Global Business Solutions Segment revenue* increased 2% during the three months ended March 31, 2015 versus the comparable period in 2014 driven by strong product sales and other growth. Total segment revenue was partially offset by the impact of a strong U.S. dollar as foreign currency exchange rate movements negatively impacted total segment revenue growth in 2014 compared to 2013.

***Transaction and processing service fees revenue***

The following table displays total transaction and processing service fees revenue by segment region and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue growth.

(in millions)	Three months ended March 31,			Constant Currency Percent Change
	2015	2014	Percent Change	
North America	\$ 618	\$ 603	2%	2%
EMEA	84	89	(6)%	11%
APAC	44	55	(20)%	(15)%
LATAM	23	20	15%	29%

Total transaction and processing service fees revenue	\$ 769	\$ 767	%	3%
---	--------	--------	---	----

## Key indicators:

North America merchant transactions (a)	10,008	9,837	2%
International merchant transactions (b)	1,549	1,363	14%

- (a) North American merchant transactions include acquired Visa and MasterCard credit and signature debit, American Express and Discover, PIN-debit, electronic benefits transactions, processed-only and gateway customer transactions at the point of sale. North American merchant transactions reflect 100% of alliance transactions.
- (b) International transactions include Visa, MasterCard, and other payment network merchant acquiring transactions for clients outside the United States and Canada. Transactions include credit, signature debit, PIN-debit POS, POS gateway, and ATM transactions.

**Table of Contents**

*Transaction and processing service fees revenue* remained flat during the three months ended March 31, 2015 compared to the same period in 2014 as growth in our North America region was offset by the impact of foreign currency fluctuations. North America revenue growth was driven by increased volume within our merchant alliances, and a timing benefit resulting from certain fee increases which only impacted the first quarter of 2015. During the first quarter of 2015, the U.S. dollar significantly strengthened in comparison to all major currencies, negatively impacting revenue growth in our international regions.

*Total product sales and other revenue*

The following table displays total product sales and other revenue by segment region and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue growth.

(in millions)	Three months ended March 31,		Percent Change	Constant Currency Percent Change
	2015	2014		
North America	\$ 137	\$ 118	16%	16%
EMEA	35	38	(8)%	8%
APAC	1	1	%	5%
LATAM	14	13	8%	24%
<b>Total product sales and other revenue</b>	<b>\$ 187</b>	<b>\$ 170</b>	<b>10%</b>	<b>15%</b>

*Product sales and other revenue* increased 10% during the three months ended March 31, 2015 compared to the same period in 2014 primarily due to growth in equipment sales and portfolio growth in the leasing business. Foreign currency exchange rate movements negatively impacted the growth rate for product sales and other revenue for the three months ended March 31, 2015 compared to the same period in 2014.

*Global Business Solutions Segment EBITDA* decreased 7% during the three months ended March 31, 2015 compared to the same period in 2014 driven by higher expenses, primarily product investment costs to support our new merchant suite line of products such as *Clover* and *Perka*, sales and marketing costs to deliver solutions to our clients, as well as further investments in Brazil and in our international sales force. In addition, during the three months ended March 31, 2014, we received the benefit of a combined \$17 million goods and services tax recovery in Australia and a gain on the revaluation of settlement funds associated with the devaluation of the Argentinian peso. Foreign currency also negatively impacted GBS segment EBITDA by 2%.

*Global Financial Solutions segment results*

The following table displays total revenue by segment region and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue growth.

(in millions)	Three months ended March 31,		Change	Constant Currency Percent
	2015	2014		

				<b>Change</b>
North America	\$ 210	\$ 195	8%	8%
EMEA	101	117	(14)%	(1)%
APAC	20	20	%	7%
LATAM	26	23	13%	23%
<b>Segment revenue</b>	<b>\$ 357</b>	<b>\$ 355</b>	<b>1%</b>	<b>6%</b>
<b>Segment EBITDA</b>	<b>\$ 119</b>	<b>\$ 120</b>	<b>(1)%</b>	<b>3%</b>
<b>Segment margin</b>	<b>33%</b>	<b>34%</b>	<b>(100) bps</b>	
<b>Key indicators:</b>				
North America card accounts on file (a)	719	694	4%	
International card accounts on file (b)	135	122	11%	

**Table of Contents**

- (a) North America card accounts on file reflect the average number of bankcard and retail accounts during the periods presented.
- (b) International card accounts on file reflect total bankcard and retail accounts outside the United States and Canada as of the end of the periods presented.

*Global Financial Solutions Segment revenue* increased 1% during the three months ended March 31, 2015 compared to the same period in 2014 as growth in our North America region was partially offset by decreased revenue in our EMEA region. North America revenue grew 8% driven by credit and retail card processing and output services. Growth in output services was driven by growth in print volumes and plastics as a result of EMV personalization charges.

EMEA revenue declined 14% primarily driven by currency fluctuations, as well as lost business in the United Kingdom and price compression in Germany. The U.S. dollar continued to strengthen against all major currencies, which significantly impacted our international revenue growth rate compared to the same period in 2014.

**Network & Security Solutions segment results**

The following table displays total revenue by product. Our Network & Security Solutions segment is comprised of more than 99% domestic businesses with no material foreign exchange impact on reported results.

(in millions)	Three months ended		
	March 31,		
	2015	2014	Change
<b>Revenues:</b>			
EFT Network	\$ 115	\$ 111	4%
Stored Value Network	76	79	(4)%
Security and Fraud	92	92	%
Other	53	48	10%
Segment revenue	\$ 336	\$ 330	2%
Segment EBITDA	\$ 130	\$ 144	(10)%
Segment margin	39%	44%	(500) bps
<b>Key indicators:</b>			
Network transactions (EFT and Stored Value) (a)	4,415	4,228	4%

- (a) Network transactions include debit issuer processing transactions, *STAR Network* issuer transactions, and closed loop and open loop POS transactions.

*Network & Security Solutions revenue* increased 2% in the first quarter of 2015 compared to the same period in 2014 driven by a 4% growth in our EFT Network business, partially offset by a 4% decrease in our Stored Value Network business. Security and Fraud revenue remained flat as continued declines in check volumes were offset by growth in our portfolio of fraud solutions products.

EFT Network revenue increased due to growth in debit network revenue, driven by growth from existing clients and net new business. Stored Value Network revenue decreased due to the disposition of a noncore transportation payments joint venture, EFS, in the second quarter of 2014, which had an approximate \$13 million negative impact on segment revenue during the three months ended March 31, 2015. The impact of the EFS disposition was partially offset by higher payment volumes within the open loop payroll distribution program related to existing clients, new business and the roll out of *Gyft*.

*Network & Security Solutions Segment EBITDA* decreased 10% during the three months ended March 31, 2015 compared to the same period in 2014 due to the impact of the revenue items noted above being more than offset by increased operating expenses for *STAR Network* functionality and the sale of EFS. The disposition of EFS had a negative impact of approximately \$6 million on segment EBITDA during the three months ended March 31, 2015.

**Table of Contents****Segment Results for the Years Ended December 31, 2014, 2013 and 2012****Global Business Solutions segment results**

The following table displays total segment revenue and EBITDA and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue and EBITDA growth.

(in millions)	Year ended December 31,			Change		Constant Currency	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012	Percent Change 2014 vs. 2013	Percent Change 2013 vs. 2012
Revenues:							
Transaction and processing service fees	\$ 3,250	\$ 3,197	\$ 3,090	2%	3%	3%	4%
Product sales and other	766	709	744	8%	(5)%	11%	(4)%
Equity earnings in affiliates	30	32	36	(6)%	(11)%	(10)%	(10)%
Segment revenue	\$ 4,046	\$ 3,938	\$ 3,870	3%	2%	4%	2%
Segment EBITDA	\$ 1,687	\$ 1,644	\$ 1,606	3%	2%	4%	3%
Segment margin	42%	42%	41%	100 bps			

*Global Business Solutions Segment revenue* increased 3% in 2014 compared to 2013 driven by growth in our transaction processing business and strong product sales growth. Total segment revenue growth was partially offset by the impact of a strong U.S. dollar as foreign currency exchange rate movements negatively impacted total segment revenue growth in 2014 compared to 2013.

*Global Business Solutions Segment revenue* increased 2% in 2013 compared to 2012 driven by strong growth in our transaction and processing business, partially offset by declines in product sales and other. Total segment revenue growth was partially offset by the impact of a strong U.S. dollar as foreign currency exchange rate movements negatively impacted total segment revenue growth in 2013 compared to 2012.

**Transaction and processing service fees revenue**

The following table displays total transaction and processing service fees revenue by segment region and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue growth.



(in millions)	Year ended December 31,			Percent Change		Constant Currency Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012	2014 vs. 2013	2013 vs. 2012
North America	\$ 2,571	\$ 2,560	\$ 2,496	%	3%	1%	3%
EMEA	389	359	312	8%	15%	7%	13%
APAC	204	192	206	6%	(7)%	10%	(3)%
LATAM	86	86	76	%	13%	30%	26%
Total transaction and processing service fees revenue	\$ 3,250	\$ 3,197	\$ 3,090	2%	3%	3%	4%

## Key indicators:

## North America merchant transactions

(a)	41,453	40,445	38,806	2%	4%
International merchant transactions (b)	6,030	5,338	4,867	13%	10%

- (a) North America merchant transactions include acquired Visa and MasterCard credit and signature debit, American Express and Discover, PIN-debit, electronic benefits transactions, processed-only, and gateway customer transactions at the POS. North America merchant transactions reflect 100% of alliance transactions.
- (b) International transactions include Visa, MasterCard, and other payment network merchant acquiring transactions for clients outside the United States and Canada. Transactions include credit, POS, POS gateway, and ATM transactions.

**Table of Contents**

*Transaction and processing service fees revenue* grew 2% in 2014 compared to 2013 led by 8% growth in our EMEA region. EMEA growth was primarily driven by growth in our merchant acquiring alliances business. Our North America segment was driven by growth in merchant transactions and new sales and pricing increases, primarily for regional merchants, and network routing incentives, including \$12 million in domestic incentives during 2014, partially offset by merchant attrition and price compression. In 2014, the U.S. dollar significantly strengthened in comparison to most major currencies negatively impacting revenue growth in our international regions.

North America transaction growth in 2014 compared to 2013 was primarily driven by growth in our national and ISO merchants, partially offset by lost business at Walmart as they shifted to a dual processor strategy in the first quarter of 2014. International transaction growth in 2014 compared to 2013 outpaced revenue growth due to changes in transaction mix and the impact of foreign currency exchange rate movements.

*Transaction and processing service fees revenue* increased 3% in 2013 compared to 2012 led by growth in our North America and EMEA regions. North America growth was driven by merchant transactions and dollar volumes, new sales, pricing increases and network routing incentives, partially offset by merchant attrition and price compression. Revenue growth was particularly strong in our EMEA region, which accounted for approximately 50% of segment growth. Growth in our EMEA region was driven by volume growth, particularly in merchant acquiring alliances as well as direct sales channels in Ireland, the United Kingdom, and Poland. In addition, revenue in our APAC region decreased compared to 2012 due to lower ATM volumes in Australia. In 2013, the U.S. dollar strengthened in comparison to most major currencies negatively impacting our 2013 revenue growth.

International transaction growth in 2013 compared to 2012 outpaced revenue growth due to changes in transaction mix and the impact of foreign currency exchange rate movements.

*Total product sales and other revenue*

The following table displays total product sales and other revenue by segment region and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue growth.

(in millions)	Year ended December 31,			Percent Change		Constant Currency Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012	2014 vs. 2013	2013 vs. 2012
North America	\$ 546	\$ 500	\$ 542	9%	(8)%	9%	(8)%
EMEA	165	147	141	12%	4%	11%	3%
APAC	3	4	6	(25)%	(33)%	(23)%	(32)%
LATAM	52	58	55	(10)%	5%	31%	25%
Total product sales and other revenue	\$ 766	\$ 709	\$ 744	8%	(5)%	11%	(4)%

*Product sales and other revenue* increased 8% in 2014 compared to 2013 due to higher equipment sales and portfolio growth in the leasing business, including interest income and fees on terminal leases. Additionally, product sales and other was positively impacted by the \$12 million sale of a merchant portfolio in Poland during the fourth quarter of 2014. In 2014, foreign currency exchange rate movements negatively impacted the growth rate for product sales and other revenue in 2014 compared to 2013.

*Product sales and other revenue* decreased 5% in 2013 compared to 2012 due to a decline in terminal sales, including lower bulk sales, partially offset by growth in professional services revenue resulting from new projects.

*Global Business Solutions Segment EBITDA* increased 3% in 2014 compared to 2013 from the impact of the revenue items noted above as well as a \$10 million tax recovery in Australia. Expenses were flat in 2014 compared to 2013 as a result of cost reduction efforts, primarily in operations costs, that were reinvested into product investment costs.

**Table of Contents**

*Global Business Solutions Segment EBITDA* increased in 2013 compared to the same period in 2012 as a result of overall growth from the revenue items noted above, slightly offset by increased technology and operations costs including product investments.

**Global Financial Solutions segment results**

The following table displays total revenue by segment region and illustrates, on a percentage basis, the impact of foreign currency fluctuations on revenue growth.

(in millions)	Year ended December 31,			Change		Constant Currency Percent Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012	2014 vs. 2013	2013 vs. 2012
North America	\$ 815	\$ 757	\$ 725	8%	4%	8%	4%
EMEA	490	440	450	11%	(2)%	9%	(3)%
APAC	87	92	125	(5)%	(26)%	%	(22)%
LATAM	97	95	106	2%	(10)%	20%	(2)%
Segment revenue	\$ 1,489	\$ 1,384	\$ 1,406	8%	(2)%	9%	(1)%
Segment EBITDA	\$ 529	\$ 404	\$ 370	31%	9%	32%	10%
Segment margin	36%	29%	26%	700 bps	300 bps		
Key indicators:							
North America card accounts on file (a)	714	692	676	3%	2%		
International card accounts on file (b)	132	115	98	15%	17%		

- (a) North America card accounts on file reflect the average number of bankcard and retail accounts during the periods presented.
- (b) International card accounts on file reflect bankcard and retail accounts outside the United States and Canada as of the end of the periods presented.

*Global Financial Solutions Segment revenue* grew 8% in 2014 compared to 2013 led by our North America and EMEA regions. North America revenue growth was driven by credit and retail card processing and output services revenue. North American output services revenue increased due to growth in both the print and plastics businesses. EMEA revenue increased primarily due to transaction and volume growth from new business from existing clients in the United Kingdom and Greece. In 2014, the U.S. dollar significantly strengthened in comparison to most major currencies negatively impacting revenue growth in our international regions.

North America active card accounts on file increased in 2014 versus 2013 primarily from net new account conversions and growth from existing clients. International accounts on file increased 2014 compared to 2013 primarily due to new portfolios of existing clients in the United Kingdom.

*Global Financial Solutions Segment revenue* decreased 2% in 2013 compared to 2012 primarily due to a 26% decrease in our APAC region and a \$10 million decrease in our EMEA region. APAC revenue decreased due to a decline in card issuing business, primarily due to lost business in Australia. EMEA revenue decreased due to a decline in software license sales partially offset by new account conversions and growth from existing clients.

Revenue decreases were offset by growth in North American credit card and retail card processing revenue, along with growth in output services, print, plastics and remittance processing businesses. Growth in North America was partially offset by disposed businesses, which negatively impacted North America's revenue growth rate by approximately 3% in 2013.

**Table of Contents**

North America active card accounts on file increased in 2013 versus 2012 primarily from net new account conversions and growth from existing clients. International card accounts on file increased in 2013 compared to 2012 primarily due to new accounts in India and the United Kingdom.

*Global Financial Solutions Segment EBITDA* increased significantly in 2014 compared to 2013 due to the impact of the revenue items noted above as well as decreased operating expenses as a result of lower headcount and changes in compensation programs. EBITDA growth was partially offset by the impact of a strong U.S. dollar as foreign currency exchange rate movements negatively impacted segment EBITDA in 2014 compared to 2013 by 1 percentage point.

*Global Financial Solutions Segment EBITDA* increased in 2013 compared to 2012 due mostly to decreased operating expenses resulting from our cost reduction initiatives partially offset by declines in revenue noted above.

**Network & Security Solutions segment results**

The following table displays total revenue by product. Our Network & Security Solutions segment is primarily comprised of more than 99% domestic businesses with no material foreign exchange impact on reported results.

(in millions)	Year ended December 31,			Change	
	2014	2013	2012	2014 vs. 2013	2013 vs. 2012
<b>Revenues:</b>					
EFT Network	\$ 466	\$ 449	\$ 509	4%	(12)%
Stored Value Network	332	347	305	(4)%	14%
Security and Fraud	376	376	397	%	(5)%
Other	195	190	195	3%	(3)%
Segment revenue	\$ 1,369	\$ 1,362	\$ 1,406	1%	(3)%
Segment EBITDA	\$ 608	\$ 549	\$ 585	11%	(6)%
Segment margin	44%	40%	42%	400 bps	(200) bps
<b>Key indicators:</b>					
Network transactions (EFT and Stored Value) (a)	17,435	16,763	16,299	4%	3%

(a) Network transactions include the debit issuer processing transactions, *STAR Network* issuer transactions, and closed loop and open loop POS transactions.

*Network & Security Solutions revenue* increased 1% in 2014 compared to 2013 driven by a 4% growth in our EFT Network business, partially offset by a 4% decrease in our Stored Value Network business. Security and Fraud revenue remained flat as continued declines in check volumes were offset by growth in our portfolio of fraud solutions products.

EFT Network revenue increased due to internal growth and a new transaction routing program that was introduced in the first quarter of 2014. Stored Value Network revenue decreased due to the disposition of a noncore transportation payments joint venture, EFS, that occurred in late May 2014 and had an approximate \$30 million negative impact on

segment revenue. The impact of the EFS disposition was partially offset by higher payment volumes within the open loop payroll distribution program related to existing clients and new business.

*Network & Security Solutions revenue* decreased 3% in 2013 compared to 2012 driven by decreases in revenue in our EFT Network and Security and Fraud businesses, partially offset by increases in our Stored Value Network business.

**Table of Contents**

EFT Network revenue decreased 12% due to net lost business, including the loss of a large financial institution that completed its final conversion in the third quarter of 2012, and price compression on contract renewals and other net pricing incentives. Stored Value Network revenue increased 14% in 2013 compared to 2012 due to higher payment volumes within the open loop payroll distribution program related to new and existing business, higher closed loop payment volumes as well as higher card shipments. In addition, Stored Value Network revenue increased 4 percentage points due to growth in one of our alliances, resulting from the acquisition of a payment solutions business that occurred in the fourth quarter of 2012. Security and Fraud revenue declined 5% due to continued decreases in check volumes due to a shift towards electronic payments, partially offset by growth in our portfolio of fraud solutions products.

*Network & Security Solutions Segment EBITDA* increased in 2014 compared to 2013 due to the revenue items noted above as well as decreased operating expenses as a result of lower headcount and changes in compensation programs. In addition, the EFS disposition had a negative impact of approximately \$15 million on segment EBITDA in 2014.

*Network & Security Solutions Segment EBITDA* decreased in 2013 compared to 2012 primarily due to the revenue items noted above.

**Quarterly Financial Data**

The following tables set forth our unaudited consolidated statement of operations for each of the nine quarters in the period ended March 31, 2015. The unaudited quarterly consolidated statement of operations set forth below have been prepared on the same basis as our audited consolidated financial statements. Our historical results are not necessarily indicative of future operating results. Because the data in these tables are only a summary and do not provide all of the data contained in our consolidated financial statements, the information should be read in conjunction with the Selected Historical Consolidated Financial Data, Management's Discussion and Analysis of Financial Condition and Results of Operations, and our consolidated financial statements and related notes thereto included elsewhere in this prospectus.

(in millions)	Three Months Ended								
	Mar. 31,	June 30,	Sep. 30,	Dec. 31,	Mar. 31,	June 30,	Sep. 30,	Dec. 31,	Mar. 31,
	2013			2014			2015		
Revenues	\$ 2,591	\$ 2,709	\$ 2,712	\$ 2,797	\$ 2,640	\$ 2,837	\$ 2,792	\$ 2,883	\$ 2,695
Expenses	2,400	2,438	2,408	2,439	2,355	2,455	2,439	2,465	2,435
Operating profit	191	271	304	358	285	382	353	418	260
Interest income	2	3	3	3	3	4	2	2	1
Interest expense	(469)	(472)	(469)	(471)	(467)	(463)	(418)	(405)	(407)
Loss on debt extinguishment							(260)		
Other income (expense)		15	(36)	(26)	1	82	57	21	35
Income (loss) before income taxes and equity earnings in affiliates	(276)	(183)	(198)	(136)	(178)	5	(266)	36	(111)



Edgar Filing: FIRST DATA CORP - Form S-1

Income tax expense (benefit)	62	11	29	(15)	37	40	(23)	28	3
Equity earnings in affiliates	38	51	47	52	50	58	55	57	51
Net income (loss)	(300)	(143)	(180)	(69)	(165)	23	(188)	65	(63)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	39	44	39	55	36	57	47	53	49
Net income (loss) attributable to First Data Corporation	\$ (339)	\$ (187)	\$ (219)	\$ (124)	\$ (201)	\$ (34)	\$ (235)	\$ 12	\$ (112)

---

**Table of Contents****Liquidity and Capital Resources**

Our source of liquidity is principally cash generated from operating activities supplemented as necessary on a short-term basis by borrowings against our senior secured revolving credit facility. We believe our current level of cash and short-term financing capabilities along with future cash flows from operations are sufficient to meet the needs of the business.

Over the past few years, we completed various amendments and modifications to certain of our debt agreements in an effort to extend our debt maturities and lower interest rates. Details regarding our debt structure are provided in the Borrowings notes to our consolidated financial statements included elsewhere in this prospectus.

On July 11, 2014, FDH, our direct parent, completed the issuance of \$3.5 billion of its Class B common equity in a private placement. Approximately \$2.5 billion of the net proceeds from the private placement were contributed to us as a capital contribution and the funds were used to repay approximately \$2.2 billion of debt and \$214 million in call premiums.

Additionally, on July 18, 2014, we repriced approximately \$5.7 billion of 2018 term loans, reducing the interest rate by 50 basis points, resulting in a decrease in annual interest expense of over \$25 million. We estimate that the debt pay down from the equity contribution proceeds, combined with the repricing and other actions by us, has lowered annual cash interest payments by approximately \$228 million per annum. We also plan to repay certain indebtedness with the proceeds of this offering. See Use of Proceeds.

The following events occurred subsequent to March 31, 2015:

On June 2, 2015, we terminated and replaced our \$1.0 billion senior secured revolving credit facility maturing September 24, 2016 with a new \$1.25 billion senior secured revolving credit facility maturing on June 2, 2020.

On July 10, 2015, we entered into an agreement to amend our senior secured credit facilities providing for incremental term loans of \$725 million and 250 million at LIBOR plus 3.75%, the proceeds of which will be used to redeem \$955 million of our 7.375% senior secured first lien notes due 2019. This action is estimated to reduce interest expense by an incremental \$32 million per annum based on rates as of July 10, 2015.

**Cash and cash equivalents.** Investments (other than those included in settlement assets) with original maturities of three months or less (that are readily convertible to cash) are considered to be cash equivalents and are stated at cost, which approximates market value. As of March 31, 2015 and December 31, 2014, we held \$340 million and \$358 million in cash and cash equivalents, respectively.

Included in cash and cash equivalents are amounts held by subsidiaries that are not available to fund operations outside of those subsidiaries. As of March 31, 2015 and December 31, 2014, the cash and cash equivalents held by these subsidiaries totaled \$149 million and \$152 million, respectively. All other domestic cash balances, to the extent available, are used to fund our short-term liquidity needs. A decrease in our credit ratings could affect our interest expense or our ability to access funding.

Cash and cash equivalents also includes amounts held outside of the United States, totaling \$148 million and \$171 million as of March 31, 2015 and December 31, 2014, respectively. Approximately \$17 million as of March 31, 2015 is held in Argentina where government imposed restrictions prevent any material repatriations outside of the country. As of March 31, 2015, there was approximately \$50 million of cash and cash equivalents held outside of the United States that could be used for general corporate purposes. We plan to fund any international cash needs throughout the

remainder of 2015 within our international operations with cash held by our international entities, but if necessary, could fund such needs using cash from the United States, subject to satisfying debt covenant restrictions.

**Table of Contents****For the Three Months Ended March 31, 2015 and 2014*****Cash flows from operating activities***

<b>Source/(use) (in millions)</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net loss	\$ (63)	\$ (165)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	277	292
(Gains) charges related to other operating expenses and other income	(34)	2
Other non-cash and non-operating items, net	(49)	(34)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	(8)	55
Other assets, current and long-term	23	46
Accounts payable and other liabilities, current and long-term	(232)	(251)
Income tax accounts	(16)	11
<b>Net cash used in operating activities</b>	<b>\$ (102)</b>	<b>\$ (44)</b>

Cash flows provided by operating activities for the periods presented resulted from normal operating activities and reflect the timing of our working capital requirements.

Our operating cash flow is significantly impacted by our level of debt. Approximately \$561 million and \$603 million in cash interest was paid during the three months ended March 31, 2015 and 2014, respectively. The decrease in cash interest payments from 2014 is primarily due to extinguishing debt in the third quarter of 2014.

Cash flows from operating activities decreased for the three months ended March 31, 2015 compared to the same period in 2014. Our operating cash flows were primarily impacted by fluctuations in working capital, partially offset by an increase in operating income.

We anticipate funding operations throughout the remainder of 2015 primarily with cash flows from operating activities and by closely managing discretionary capital and other spending; however, any shortfalls would be supplemented as necessary by borrowings against our senior secured revolving credit facility.

***Cash flows from investing activities***

<b>Source/(use) (in millions)</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Proceeds from dispositions, net of expenses paid	\$ 2	\$ 2
Additions to property and equipment	(67)	(54)

Edgar Filing: FIRST DATA CORP - Form S-1

Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(78)	(62)
Acquisitions, net of cash acquired	(8)	
Proceeds from sale of property and equipment		2
Purchase of investments	(16)	
Net cash used in investing activities	\$ (167)	\$ (112)

**Table of Contents**

**Acquisitions and dispositions.** Acquisitions during the periods presented were funded from cash flows from operating activities or from the reinvestment of cash proceeds from the sale of other assets. We finance acquisitions through a combination of cash flows from operating activities, reinvestment of cash proceeds from the sale of other assets, borrowings, and equity. We believe that these sources of funds will be adequate to meet our funding requirements as it relates to future acquisitions. Additionally, we continue to manage our portfolio of businesses and evaluate the possible divestiture of businesses that do not match our long-term growth objectives. During the first quarter of 2015, we completed an acquisition to be used as a *Clover* add-on application.

In June 2015, we acquired TWI, a provider of digital stored value products that offer gift card programs, loyalty incentives, and integrated marketing solutions for retailers, partners, and consumers. The acquisition will be reported as part of the Network & Security Solutions segment.

**Capital expenditures (Additions to property and equipment and Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs).** Capital expenditures are anticipated to be approximately \$600 million to \$650 million in 2015 and are expected to be funded by cash flows from operations. If, however, cash flows from operating activities are insufficient, we will decrease our discretionary capital expenditures or utilize our senior secured revolving credit facility.

**Cash flows from financing activities**

Source/(use) (in millions)	Three months ended	
	March 31,	
	2015	2014
Short-term borrowings, net	\$ 337	\$ 327
Debt modification payments and related financing costs, net		(91)
Principal payments on long-term debt	(20)	(19)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest	(63)	(52)
Capital transactions with parent, net	(1)	(19)
Net cash provided by financing activities	\$ 253	\$ 146

**Short-term borrowings, net.** The cash activity related to short-term borrowings in 2015 and 2014 resulted primarily from net borrowings on our senior secured revolving credit facility, partially offset by net paydowns on our international credit lines used principally to prefund settlement activity.

As of March 31, 2015, our senior secured revolving credit facility had commitments from financial institutions to provide \$1.0 billion of credit and matures on September 24, 2016. Besides the letters of credit discussed below, we had \$381 million and \$10 million outstanding against this facility as of March 31, 2015 and December 31, 2014, respectively. As of March 31, 2015, \$593 million remained available under this facility. Excluding the letters of credit, the maximum amount outstanding against this facility during the three months ended March 31, 2015 was approximately \$411 million, while the average amount outstanding during the three months ended March 31, 2015 was approximately \$219 million.

On June 2, 2015, we terminated and replaced our \$1.0 billion senior secured revolving credit facility maturing September 24, 2016 with a new \$1.25 billion senior secured revolving credit facility maturing on June 2, 2020. On

July 10, 2015, we entered into an agreement to amend our senior secured credit facilities providing for incremental term loans of \$725 million and 250 million at LIBOR plus 3.75%, the proceeds of which will be used to redeem \$955 million of our 7.375% senior secured first lien notes due 2019.

We utilize our senior secured revolving credit facility to fund investing or operating activities when cash flows from operating activities are not sufficient. We believe the capacity under our senior secured revolving credit facility will be sufficient to meet our liquidity needs. Our senior secured revolving credit facility can be used for working capital and general corporate purposes.

**Table of Contents**

There are multiple institutions that have commitments under this facility with none representing more than approximately 25% of the remaining capacity.

***Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest.*** Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest primarily represent distributions of earnings. The activity in all periods presented was primarily the result of distributions associated with the BAMS alliance.

**For the Years Ended December 31, 2014, 2013 and 2012*****Cash flows from operating activities***

<b>Source/(use) (in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net loss	\$ (265)	\$ (692)	\$ (527)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	1,163	1,212	1,331
Charges related to other operating expenses and other income	112	103	122
Other non-cash and non-operating items, net	3	(9)	(40)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:			
Accounts receivable, current and long-term	(61)	63	(50)
Other assets, current and long-term	63	3	260
Accounts payable and other liabilities, current and long-term	12	(1)	(35)
Income tax accounts	(14)	(6)	(294)
<b>Net cash provided by operating activities</b>	<b>\$ 1,013</b>	<b>\$ 673</b>	<b>\$ 767</b>

Cash flows provided by operating activities for the periods presented resulted from normal operating activities and reflect the timing of our working capital requirements.

Our operating cash flow is significantly impacted by our level of debt. Approximately \$1.7 billion, \$1.8 billion, and \$1.8 billion in cash interest, including interest on lines of credit and capital leases, was paid during 2014, 2013, and 2012, respectively. The decrease in cash interest in 2014 compared to 2013 is primarily due to extinguishing debt in the third quarter of 2014.

Using December 31, 2014 balances for variable rate debt and applicable interest rate swaps, a 100 basis point increase in the applicable LIBOR index on an annualized basis would increase our annual interest expense by approximately \$44 million.

Our operating cash flows are impacted by fluctuations in working capital. Cash flows from operating activities in 2014 increased compared to 2013 primarily due to a smaller net loss resulting from an increase in operating income and a decrease in cash interest payments. Cash flows from operating activities in 2013 decreased compared to 2012 primarily due to a larger net loss resulting from a change in tax expense. The decrease was partially offset by sources of cash related to lower prefunding of settlement arrangements.





**Table of Contents*****Cash flows from investing activities***

<b>Source/(use) (in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Proceeds from dispositions, net of expenses paid	\$ 270	\$ 18	\$
Additions to property and equipment	(308)	(194)	(193)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(259)	(185)	(177)
Acquisitions, net of cash acquired	(31)	(12)	(33)
Proceeds from sale of property and equipment	3	12	8
Contributions to equity method investments			(8)
Other investing activities	(4)	8	6
Net cash used in investing activities	\$ (329)	\$ (353)	\$ (397)

***Acquisitions and dispositions.*** All acquisitions during the periods presented were funded from cash flows from operating activities or from the reinvestment of cash proceeds from the sale of other assets. Purchases of noncontrolling interests are classified as financing activities as noted below.

In August 2014, we acquired *Gyft*, a leading digital platform that enables consumers to buy, send, manage, and redeem gift cards using mobile devices.

In May 2014, we completed the sale of our 30% minority interest in a transportation payments business, Electronic Funds Source LLC, and received \$264 million in cash.

In October 2013, we acquired 100% of *Perka*, a provider of a mobile marketing and consumer loyalty solution.

In December 2012, we acquired 100% of *Clover Network*, a provider of payment network services.

For a more detailed discussion on acquisitions and dispositions refer to Note 3 Acquisitions and Dispositions to our audited consolidated financial statements included elsewhere in this prospectus.

***Capital expenditures (Additions to property and equipment and Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs).*** Capital expenditures in 2014 increased compared to 2013 due primarily to upgrades to infrastructure related to next generation technology and international ATM and POS additions.

During the periods presented, net proceeds were received for the sale of certain assets, including buildings and equipment.

**Table of Contents****Cash flows from financing activities**

Source/(use) (in millions)	Year ended December 31,		
	2014	2013	2012
Short-term borrowings, net	\$ 12	\$ (109)	\$ 99
Proceeds from issuance of long-term debt	350		
Debt modification (payments) proceeds and related financing costs	(343)	(10)	17
Principal payments on long-term debt	(2,261)	(93)	(84)
Proceeds from sale-leaseback transactions			14
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest	(266)	(224)	(262)
Purchase of noncontrolling interest	(1)	(24)	(25)
Capital transactions with parent, net	1,788	(30)	(8)
Net cash used in financing activities	\$ (721)	\$ (490)	\$ (249)

**Short-term borrowings, net.** For all three years, the cash activity resulted primarily from net borrowings and paydowns on our international credit lines used principally to prefund settlement activity.

As of December 31, 2014, our senior secured revolving credit facility, which has subsequently been terminated and replaced, had commitments from financial institutions to provide \$1.0 billion of credit. Besides the letters of credit discussed below, we had \$10 million outstanding as of December 31, 2014 and no amount outstanding as of December 31, 2013. As of December 31, 2014, \$964 million remained available under this facility. Excluding the letters of credit, the maximum amount outstanding against this facility during 2014 was approximately \$474 million while the average amount outstanding during 2014 was approximately \$107 million.

**Proceeds from issuance of long-term debt.** In July 2014, we received \$350 million from the issuance of March 2018 Term Loans and proceeds were used for general corporate purposes.

**Debt modification (payments) proceeds and related financing costs.** In conjunction with issuing debt in November 2013, we received \$55 million in cash related to accrued interest on the notes which were issued mid-coupon period, which was paid in the first quarter of 2014. Additionally, our debt modifications and amendments completed in 2013 and fully settled in the first quarter of 2014 were accounted for as modifications resulting in a net effect on our cash of \$35 million, including payment of capitalized fees, being reflected as a use or source of cash excluding certain fees included in our results of operations. Also, in July 2014, we incurred call premiums and deferred financing costs of \$252 million in the third quarter of 2014 associated with certain debt repayments and new borrowings. Refer to Note 6 Borrowings to our audited consolidated financial statements included elsewhere in this prospectus.

**Principal payments on long-term debt.** In conjunction with the debt modifications and amendments discussed above, proceeds from the issuance of new notes were used to prepay portions of the principal balances of our senior secured term loans which satisfied the future quarterly principal payments under the senior secured credit facility.

During the third quarter of 2014, we extinguished \$2.2 billion in debt. Refer to Note 6 Borrowings to our audited consolidated financial statements included elsewhere in this prospectus for additional information on extinguishment of debt. During 2013, we paid notes totaling \$16 million. No payments were made in 2012.

Payments for capital leases totaled \$79 million, \$76 million, and \$80 million for 2014, 2013, and 2012, respectively.

**Table of Contents**

**Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest.** Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest primarily represent distributions of earnings. The activity in all periods presented was primarily the result of distributions associated with the BAMS alliance.

**Purchase of noncontrolling interest.** In May 2014, we acquired the less than 1% of the equity we did not already own of First Data Polska S.A for \$1 million. In April 2012, we acquired the remaining approximately 30 percent noncontrolling interest in Ompipay, a provider of card and electronic payment processing services to merchant acquiring banks, for approximately 37 million euro, of which 19 million euro (\$25 million) was paid in April 2012 and the remaining 18 million euro (\$24 million) was paid in April 2013.

**Capital transaction with parent, net.** FDH contributed \$2.5 billion to us as a capital contribution and the funds were used to repay certain tranches of our debt. Payments to FDH for cash dividends totaled \$686 million, \$28 million, and \$7 million for 2014, 2013, and 2012, respectively.

**Letters, lines of credit, and other**

(in millions)	Total Available (a)		Total Outstanding	
	As of March 31,	As of December 31,	As of March 31,	As of December 31,
	2015	2014	2015	2014
Letters of credit (b)	\$ 500	\$ 500	\$ 42	\$ 43
Lines of credit and other (c)	304	349	30	68

- (a) Total available without giving effect to amounts outstanding.
- (b) Up to \$500 million of our senior secured revolving credit facility is available for letters of credit. Outstanding letters of credit are held in connection with lease arrangements, bankcard association agreements and other security agreements. The maximum amount of letters of credit outstanding was approximately \$43 million for the three months ended March 31, 2015. All letters of credit expire on or prior to March 31, 2016 with a one-year renewal option. We expect to renew most of the letters of credit prior to expiration.
- (c) As of March 31, 2015, represents \$277 million of committed lines of credit as well as certain uncommitted lines of credit and other agreements that are available in various currencies to fund settlement and other activity. We cannot use these lines of credit for general corporate purposes. Certain of these arrangements are uncommitted but, as of the dates presented, we had borrowings outstanding against them.

In the event one or more of the aforementioned lines of credit becomes unavailable, we will utilize our existing cash, cash flows from operating activities, or our senior secured revolving credit facility to meet our liquidity needs.

**Guarantees and covenants**

All obligations under the senior secured revolving credit facility and senior secured term loan facility are unconditionally guaranteed by most of our existing and future, direct and indirect, wholly owned, material domestic subsidiaries. The senior secured facilities contain a number of covenants that, among other things, restrict our ability to incur additional indebtedness; create liens; enter into sale-leaseback transactions; engage in mergers or consolidations; sell or transfer assets; pay dividends and distributions or repurchase our or our parent company's capital stock; make investments, loans or advances; prepay certain indebtedness; make certain acquisitions; engage in certain transactions with affiliates; amend material agreements governing certain indebtedness; and change our lines

of business. The senior secured facilities also require us to not exceed a maximum senior secured leverage ratio and contain certain customary affirmative covenants and events of default, including a change of control. The senior secured term loan facility also requires mandatory prepayments based on a percentage of excess cash flow generated by us.

---

**Table of Contents**

All obligations under the senior secured notes, senior notes, and senior subordinated notes are similarly guaranteed in accordance with their terms by each of our domestic subsidiaries that guarantee obligations under our senior secured term loan facility described above. These notes and facilities also contain a number of covenants similar to those described for the senior secured obligations noted above. We are in compliance with all applicable covenants as of March 31, 2015 and anticipate that we will remain in compliance in future periods.

Although all of the above described instruments of indebtedness contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to numerous qualifications and exceptions, including the ability to incur indebtedness in connection with our settlement operations. We believe that the indebtedness that can be incurred under these exceptions as well as additional credit under the existing senior secured revolving credit facility are sufficient to satisfy our needs for the foreseeable future.

**Covenant compliance.** Under the senior secured revolving credit and term loan facilities, certain limitations, restrictions, and defaults could occur if we are not able to satisfy and remain in compliance with specified financial ratios. We have agreed that we will not permit the Consolidated Senior Secured Debt to Consolidated EBITDA (both as defined in the agreement (in this prospectus we refer to Consolidated EBITDA as Covenant EBITDA)) Ratio for any 12 month period (last four fiscal quarters) to be greater than 6.00 to 1.00.

The breach of this covenant could result in a default under the senior secured revolving credit facility and the senior secured term loan credit facility and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration could also result in a default under the indentures for the senior secured notes, senior notes, and senior subordinated notes. As of March 31, 2015, we were in compliance with all applicable covenants, including our sole financial covenant with Consolidated Senior Secured Debt of \$12.2 billion, Covenant EBITDA of \$3.0 billion and a Ratio of 4.03 to 1.00.

In determining Covenant EBITDA, EBITDA is calculated by reference to net income (loss) from continuing operations plus interest and other financing costs, net, provision for income taxes, and depreciation and amortization. Covenant EBITDA is calculated by adjusting EBITDA to exclude unusual items as permitted in calculating covenant compliance under the credit facilities. Covenant EBITDA is further adjusted to add net income attributable to noncontrolling interests and redeemable noncontrolling interest of certain non-wholly owned subsidiaries and exclude other miscellaneous adjustments that are used in calculating covenant compliance under the agreements governing First Data's senior secured credit facilities. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Covenant EBITDA are appropriate to provide additional information to investors to demonstrate our ability to comply with our financing covenants. Because not all companies use identical calculations, this presentation of Covenant EBITDA may not be comparable to other similarly titled measures of other companies. See Non-GAAP Financial Information.

**Table of Contents**

The calculation of Covenant EBITDA under our senior secured facilities is as follows:

<b>(in millions)</b>	<b>Twelve Months Ended March 31, 2015</b>
Net loss attributable to First Data	\$ (369)
Interest expense, net (1)	1,684
Income tax (benefit) expense	48
Depreciation and amortization (2)	1,148
<b>EBITDA</b>	<b>2,511</b>
Stock-based compensation (3)	28
Restructuring, net (4)	48
Non-operating foreign currency (gain) and losses (5)	(97)
Investment (gains) and losses (6)	(100)
Derivative financial instruments (gains) and losses (7)	5
Cost of alliance conversions and data center, technology and savings initiatives (8)	17
KKR related items (9)	21
Debt issuance costs (10)	1
Litigation and regulatory settlements (11)	22
Projected near-term cost savings and revenue enhancements (12)	56
Net income attributable to noncontrolling interests (13)	206
Equity entities taxes, depreciation and amortization (14)	11
Loss on debt extinguishment (15)	260
Other (16)	30
<b>Covenant EBITDA</b>	<b>\$ 3,019</b>

- (1) Includes interest expense and interest income.
- (2) Includes amortization of initial payments for new contracts which is recorded as a contra-revenue within Transaction and processing service fees of \$11 million and amortization related to equity method investments, which is netted within the Equity earnings in affiliates line of \$15 million.
- (3) Stock-based compensation recognized as expense.
- (4) Restructuring charges in connection with management's alignment of the business with strategic objectives and the departure of executive officers.
- (5) Represents net gains and losses related to currency translations on certain intercompany loans and euro-denominated debt.
- (6) Reflects investment gains and losses, principally a \$98 million gain on the sale of our minority interest in EFS.
- (7) Represents fair market value adjustments for cross-currency swaps and interest rate swaps that are not designated as accounting hedges.
- (8) Represents costs directly associated with the strategy to have First Data operate Bank of America N.A.'s legacy settlement platform and costs associated with the termination of our Chase Paymentech alliance in 2008, both of



- which are considered business optimization projects, and other technology initiatives.
- (9) Represents KKR fees for management, consulting, financial and other advisory services.
  - (10) Represents costs associated with issuing debt and modifying our debt structure.
  - (11) Represents settlements of litigation or regulatory matters.
  - (12) Reflects cost savings and revenue enhancements projected to be realized as a result of specific actions as if they were achieved on the first day of the period. Includes cost savings initiatives associated with the business optimization projects and other technology initiatives described in footnote (8), the BAMS alliance, operations, and technology initiatives, headcount reductions, and other addressable spend reductions. We may not realize the anticipated cost savings pursuant to our anticipated timetable or at all.

**Table of Contents**

- (13) Net income attributable to noncontrolling interests and redeemable noncontrolling interest in restricted subsidiaries.
- (14) Represents our proportional share of income taxes, depreciation, and amortization on equity method investments.
- (15) Loss incurred due to early extinguishment of debt.
- (16) Includes items such as impairments, litigation and regulatory settlements, investment gains and losses, non-operating foreign currency gains and losses, and other as applicable to the period presented.

**Off-Balance Sheet Arrangements**

During the three months ended March 31, 2015 and the years ended December 31, 2014, 2013 and 2012, we did not engage in any off-balance sheet financing activities other than those included in the Contractual obligations discussion below and those reflected in Note 9 Commitments and Contingencies to our audited consolidated financial statements included elsewhere in this prospectus.

**Contractual Obligations**

Our contractual obligations as of December 31, 2014 are as follows:

(in millions)	Total	Payments Due by Period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Borrowings (a)	\$ 29,743	\$ 1,658	\$ 4,485	\$ 10,068	\$ 13,532
Capital lease obligations (b)	229	83	126	10	10
Operating leases	303	60	97	69	77
Pension plan contributions (c)	77	14	16	15	32
Purchase obligations (d):					
Technology and telecommunications (e)	498	266	220	9	3
All other (f)	446	213	154	79	
Other long-term liabilities	114	16	92	6	
	\$ 31,410	\$ 2,310	\$ 5,190	\$ 10,256	\$ 13,654

- (a) Includes future principal and cash interest payments on long-term borrowings through scheduled maturity dates. Includes \$4.4 billion of variable rate debt (including the impact of interest rate swaps). Borrowings and interest rate swaps are discussed in Note 6 Borrowings and Note 5 Derivative Financial Instruments, respectively, to our audited consolidated financial statements included elsewhere in this prospectus. Interest payments for the variable rate debt and the associated interest rate swaps were calculated using interest rates as of December 31, 2014.
- (b) Represents future payments on existing capital leases, including interest expense, through scheduled expiration dates.
- (c) Includes future pension plan contributions for all plans in 2015 and future contractual commitments for the United Kingdom plan through 2024 which are subject to change. The amount of pension plan contributions depends upon various factors that cannot be accurately estimated beyond a one-year time frame other than the U.K. plan.
- (d) Many of our contracts contain clauses that allow us to terminate the contract with notice, and with or without a termination penalty. Termination penalties are generally an amount less than the original obligation. Certain

contracts also have an automatic renewal clause if we do not provide written notification of our intent to terminate the contract. Obligations under certain contracts are usage-based and are, therefore, estimated in the above amounts. Historically, we have not had any significant defaults of our contractual obligations or incurred significant penalties for termination of our contractual obligations.

- (e) Technology and telecommunications represents obligations related to hardware purchases, including purchases of ATMs and terminals, as well as software licenses, hardware and software maintenance and support, technical consulting services, and telecommunications services.
- (f) All other includes obligations related to materials, data, non-technical contract services, facility security, investor management fees, maintenance, and marketing promotions.

---

**Table of Contents**

As of December 31, 2014, we had approximately \$262 million of tax contingencies comprised of approximately \$238 million reported in long-term income taxes payable in the Other long-term liabilities line of our consolidated balance sheets, including approximately \$4 million of income tax liabilities for which The Western Union Company is required to indemnify us, and approximately \$24 million recorded as an increase of our deferred tax liability. Timing of tax payments is dependent upon various factors which cannot be reasonably estimated at this time.

**Critical Accounting Policies**

*Goodwill.* Goodwill represents the excess of cost over the fair value of net assets acquired, including identifiable intangible assets, and has been allocated to reporting units. Our reporting units are businesses at the operating segment level or one level below the operating segment level for which discrete financial information is prepared and regularly reviewed by management.

We test goodwill annually for impairment, as well as upon an indicator of impairment, using a fair value approach at the reporting unit level. The estimate of fair value requires various assumptions about a reporting unit's future financial results and cost of capital. We determine the cost of capital for each reporting unit giving consideration to a number of factors including discount rates. All key assumptions and valuations are determined by and are the responsibility of management. If it is determined that the fair value of the reporting unit is less than its carrying value, we would estimate the fair value of all of the reporting unit's assets and liabilities and calculate an implied fair value of goodwill, which is the difference between the reporting unit's fair value and the fair value of all its other assets and liabilities. If the implied fair value of goodwill is less than its carrying value, the shortfall is recognized as impairment. The methodology for estimating fair value varies by asset; however, the most significant assets are intangible assets. We estimate the fair value of the intangible assets using the excess earnings method, royalty savings method, or cost savings method, all of which are a form of a discounted cash flow analysis. An impairment charge of a reporting unit's goodwill could have a material adverse effect on our financial results. Changes in the underlying business and economic conditions could affect these estimates used in the analysis discussed above, which in turn could affect the fair value of the reporting unit. Thus, it is possible for reporting units that record impairments to record additional impairments in the future.

As of December 31, 2014, the carrying value of goodwill was \$17.0 billion in our consolidated balance sheet. As of June 30, 2015, the most recent impairment analysis date, the fair value of each reporting unit exceeded its carrying value. Based on the most recent goodwill test for impairment, all of our reporting units passed the test, though one passed with a margin of 20% or less. An additional analysis was performed which sensitized the base discount rate by an additional 50 basis points with all reporting units still passing. Refer to Note 1 Summary of Significant Accounting Policies to our audited consolidated financial statements included elsewhere in this prospectus for additional information regarding goodwill.

*Intangible assets.* We capitalize initial payments for new contracts, contract renewals, and conversion costs associated with client contracts and system development costs. Capitalization of such costs is subject to strict accounting policy criteria and requires management judgment as to the appropriate time to initiate capitalization. Capitalization of initial payments for contracts and conversion costs only occurs when management is satisfied that such costs are recoverable through future operations, contractual minimums, and/or penalties in case of early termination.

We develop software that is used in providing processing services to clients. To a much lesser extent, we also develop software to be sold or licensed to clients. Capitalization of internally developed software, primarily associated with operating platforms, occurs only upon management's estimation that the likelihood of successful development and implementation reaches a probable level. Currently unforeseen circumstances in software development could require us to implement alternative plans with respect to a particular effort, which could result in the impairment of previously

capitalized software development costs.

**Table of Contents**

In addition to the internally generated intangible assets discussed above, we also record intangible assets as a result of business combinations and asset acquisitions. In these transactions, we typically acquire and recognize intangible assets such as client relationships, software, and trade names. In a business combination, each intangible asset is recorded at its fair value. In an asset acquisition, the cost of the acquisition is allocated among the acquired assets, generally by their relative fair values. We generally estimate the fair value of acquired intangible assets using the excess earnings method, royalty savings method, or cost savings method, all of which are a form of a discounted cash flow analysis. These estimates require various assumptions about the future cash flows associated with the assets, appropriate costs of capital, and other inputs such as an appropriate royalty rate. Changes to these estimates would materially impact the value assigned to the assets as well as the amounts subsequently recorded as amortization expense.

We test contract and conversion costs for recoverability on an annual basis by comparing the remaining expected undiscounted cash flows under the contract to the net book value. Any assets that are determined to be unrecoverable are written down to fair value. This analysis requires significant assumptions regarding the future profitability of the client contract during its remaining term. Additionally, contracts, conversion costs, and all other long lived assets (including client relationships) are tested for impairment upon an indicator of potential impairment. Such indicators include, but are not limited to: a current period operating or cash flow loss associated with the use of an asset or asset group, combined with a history of such losses and/or a forecast anticipating continued losses; a significant adverse change in the business, legal climate, market price of an asset or manner in which an asset is being used; an accumulation of costs for a project significantly in excess of the amount originally expected; or an expectation that an asset will be sold or otherwise disposed of at a loss.

The carrying value of the First Data trade name is \$604 million as of December 31, 2014. Upon consideration of many factors, including the determination that there are no legal, regulatory or contractual provisions that limit the useful life of the First Data trade name, we determined that the First Data trade name had an indefinite useful life. As an indefinite lived asset, the First Data trade name is not amortized but is reviewed annually for impairment until such time as it is determined to have a finite life. For 2014, we elected not to begin the process with a qualitative assessment due to the significance of the First Data trade name to our financial statements. In step one of the impairment test, we estimate the fair value of the First Data trade name using a relief from royalty methodology in which a royalty rate is applied to our revenue streams to be reliant upon the First Data trade name in order to estimate the rent that we save by owning rather than leasing the asset. As of October 1, 2014, the most recent impairment analysis date, the fair value of the First Data trade name exceeded its carrying value.

*Reserve for merchant credit losses and check guarantees.* With respect to the merchant acquiring business, our merchant clients (or those of our unconsolidated alliances) have the liability for any charges properly reversed by the cardholder. In the event, however, that we are not able to collect such amounts from the merchants due to merchant fraud, insolvency, bankruptcy or another reason, we may be liable for any such reversed charges. Our risk in this area primarily relates to situations where the cardholder has purchased goods or services to be delivered in the future such as airline tickets.

Our obligation to stand ready to perform is minimal in relation to the total dollar volume processed. We require cash deposits, guarantees, letters of credit or other types of collateral from certain merchants to minimize this obligation. The amounts of collateral held by us and our unconsolidated alliances are as follows:

(in millions)	As of December 31,	
	2014	2013

Edgar Filing: FIRST DATA CORP - Form S-1

Cash and cash equivalents collateral	\$ 440	\$	479
Collateral in the form of letters of credit	93		106
Total collateral	\$ 533	\$	585

**Table of Contents**

We also utilize a number of systems and procedures to manage merchant risk. Despite these efforts, we historically have experienced some level of losses due to merchant defaults.

Our contingent obligation relates to imprecision in our estimates of required collateral. A provision for this obligation is recorded based primarily on historical experience of credit losses and other relevant factors such as economic downturns or increases in merchant fraud. The following table presents the aggregate merchant credit losses incurred compared to total dollar volumes processed:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
FDC and consolidated and unconsolidated alliances credit losses (in millions)	\$ 63	\$ 54	\$ 50
FDC and consolidated alliances credit losses (in millions)	55	48	43
Total dollar volume acquired (in billions)	1,876	1,779	1,725

The reserve recorded on our consolidated balance sheets only relates to the business conducted by our consolidated subsidiaries. The reserve for unconsolidated alliances is recorded only in the alliances' respective financial statements. We have not recorded any reserve for estimated losses in excess of reserves recorded by the unconsolidated alliances nor have we identified needs to do so. The following table presents the aggregate merchant credit loss reserves:

<b>(in millions)</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>
FDC and consolidated and unconsolidated alliances merchant credit loss reserves	\$ 24	\$ 27
FDC and consolidated alliances merchant credit loss reserves	20	24

The credit loss reserves, both for us and our unconsolidated alliances, are comprised of amounts for known losses and a provision for losses incurred but not reported (IBNR). These reserves primarily are determined by performing a historical analysis of chargeback loss experience. Other factors are considered that could affect that experience in the future. Such items include the general economy and economic challenges in a specific industry or those affecting certain types of clients. Once these factors are considered, we or the unconsolidated alliance establishes a rate (percentage) that is calculated by dividing the expected chargeback (credit) losses by dollar volume processed. This rate is then applied against the dollar volume processed each month and charged against earnings. The resulting reserve balance is then compared to requirements for known losses and estimates for IBNR items. Historically, this estimation process has proven to be materially accurate and we believe the recorded reserve approximates the fair value of the contingent obligation.

The majority of the *TeleCheck* business involves the guarantee of checks received by merchants. If the check is returned, *TeleCheck* is required to purchase the check from the merchant at its face value and pursue collection from the check writer. A provision for estimated check returns, net of anticipated recoveries, is recorded at the transaction inception based on recent history. The following table presents the accrued warranty and recovery balances:

<b>(in millions)</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>



Accrued warranty balances	\$ 9	\$ 9
Accrued recovery balances	25	27

**Table of Contents**

We establish an incremental liability (and deferred revenue) for the fair value of the check guarantee. The liability is relieved and revenue is recognized when the check clears, is presented to *TeleCheck*, or the guarantee period expires. The majority of the guarantees are settled within 30 days. The incremental liability was approximately \$1 million as of December 31, 2014 and 2013. The following table details the check guarantees of *TeleCheck*.

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Aggregate face value of guaranteed checks (in billions)	\$ 36	\$ 39	\$ 43
Aggregate amount of checks presented for warranty (in millions)	253	285	319
Warranty losses net of recoveries (in millions)	67	66	76

The maximum potential future payments under the guarantees were estimated by us to be approximately \$1.2 billion as of December 31, 2014 which represented an estimate of the total uncleared checks at that time.

*Income taxes.* The determination of our provision for income taxes requires management's judgment in the use of estimates and the interpretation and application of complex tax laws. Judgment is also required in assessing the timing and amounts of deductible and taxable items. We establish contingency reserves for material, known tax exposures relating to deductions, transactions, and other matters involving some uncertainty as to the proper tax treatment of the item. Our reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review. Several years may elapse before a particular matter, for which we have established a reserve, is audited and finally resolved or clarified. While we believe that our reserves are adequate to cover reasonably expected tax risks, issues raised by a tax authority may be finally resolved at an amount different than the related reserve. Such differences could materially increase or decrease our income tax provision in the current and/or future periods. When facts and circumstances change (including a resolution of an issue or statute of limitations expiration), these reserves are adjusted through the provision for income taxes in the period of change. As the result of interest and amortization expenses that we incur, we are currently in a tax net operating loss position. Judgment is required to determine whether some portion or all of the deferred tax assets will not be realized. To the extent we determine that we will not realize the benefit of some or all of our deferred tax assets, then these assets are adjusted through our provision for income taxes in the period in which this determination is made.

We are currently in a tax net operating loss position in several jurisdictions in which we operate, including the United States federal jurisdiction, resulting in significant deferred tax assets. We establish a valuation allowance against our deferred tax assets when, based upon the weight of all available evidence, we believe it is more likely than not that some portion or all of the deferred tax assets will not be realized. We believe that a significant portion of the deferred tax assets will be realized because of the existence of sufficient taxable income within the carryforward period available under the tax law, but have established valuation allowances for those deferred tax assets that in our judgment will not be realized. In making this determination, we have considered the relative impact of all of the available positive and negative evidences regarding future sources of taxable income and tax planning strategies. However, there could be material impact to our effective tax rate if there is a significant change in our judgment. If and when our judgment changes, then the valuation allowances are adjusted through the provision for income taxes in the period in which this determination is made. Refer to Note 15 *Income Taxes* to our audited consolidated financial statements included elsewhere in this prospectus for additional information regarding our income tax provision.

*Stock-based compensation.* We have a stock incentive plan for certain employees of ours and our affiliates (stock plan). This stock plan is at the FDH level which owns 100% of our equity interests. The stock plan provides the opportunity for certain employees to purchase shares in FDH and then receive a number of stock options or restricted stock based on a multiple of their investment in such shares. The plan also allows for us to award shares and options to

certain employees. The expense associated with this plan is recorded by us. We

---

**Table of Contents**

use the Black-Scholes option pricing model to measure the fair value of stock option awards. We chose the Black-Scholes model based on our experience with the model and the determination that the model could be used to provide a reasonable estimate of the fair value of awards with terms such as those issued by FDH. Option-pricing models require estimates of a number of key valuation inputs including expected volatility, expected dividend yield, expected term, and risk-free interest rate. Certain of these inputs are more subjective due to FDH being privately held and thus not having objective historical or public information. The most subjective inputs are the expected term, expected volatility and determination of share value. The expected term is determined using probability weighted expectations and expected volatility is determined using a selected group of guideline companies as surrogates for FDH.

Periodically, we estimate the fair value of FDH common stock. We rely on the results of a discounted cash flow analysis but also consider the results of a market approach. The discounted cash flow analysis is dependent on a number of significant management assumptions regarding the expected future financial results of ours and FDH as well as upon estimates of an appropriate cost of capital. A sensitivity analysis is performed in order to establish a narrow range of estimated fair values for the shares of FDH common stock. The market approach consists of identifying a set of guideline public companies. Multiples of historical and projected EBITDA determined based on the guideline companies is applied to FDH's EBITDA in order to establish a range of estimated fair value for the shares of FDH common stock. We consider the results of both of these approaches. The concluded range of fair values is also compared to the value determined by the Board for use in transactions, including stock sales and repurchases. After considering all of these estimates of fair value, we then determine a single estimated fair value of the stock to be used in accounting for stock-based compensation.

As of December 31, 2014, time-based options were outstanding under the stock plan. The time options have a contractual term of 10 years. Time options vest equally over a three to five year period from the date of issuance. The options also have certain accelerated vesting provisions upon a change in control, a qualified public offering, or certain termination events.

The assumptions used in estimating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, stock-based compensation expense could be different in the future.

These valuations and estimates will not be necessary after the completion of this offering. Once we are public, we will rely on the public market price to determine the value of our common stock and any related stock-based compensation expense.

In connection with the HoldCo Merger, all Holdings stock option awards, Holdings restricted stock awards and Holdings restricted stock unit awards will be converted into awards on shares of our Class B common stock. For additional information regarding Holdings stock options and Holdings restricted stock, see Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Equity Awards.

Refer to Note 11 Stock Compensation Plans to our audited consolidated financial statements included elsewhere in this prospectus for details regarding our stock-based compensation plan.

**New Accounting Guidance**

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance that requires companies to recognize revenue to depict the transfer of goods or services to clients in amounts that reflect the consideration to which the company expects to be entitled in an exchange for those goods or services. It also requires enhanced

disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively, and improves guidance for multiple-element arrangements. The guidance applies to any entity that either enters into contracts with clients to transfer goods or services or enters into contracts for the

---

**Table of Contents**

transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance is effective for public companies for annual periods beginning after December 15, 2016 as well as interim periods within those annual periods using either the full retrospective approach or modified retrospective approach. Early adoption is not permitted. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements.

In April 2015, the FASB issued guidance that requires companies to present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the debt liability, similar to the presentation of debt discounts. Debt issuance costs will continue to be amortized to interest expense using the effective interest method. The guidance is effective for public companies for annual periods beginning after December 15, 2015 as well as interim periods within those annual periods using the retrospective approach. We plan to adopt the new standard effective January 1, 2016.

**Quantitative and Qualitative Disclosures About Market Risk***Interest Rate Risk*

We are exposed to market risk from changes in interest rates. Our assets include cash equivalents as well as both fixed and floating rate interest-bearing securities. These investments arise primarily from settlement funds held by us pending settlement.

Our interest rate-sensitive liabilities are our debt instruments. Our senior secured term loan facility is subject to variable interest rates. We have interest rate swaps on \$5.0 billion of the variable rate debt that convert it to fixed rates that expire in September 2016. In addition, we have a fixed to floating interest rate swap with a notional value of \$750 million expiring in June 2019 with a mandatory termination date of June 2015, to maintain our ratio of fixed to floating rate debt. Therefore, as of March 31, 2015, we had approximately \$4.7 billion of variable rate debt that is not subject to a fixed rate swap and includes the fixed to floating interest rate swap.

Based on the March 31, 2015 balances, a 10% proportionate increase in short-term interest rates on an annualized basis compared to the interest rates as of March 31, 2015, which for the three month LIBOR was 0.2708%, and a corresponding and parallel shift in the remainder of the yield curve, would result in a decrease to pretax income of \$1 million. The \$1 million decrease to pretax income (due to a 10% increase in variable rates as of March 31, 2015) is due to a \$1 million increase in interest expense related to our balance of variable interest rate debt, net of interest rate swaps. Conversely, a corresponding decrease in interest rates would result in a comparable increase to pretax income. Actual interest rates could change significantly more than 10%. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that interest rate movements are linear and instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

*Foreign Currency Risk*

We are exposed to changes in currency rates as a result of our investments in foreign operations, revenues generated in currencies other than the U.S. dollar and foreign currency-denominated loans. Revenue and profit generated by international operations will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. Refer to Note 5 *Derivative Financial Instruments* to our audited consolidated financial statements included elsewhere in this prospectus for additional information regarding the changes in foreign currency exchange

rates.

**Table of Contents**

A hypothetical uniform 10% weakening in the value of the U.S. dollar relative to all the currencies in which our revenues and profits are denominated would result in an increase to pretax income of approximately \$14 million. The increase results from a \$56 million increase related to foreign exchange on intercompany loans and a \$15 million increase related to foreign exchange on foreign currency earnings, assuming consistent operating results as the twelve months preceding March 31, 2015. This increase is partially offset by a \$55 million decrease related to a euro-denominated term loan held by us as well as a \$2 million decrease related to two euro-denominated cross-currency swaps held by us. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that foreign exchange rate movements are linear and instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.



---

**Table of Contents****BUSINESS****Our Company**

First Data sits at the center of global electronic commerce. We believe we offer our clients the most complete array of integrated solutions in the industry, covering their needs across next-generation commerce technologies, merchant acquiring, issuing, and network solutions. We serve our clients in 118 countries, reaching approximately 6 million business locations and over 4,000 financial institutions. We believe we have the industry's largest distribution network, driven by our partnerships with many of the world's leading financial institutions, our direct sales force, and a network of distribution partners. We are the largest merchant acquirer, issuer processor, and independent network services provider in the world, enabling businesses to accept electronic payments, helping financial institutions issue credit, debit and prepaid cards, and routing secure transactions between them. In 2014, we processed 74 billion transactions globally, or over 2,300 per second, and processed 28% of the world's eCommerce volume. In our largest market, the United States, we acquired \$1.7 trillion of payment volume, accounting for nearly 10% of U.S. GDP last year.

Our company is organized around three primary lines of business:

**Global Business Solutions (GBS)** This segment provides retail point-of-sale merchant acquiring and eCommerce services as well as next-generation offerings such as mobile payment services, webstore-in-a-box solutions, and our cloud-based *Clower* point-of-sale operating system, which includes a marketplace for proprietary and third-party business apps.

**Global Financial Solutions (GFS)** This segment provides credit solutions for bank and non-bank issuers. These include credit and retail private-label card processing within the United States and international markets, as well as licensed financial software systems, such as our *VisionPLUS* bank processing application, and lending solutions. GFS also provides financial institutions with a suite of related services including card personalization and embossing, statement printing, client service, and remittance processing.

**Network & Security Solutions (NSS)** This segment provides a wide range of value-added solutions that we sell to clients in our GBS and GFS segments, smaller financial institutions, and other enterprise clients. These solutions include our EFT network solutions, such as our *STAR Network*, our debit card processing solutions, our stored value network solutions, such as *Money Network*, *ValueLink*, *Gyft*, and *Transaction Wireless*, and our security and fraud solutions, such as *TransArmor* and *TeleCheck*. This segment also supports our other digital strategies, including online and mobile banking, and our business supporting mobile wallets.

Our business is characterized by high levels of recurring revenue, such as transaction related fees, a diverse client base, and multi-year client contracts, which enable us to grow alongside our clients. Our business also generally requires minimal incremental capital expenditures and working capital to support additional revenue within our existing business lines.

In 2014, we generated \$11.2 billion of revenue, \$1.4 billion of operating profit, and had a net loss attributable to First Data of \$458 million, reflecting an increase of 3%, 28% and 47% (decrease of loss), respectively, over 2013. For the same period, we generated segment revenues (which exclude reimbursable fees and other items) of \$6.9 billion, Adjusted EBITDA of \$2.7 billion, and Adjusted Net Income of \$409 million, reflecting an increase of 3%, 9% and

354%, respectively, over 2013. For additional information regarding our segment revenues and non-GAAP financial measures, including a reconciliation of Adjusted EBITDA and Adjusted Net Income to net income attributable to First Data, see Summary Summary Historical Consolidated Financial and Other Data.

**Table of Contents**

**Our Distribution Platform**

We deliver our solutions around the world through a broad set of distribution channels. We believe these channels, collectively, give us one of the largest sales forces in our industry, enabling us to reach clients of all sizes, types, and industry verticals in a cost-effective manner. Our large distribution platform often makes us an attractive partner for established and emerging commerce solution providers.

For GBS, we believe we have the industry's largest network of bank partnerships for merchant acquiring, including equity alliances with eight large banks around the world in which we have a controlling or material equity stake, and over 80 revenue sharing partnerships. Our bank partnerships include some of the largest financial institutions in the world, such as Bank of America Corporation, Wells Fargo, The PNC Financial Services Group, Citigroup, SunTrust Banks, Lloyds Banking Group, Allied Irish Banks, ICICI Bank, and ABN AMRO Group.

In addition, we have a large direct sales force, and we partner with over 1,100 third parties who actively re-sell our solutions, including independent sales agents, ISOs, PSPs, ISVs, and VARs who often have specialized sales capabilities to reach into local communities, small businesses, eCommerce channels, or specific industry verticals. We also have over 1,600 referral arrangements with bank and non-bank partners.

For GFS, we have a large direct sales force and reach a broad base of smaller financial institutions through GSPs.

For NSS, we leverage the distribution platforms of GBS and GFS, and also distribute through a direct sales force.

**Our Transformation**

In 2013, we began transforming our business by investing in next-generation commerce solutions aimed at helping our clients grow their businesses, investing in our client-facing teams to enhance their reach and effectiveness, and recruiting a new group of experienced leaders into critical positions across the Company.

## **Table of Contents**

**We have moved beyond payment processing.** We believe our long-term success will be driven by focusing on helping our clients grow their businesses by providing them with a suite of new commerce-enabling technologies as well as our broad set of existing solutions. Our focus on innovation combined with the direct relationships we enjoy with many businesses and financial institutions, and the critical nature of the services we already provide many clients positions us well to quickly develop, commercialize and deliver new commerce solutions to our clients.

We have many opportunities, in our view, to sell our expanded set of commerce solutions. We intend to sell these products to *new* clients through all of our major existing distribution channels, often through more enhanced product bundling. In addition, given the large size of our existing client base, we believe we have an outsized opportunity to sell our new solutions to *existing* clients, many of whom may not be aware of the availability of our next-generation commerce solutions nor that these solutions are designed to easily integrate into their existing First Data solutions.

**First Data's focus on innovation has accelerated.** In the last three years, we have acquired six commerce-focused technology start-ups: *Clover*, *Perka*, *Gyft*, *SpreeCommerce*, *EasyWay Ordering*, and *Transaction Wireless*; we now employ nearly 200 employees in Silicon Valley and Silicon Alley; and we have partnered with some of the world's leading technology companies to deliver commerce-enabling solutions.

Since 2013, we have launched many innovative solutions. For example, we launched *Clover*, a tablet-based integrated POS system that can harness the creativity of third-party developer solutions, to target the SMB market; with *Clover* we aim to create the largest open architecture operating system for commerce-enabling solutions and applications for business owners. Recognizing the growing desire for analytics, we launched *Insightics*, an innovative cloud-based software solution that unlocks the power of big data behind payment transactions for the SMB market. Seeing the growing need for security solutions, we launched *TransArmor*, an encryption and tokenization solution for business owners, and we partnered with a leading chip technology company to build a comprehensive EMV solution for card issuers. Seeing the growing interest in the virtualization of payment cards, we acquired *Gyft* and *Transaction Wireless*, significantly increasing our capabilities in the issuance and distribution of virtual cards. Finally, we launched a web / mobile-enabled version of our *VisionPLUS* software application with improved features for multi-currency, multi-wallet, and prepaid cards, and we commercialized functionality for enabling consumer alerts and card controls on our U.S. issuing platform.

**We are investing to enhance our client-facing teams.** We believe we can grow our business and serve our clients better by investing to improve the effectiveness of our client-facing teams. Given our now-expanded solution suite, we believe we have more opportunities to conduct enterprise selling to new and existing clients, and more opportunities to sell new innovations into our large existing base of clients. For example, we are building out enterprise coverage teams, and we believe initiatives like these should help drive new sales and increase client loyalty and retention.

**We have also focused heavily on adding new executive talent to First Data.** Led by Chairman and CEO Frank Bisignano, our Management Committee has been significantly reconstituted and expanded, bringing to First Data deep expertise from leading global organizations in technology, financial services, payments, cyber-security, operations, and controls. Beyond the Management Committee, 104 of our top 150 executives have joined First Data since May 2013, injecting a significant level of new talent into the Company's leadership.

## **Benefitting from Industry Trends**

We believe First Data is strongly positioned to take advantage of several global industry trends:

Consumer payments are continuing to shift from cash to electronic;

Consumer shopping continues to shift from brick and mortar locations to online;

SMB owners are increasingly demanding next-generation technology such as tablet-based POS systems and devices that accept mobile payments;

**Table of Contents**

Given recent payment data breaches, clients are increasingly demanding robust security and fraud solutions; and

Financial institutions continue to outsource and leverage technology providers given their constrained budgets and growing industry complexity.

We believe First Data is well positioned to take advantage of all of these trends given the breadth of our solutions and our global operating scale.

**Industry Background**

***Overview of Our Industry***

Our industry is comprised of technology solution providers with different areas of expertise, specialized capabilities, and proprietary technologies. These providers are positioned across the value-chain of solutions that enable businesses and financial institutions to conduct commerce. Together, these providers help facilitate approximately \$43 trillion of annual personal consumption expenditures and approximately \$120 trillion of annual commercial consumption expenditures, according to The World Bank and Visa Inc., respectively.

These providers include payment processors, core bank processors, information services providers, hardware vendors, software developers, web developers, marketing-program managers, security and risk management solutions vendors, card manufacturers, and business process outsourcers, among others. These providers sell their solutions to businesses or financial institutions across 15 general service categories, as illustrated below.

---

**Table of Contents*****The Value-Chain of Commerce-Enabling Solutions Providers***

The providers in our industry that sell solutions to businesses and financial institutions include:

1. **Point-of-Sale Technology** Providers of hardware and software systems that enable businesses to perform a range of front and back office functions. Basic POS technologies, such as card terminals, help read credit and debit card information to initiate payment transactions, while more advanced systems, such as integrated POS (IPOS), enable business owners to operate more sophisticated software applications to perform functions that help them manage their enterprise from a PC, tablet, or mobile device that is integrated with transaction processing capabilities.
2. **Business Loyalty Programs** Program managers that offer businesses the ability to run discrete retention campaigns, membership agreements and reward programs designed to encourage specific customer behaviors such as increased visit frequency, longer customer life, and higher spending.
3. **Business Management Software** Software developers that create applications to help businesses manage front and back-office operations, allowing users to engage with customers more effectively, manage employees, monitor key operational metrics, and perform accounting and finance functions.
4. **Compliance Solutions** Providers of services and solutions that help business owners ensure their enterprise practices and processes adhere to and remain compliant with various industry standards, such as payment card industry (PCI) compliance, government standards, such as 1099 reporting, and technical requirements, such as EMV acceptance.
5. **Merchant Acquiring** Providers of services and solutions that help businesses accept, process, and settle electronic payment transactions across retail POS, online and mobile POS environments. The merchant acquirer sells payment acceptance services to the business client and underwrites the risk associated with each transaction. A few merchant acquirers, with proprietary technology platforms, provide processing in-house, but most outsource these functions to a merchant processor. See [Overview of Payment Processing](#) for more detail.
6. **Merchant Processing** Providers of proprietary technology platforms that facilitate the processing of electronic transactions and other related functions on behalf of merchant acquirers that do not have in-house capabilities. For example, there are 76 merchant acquirers in the United States according to The Nilson Report, but we believe fewer than 20 own end-to-end processing platforms. See [Overview of Payment Processing](#) for more detail.
7. **Encryption / Tokenization Technology** Providers of security solutions that protect payment and other sensitive data at-rest and in-transit from theft and misuse. These solutions encrypt and decrypt commercial transaction data or replace it with an electronic token. These vendors may also provide solutions to protect businesses and financial institutions from external data breaches.

8. **Network Services** Payment networks such as Visa and MasterCard and EFT networks, such as *STAR*, NYCE and Pulse that connect, secure and transmit transactions between merchant acquirers and issuers to facilitate payment authorization, clearing and settlement. See [Overview of Payment Processing](#) for more detail.
  
9. **Fraud / Security Technology** Providers of solutions that help businesses and financial institutions effectively manage risk and protect themselves from external data breaches, maintain control over internal access to data, and defend against fraudulent transactions.
  
10. **Information / Core Bank Services** Providers of proprietary software applications and technology platforms that help financial institutions open and manage deposit accounts, process deposits and withdrawals, facilitate the origination, processing and servicing of consumer loans, and provide online access to financial accounts, at bank teller stations, ATMs and through online and mobile banking solutions.



**Table of Contents**

11. **Issuer Processing** Providers of proprietary technology platforms that facilitate the management and processing of electronic transactions and other related functions on behalf of card issuers, such as banks and retailers, which do not have in-house capabilities. These providers can sell their solutions as a complete suite of processing and related functions, discrete applications on a customized basis or as a hosted or licensed software solution. See *Overview of Payment Processing* for more detail.
12. **Output Services** Providers of outsourcing services that help card issuers procure, produce, design and emboss their credit, debit, prepaid, EMV-enabled, contactless and private-label plastic cards, and deliver cards to account holders. These providers also help design, print and mail statements and letters on behalf of clients and send customer communications through other channels, such as electronic.
13. **FI Account Management Software** Software developers that create applications to help financial institutions optimize their card portfolios, such as specialized administration portals, data mining and analytical tools, and strategy evaluation software, and manage certain front and back-office operations, such as customer relationship management and dispute resolution functions.
14. **FI Loyalty Programs** Solutions that enable financial institutions to run discrete rewards programs to help drive customer acquisition, engagement and retention, through loyalty processing platforms, rewards portals, the design and marketing of offers and incentives, campaign management and analytical tools, and communication services.
15. **FI Products and Services** Providers of services and solutions that help smaller banks cost-effectively offer a full suite of consumer-facing products and services to their account holders, such as revolving credit lines, credit and commercial cards, and access to ATM services.

***Overview of Payment Processing***

A subset of the technology solution providers in our industry are *Payment Processors*, which help facilitate specific services within the value chain of commerce-enabling solutions. These providers include merchant acquirers, merchant processors, network services providers and issuer processors. Traditional payment processing services include the authorization and settlement of electronic payments, such as credit and debit card transactions, which continue to exhibit strong growth trends around the world. For example, according to The Nilson Report, general purpose credit and debit card transactions are projected to grow significantly from 2013 to 2023, as shown in the table below.

<b>Key Metrics for General Purpose Credit and Debit Cards</b>	<b>2013</b>	<b>2023 Projected</b>	<b>Compound Annual Growth Rate from 2013 to 2023</b>
Global Purchase Volume	\$16.3 trillion	\$49.1 trillion	12%
Global Purchase Transactions	187 billion	469 billion	10%
U.S. Purchase Volume	\$4.5 trillion	\$10.0 trillion	8%
U.S. Purchase Transactions	82 billion	163 billion	7%



**Table of Contents**

The processing of a traditional card transaction includes two sub-processes: (1) capture and authorization and (2) clearing and settlement. Below is an illustrative diagram of the flow of a typical card transaction and an explanation of each step in the process.

*Capture and Authorization*

In the capture and authorization process, the business obtains approval for payment from the card issuing bank. This process includes the following steps:

1. Once the consumer is ready to make a purchase, he or she presents their card for payment;

**Table of Contents**

2. The card is swiped in the POS device at the business location, which captures the account information contained on the card's magnetic stripe or EMV-compliant chip;

In a mobile commerce transaction facilitated by a mobile wallet, such as Apple Pay, the appropriate card details are stored virtually on an application on the phone and transmitted to the POS device through a chip equipped with near-field communication (NFC) technology;

In an eCommerce transaction, the POS device is replaced by a virtual terminal application and the consumer types the card number into the check-out page of the online storefront. In some circumstances, an online wallet, such as PayPal, may be used to transmit the appropriate payment credentials;

3. The customer's card details are transmitted from the POS to the merchant acquirer, or the merchant acquirer's processor, via an internet connection or a phone line;

In an eCommerce transaction, the information is encrypted and then transmitted to the merchant acquirer, or merchant acquirer's processor, via an online gateway;

4. The merchant acquirer, or the merchant acquirer's processor, identifies the appropriate payment network affiliated with the card, such as Visa, MasterCard, or STAR, and forwards the card details to the appropriate network;
5. The payment network receives the request for payment authorization, identifies the appropriate card issuing bank, and routes the transaction to the bank or its issuer processor;
6. The card issuing bank, or its issuer processor, receives the request and then executes a series of inquiries into its account systems to assess the potential risk of fraud for the transaction, establish that the account is in good standing, and verify that the cardholder has sufficient credit or adequate funds to cover the amount of the transaction;
7. The card issuing bank, or its issuer processor, approves or declines the transaction and sends back the response to the payment network. In this example the transaction is approved;
8. The payment network receives the approval and forwards the authorization to the merchant acquirer, or merchant acquirer's processor; and
9. The merchant acquirer, or merchant acquirer's processor, sends the authorization back to the POS device at the business location, which provides an approval confirmation and prints a receipt;

In a mobile commerce transaction, the approval confirmation and receipt may also be transmitted to the consumer's mobile wallet application or to the consumer via email;

In an eCommerce transaction, the authorization is sent to the online storefront, which communicates the approval to the consumer on the screen, and may provide the receipt for printing online or via email.

*Clearing and Settlement*

In the clearing and settlement process, a request for payment is initiated, funds are transferred and the transaction is posted to the business owner's and the consumer's account statements. The clearing and settlement process includes the following steps:

10. Typically at the end of the day, the business submits a batch of all of its approved authorizations to the merchant acquirer, or the merchant acquirer's processor, through a function on its POS device;

In the case of an eCommerce business, the online storefront's gateway sends the batch to the merchant acquirer, or to the merchant acquirer's processor;

**Table of Contents**

11. The merchant acquirer, or the merchant acquirer's processor, receives the batch, notes the final amounts due for settlement and routes the batch of approved authorizations to each applicable payment network;
12. Each payment network sends the batch of approved authorizations to the applicable card issuing bank, or its issuer processor, which posts the transaction to the consumer's statement;
13. Typically within 48 hours, the payment network calculates net settlement positions for the merchant acquirer and the card issuing bank, sends advisements to the merchant acquirer and card issuing bank and submits a fund transfer order to a settlement bank; and
14. The settlement bank facilitates the exchange of funds between the merchant acquirer and the card issuing bank; and the merchant acquirer transfers the funds to the business owner's account.

***Key Trends***

Our industry is impacted by several significant trends that are driving growth and changing the way commerce is being conducted and facilitated around the world.

These trends include:

**Shift to Electronic Commerce** Consumers, businesses, financial institutions, and government entities around the world are continuing to shift their commercial activities and transactions to electronic forms. According to The Nilson Report, in the United States from 2013 to 2018, cash and check purchase volumes are projected to decline by 34% and 46%, respectively, while credit and debit card purchase volumes are projected to increase by 65% and 49%, respectively.

**Migration to Online Channels** Over the past 20 years, the combination of the growth of the Internet, the decreasing costs of technology used to access the Internet, and the increasing adoption of electronic payments has driven the migration of commerce to online channels such as eCommerce and mobile commerce. We believe this migration will continue as market demographics shift to newer generations of consumers who use the Internet and mobile smartphones more heavily. According to eMarketer, global eCommerce spending as a percentage of global retail spending is projected to increase from 6% in 2013 to 9% in 2018.

**Globalization of Commerce** Commerce is evolving from a primarily local or regional activity to a multi-national or global activity due to several factors, including: (1) population growth rates and changes in socio-economic demographics in developing markets are creating large addressable markets for commerce; (2) large businesses and financial institutions are expanding across geographic borders as they seek to grow their own operations or serve customers who are expanding internationally; and (3) businesses of all sizes are conducting more commerce on the Internet, where online customers are not constrained by geographic distance. According to The Nilson Report, from 2013 to 2023, the percentage of global purchase transactions conducted in the United States and Canada will decline from 48% to 38%, while the percentage of

transactions conducted in Asia and Latin America will increase from 27% to 38%, and the percentage of transactions conducted in the Europe, Middle East and Africa region will remain relatively flat, moving from 25% to 24%.

**Adoption of New Technologies** The technology landscape around the world has changed significantly over the past decade and has become more accessible to consumers and smaller enterprises. The costs of traditional technology products and services, such as computer hardware, enterprise software, and telecommunications have declined materially, while Internet access speeds and the development of new social media have increased significantly. As a result, a significant amount of innovation has produced new, lower-cost technologies that are rapidly gaining adoption, such as mobile tablets, smartphones, cloud-based marketplaces, mobile apps, person-to-person networks, mobile wallets, and virtual currencies. The adoption of these technologies is also driving more spending on

---

**Table of Contents**

commerce-enabling solutions, such as business management software for SMBs, integrated POS systems and industry vertical-specific applications. According to a *Hospitality Technology* study on purchasing plans for 2015, 19% of restaurant businesses surveyed reported plans to install a POS system from a new vendor, 38% planned to develop or deploy a mobile POS solution, 38% planned to test and research new POS solutions, and 67% planned to add new functionality, features and/or modules to current POS software.

**Increasing Use of Data and Analytics** As consumers and enterprises migrate to online channels and adopt new technologies, they are accessing and using more data. This information is being synthesized into new applications to empower consumers, such as location-based services or price-comparison search engines, and empower enterprises, such as audience measurement and market information solutions. Businesses and financial institutions are also increasingly investing in new analytical tools that enable them to access, mine, categorize, synthesize and analyze new data from their own operations and the marketplace to run their enterprises more efficiently and effectively. According to *IDC*, global spending on big data analytics will reach \$125 billion in 2015 and the number of large organizations in the United States that purchase external data will increase from 70% to 100% from 2014 to 2019.

**Convergence of Commerce Channels** The migration to online channels, expansion into new geographies, adoption of new technologies, and the increase in the use of data is driving a convergence of commerce channels to a multi-channel environment. Whether consumers engage in commercial activities at a physical location, online from a personal computer, or remotely through a mobile device, they are increasingly demanding access to similar: (1) commercial information, such as inventory selection, menus, or financial accounts; (2) commercial incentives, such as promotional offers, savings discounts, and rewards; and (3) commercial engagement, such as client service and support. In response, businesses and financial institutions are increasingly looking for integrated technology solutions that can be used across all of their channels with enterprise-level functionality, controls, data management, analytical capabilities, and reporting tools.

**Rise in Security Breaches** As the shift to electronic commerce, migration to online channels, and use of data increase, larger amounts of sensitive information are being stored and transmitted electronically by an increasing number of companies. As a result, a growing amount of information is being exposed and compromised around the world, causing a greater number of security breaches. According to the *Global State of Information Security Survey* by PricewaterhouseCoopers, the total number of information security incidents detected around the world increased to 42.8 million in 2014, which was the equivalent of 117,339 attacks per day. This total represents a 48% increase over 2013 and a 66% compound annual growth rate since 2009, when approximately 3.4 million information security incidents were reported.

***Industry Challenges and Demands***

As a result of these trends, we believe businesses and financial institutions are facing several challenges, which also have significant implications for providers of commerce-enabling technology solutions. These include:

**Operational Complexity** Enterprises are facing an increasingly complex operating environment and set of choices as they develop strategies to migrate to new channels, expand into new markets, adopt new technologies, use data in new ways, and try to understand the implications of these decisions. In addition,



new industry standards, regulatory changes, and increasing security requirements are compounding this complexity. As a result, we believe enterprises are seeking technology partners with: (1) the trust and expertise to help them manage through these complex transitions; (2) the breadth and depth of products and services to meet all of their needs; (3) the ability to integrate disparate functions into solutions that are easy and convenient to manage; and (4) the high quality client service to advise and support them when they need help.

## Table of Contents

**Global Capabilities** Businesses and financial institutions that are looking to expand into new geographic markets are typically faced with the difficult, expensive and time-consuming option of selecting and integrating with different technology solutions providers in each market or region. As a result, we believe these enterprises are seeking technology partners with the capabilities to partner with them in multiple markets and regulatory environments.

**Specialized Functionality** The proliferation of new technologies and available data are creating a growing demand for technology applications with increasingly specialized features and functions. Enterprises are looking to automate business practices and processes that are unique to their industry vertical and integrate these into their commercial activities. As a result, we believe enterprises are seeking technology partners with the ability to collaborate with software developers and integrate their specialized applications into their commerce-enabling solutions.

**Real-Time Information** The growth of the Internet, proliferation of new technologies, and increasing use of data are also creating a growing demand for faster processing and analysis to deliver detailed, real-time information across multiple channels. As a result, we believe enterprises are seeking technology partners with fast, multi-channel processing capabilities and powerful analytical tools to deliver the most amount of value-added information in the shortest amount of time.

**Service and Support Levels** All of these new trends and technological changes are increasing businesses and financial institutions' demand for 24/7 access to high-quality client service and support personnel that have the experience and resources to help them in an increasingly complex and real-time operating environment. As a result, we believe enterprises are seeking trusted and dependable technology partners with global support capabilities and a strong track record of service in the marketplace.

**Security Concerns and Capabilities** As larger amounts of data are transmitted electronically around the world and the number of information security breaches increases, we believe consumers, businesses, financial institutions, and government entities are becoming increasingly concerned about the protection of their data. In addition, new industry security standards are creating additional considerations and complexity for businesses and financial institutions. For example, in the United States, the major networks—Visa, MasterCard, Discover and American Express—are mandating that the liability for point-of-sale fraud will shift in October 2015 to the party, either the issuing financial institution or the business, which has not adopted the EMV security standard. As a result, financial institutions are reissuing new payment cards that have embedded EMV-compliant chips, and businesses are looking to replace their POS terminals or IPOS technologies with new devices that accept EMV cards. As a result, we believe businesses and financial institutions are seeking technology partners with established market leadership, powerful security solutions, robust fraud management resources and infrastructure, and expertise to manage risk around the world.

**Regulatory Scrutiny** The intensity and scope of regulatory initiatives has increased significantly over the past few years around the world, particularly for financial institutions. This change has been driven by an increasing demand for operational transparency, an understanding and assessment of overall business risks, and consumer protection initiatives. As a result, we believe enterprises are seeking technology partners with the infrastructure to help them manage their regulatory compliance demands across multiple markets and the

expertise to advise them on new initiatives and alternative strategies.

***Opportunities for the Future***

We believe these trends and the rapid pace of change in commerce are creating a complex operating environment for businesses and financial institutions, who will increasingly seek trusted technology partners to help them develop new solutions for how they run their enterprises, interact with their customers, and secure their data. We believe commerce-enabling technology solution providers will need to position themselves

## Table of Contents

effectively in the future to address many new market demands and will need to demonstrate: (1) industry expertise and thought leadership; (2) genuine concern for their clients and quality customer support; (3) a strong understanding of global markets and the capabilities to operate in multiple geographies; (3) a broad suite of solutions that can be integrated across channels and markets depending on the client's changing needs; (4) large scale and powerful processing and data analysis capabilities; and (5) a strong track record of security and risk management.

### **Our Competitive Strengths**

We believe First Data has many competitive advantages that position us favorably in the global marketplace and will help us drive growth in the future.

#### ***Our Industry Leadership and Large Scale Give Us Operating Advantages***

Based on our size, scale, and global footprint, we are a leading provider in our industry, having processed 74 billion transactions globally in 2014. Our clients include some of the largest and best known global retail and financial institutions, as well as millions of smaller businesses and banks across the world. We are:

**#1 in Global Merchant Acquiring** In 2014, we served approximately 6 million business locations worldwide, including 4 million in the United States. According to The Nilson Report, First Data is the largest merchant acquirer in the world. In 2014, we acquired 11% of global credit and debit purchase volume and 39% of U.S. credit and debit purchase volume.

**#1 in Global Issuer Processing** We have direct relationships with over 4,000 financial institutions, which we believe makes us the largest card issuer processor in the world for credit, debit, prepaid and private-label cards. In 2014, we had 785 million card accounts on file in the United States and 938 million globally versus 617 million reported by our closest competitor.

**#1 in Independent Network Services** We own the *STAR Network*, the largest payments network in the world that is not owned entirely or in-part by issuing banks or a government entity. The *STAR Network* is accepted at over 1 million POS and ATM locations in the United States and processed 3.6 billion PIN debit and ATM transactions in 2014.

**A World Leader in Global eCommerce** We provide eCommerce processing for large enterprise clients, SMBs and third-party payment services providers. We processed \$418 billion of eCommerce volume around the world in 2014, representing 28% of the \$1.5 trillion in total global eCommerce volume reported by eMarketer.

Our scale enables us to cost-effectively leverage our fixed technology and operations infrastructure, helping us to produce high operating margins, incur low marginal capital expenditures, and generate strong operating cash flow.

Our scale also allows us to efficiently develop, acquire, and commercialize next-generation technologies globally. We believe this provides us with a competitive advantage over smaller industry participants, and this advantage will become even more pronounced as clients require solutions that enable them to operate in an increasingly complex technology, security, and regulatory environment.

***We Deliver Integrated Solutions Across the Commerce Value Chain***

We believe we offer our clients the most complete array of integrated solutions in the industry, covering their needs across next-generation commerce technology, merchant acquiring, issuing, and network solutions. We believe this differentiates us from our competition and will continue to drive growth in the future.

## **Table of Contents**

Our suite of commerce-enabling solutions includes a range of products for businesses and financial institutions of all sizes and types that help our clients grow their business, interact with their customers, and manage their operations.

**For Our Business Clients** We provide a wide array of commerce-enabling solutions to small, medium, large and multi-national businesses. For example, we may provide an SMB client with POS, mobile and online payment acceptance, the *Clover* operating system, *STAR Network* acceptance, gift card solutions, the *Perka* loyalty system, *Insightics* information software, and our webstore-in-a-box solution. For large and multi-national businesses, we may offer many of these solutions, as well as others more tailored to their needs, such as enterprise security solutions, retail private label card processing, dynamic currency conversion, and payroll solutions.

**For Our Financial Institution Clients** We provide a full suite of issuer processing and related services for financial institutions of all sizes. For example, for a community bank, we may provide debit processing, *STAR Network* as a debit and ATM network option, and online banking. For a large financial institution, we may also offer credit processing, retail private label processing, statement and card production, and outsourced client service.

### ***We Have a Large and Diverse Distribution Platform***

We sell our commerce-enabling solutions to approximately 6 million business locations and over 4,000 financial institutions through a combination of channels that provide us with a large, global distribution platform. Our distribution channels allow us to reach clients of all types and sizes. Uniquely, we have a wide network of bank relationships that exclusively provide us or our equity alliances with referrals to their customers and access to their combined global branch network of over 36,000 locations, which can sell First Data solutions. Our distribution platform includes:

**Equity Alliances** We currently have equity alliances with eight large banks around the world in which we have a controlling or material equity ownership stake, including 3 of the top 6 acquiring banks. These alliances are stand-alone entities, but leverage the trusted brands, customer relationships, and distribution capabilities of our partners to sell our solutions.

**Revenue Sharing Alliances** We have entered into over 80 partnership alliances with large and mid-sized banks which resell our solutions in exchange for a share of the revenues generated by these sales. Similar to our equity alliances, our revenue sharing alliances leverage the trusted brands, customer relationships, and distribution capabilities of our partners.

**Referral Partnerships** We partner with over 400 banks and over 1,200 non-bank entities which refer us to their customers in exchange for various forms of compensation. These partners leverage their individual market positions, domain expertise, and customer bases to identify new sales opportunities on our behalf.

**Direct Sales** We employ over 1,300 relationship managers and sales people in the United States who service leads from revenue sharing alliances, referral partnerships, and other sources. Our sales force utilizes a customized consultative approach to understand the needs of our business and financial institution clients in order to identify and offer them the best First Data solutions to meet their needs.

**Indirect Sales** We partner with over 1,100 third parties who actively re-sell our solutions. These parties include independent sale agents, ISOs, PSPs, ISVs, and VARs who often have specialized sales capabilities to reach into local communities, small businesses, eCommerce channels, or specific industry verticals. We believe that over the past 20 years, First Data has built significant expertise in successfully structuring and operating different types of distribution partnerships around the world. We believe this is a significant competitive advantage, and has helped us broaden our distribution platform over time.

## **Table of Contents**

### ***We Have a Global Footprint Enabling Us to Reach Clients Around the World***

We have operations in 36 countries and serve clients in 118 countries around the world directly and indirectly. We have well-established businesses and partnerships to serve clients in large developed economies such as the United States, the United Kingdom, Germany, and Australia where the penetration of electronic payments is high and the use of commerce-enabling technologies is common.

We have also made strategic investments and developed key partnerships in fast-growing emerging markets where the penetration of electronic payments is lower. For example, in India, we have a merchant acquiring joint venture with ICICI, the country's largest private-sector bank, and in Brazil, we serve various financial institutions with our *VisionPLUS* software and established a new merchant acquiring business, named *Bin*, in 2014.

We believe our global breadth is an increasing competitive advantage as multi-national organizations, such as retailers, restaurant chains, and financial institutions, want to work with a single trusted technology partner across multiple geographies to deploy various solutions. We also engage local business and financial institution clients around the world who are seeking to adopt next-generation solutions from a global leader in electronic commerce, rather than the often less-advanced offerings of local competitors.

### ***Our Broad-Based Client Service Capabilities Differentiate Us***

Most clients view their payments systems as mission-critical infrastructure for their businesses. In addition, our clients around the world are also facing increasing operating complexity due to new technologies, such as mobile payments, and the implementation of new regulations and standards, such as the EMV liability shift in the United States beginning in October 2015. Our ability to provide our clients with broad-based client service is a major competitive advantage, especially against emerging companies that often lack deep client service capabilities.

### ***We Have Powerful, Proprietary Technology Platforms***

We own and operate proprietary technology platforms which give us a wide range of capabilities that distinguish First Data in the global marketplace and provide us with significant competitive advantages. Our powerful technology platforms are strategically positioned around the world to meet the different technical needs of our large, diversified client base and support our global operations. We also offer clients significant choice in how we deploy these platforms, including through end-to-end outsourcing, licensing of our technology, providing managed services, and offering software-as-a-service. These platforms enable us to provide a best-in-class suite of commerce-enabling solutions, in a large number of different markets, with a varied set of regulatory requirements, across multiple sales channels.

Our technology platforms provide a range of functions, including: (1) hosting and management of our proprietary software solutions and our cloud-based business applications; (2) end-to-end processing of our clients' commercial transactions, including front-end functions to facilitate the capture and authorization of payment transactions, the network connectivity services to route certain types of transactions, and the back-end functions to facilitate clearing and settlement of funds; (3) risk management functions to help prevent and detect fraud and the security functions to protect our clients' data; and (4) data management functions to help our clients organize, analyze, and synthesize data.

We develop and maintain our platforms in-house, which enables us to ensure they are highly stable, secure and scalable with substantial excess capacity to expand our capabilities without the need for material new investment. This allows us to improve operating margins as we add incremental processing volumes and launch new technologies to address emerging opportunities in a rapidly changing market.





## **Table of Contents**

### ***We Have a Strong Controls Operation***

We have built a strong controls operation that helps us manage our risks and work collaboratively with our clients on control-related issues. We have invested significantly, hiring control professionals from leading, highly-regulated global organizations with deep experience in technology, financial services, payments, cyber-security and related fields. This provides us with a stable controls environment around enterprise risk management, underwriting and credit risk, third-party risk, and regulatory compliance, among other areas. It also makes us an attractive third-party provider for all of our clients, but particularly for our financial institution clients and partners, who are under intense regulatory scrutiny. We are a trusted partner who can speak credibly on control-related matters and who can work collaboratively to find solutions. We believe these capabilities help us retain and win clients.

### ***Our Experienced, World-Class Management Team Has a Track Record of Execution***

Beginning with the hiring of Frank Bisignano, our Chairman and Chief Executive Officer and the former co-chief operating officer of JPMorgan Chase & Co., in April 2013, we have built a world-class management team as part of our transformation efforts. Beyond the Management Committee, 104 of our top 150 management executives have been hired since May 2013, bringing with them extensive operating experience in the financial services, payments, and technology industries and a track record of execution at leading public companies. Our new management team has already had a significant impact on First Data's performance, launching numerous new products including our new *Clover* operating system, completing the development of several strategic partnerships, and significantly strengthening our capital position.

## **Our Strategies**

Our competitive strengths have positioned us favorably to pursue a variety of opportunities around the world. We plan to grow our business and improve our operations by executing on the following strategies.

### ***Help Our Clients Grow Their Businesses Through Our Expanded Set of Solutions***

We believe our success will be driven by our focus on helping our clients grow their businesses. We intend to achieve this by providing our clients with innovative, next-generation commerce solutions along with our broad set of existing solutions. Our focus on innovation combined with the direct relationships we enjoy with many businesses and financial institutions, and the critical nature of the services we already provide to many clients positions us well, in our view, to quickly develop, commercialize, and deploy new commerce innovation to our clients.

We have many opportunities, in our view, to sell our expanded set of commerce solutions. We intend to sell these products to *new* clients through all of our major existing distribution channels, often through more enhanced product bundling. In addition, given the large size of our existing client base, we believe we have an outsized opportunity to sell our new solutions to *existing* clients, many of whom may not be aware of the availability of our next generation commerce solutions nor that these solutions are designed to easily integrate into their existing First Data solutions.

### ***Continue Our Greater Focus on Innovation***

We drive innovation through a combination of building organically, partnering with other technology innovators, and selectively pursuing acquisitions all approaches in which we have significant experience. We believe we are an attractive partner and often the acquirer-of-choice for next-generation commerce technology companies, who seek to leverage our large distribution network and existing client base to deploy their solutions.



## **Table of Contents**

Within the past three years, we acquired and are commercializing the solutions of six commerce-focused technology start-ups: *Clover*, *Perka*, *Gyft*, *SpreeCommerce*, *EasyWay Ordering*, and *Transaction Wireless*. We also partner with many leading technology companies to deliver commerce-enabling solutions.

Our innovation investments are focused on helping our clients attract new customers, interact in more innovative ways with their customers, understand their customers better, and protect their and their customers' data and other information.

Since 2013, we have launched many innovative solutions. For example, targeting the SMB market, we launched *Clover*, a tablet-based integrated POS system that can harness the creativity of third-party developer solutions; with *Clover* we aim to create the largest open architecture platform for commerce-enabling solutions and applications for business owners. Recognizing the growing desire for analytics, we launched *Insightics*, an innovative cloud-based software that unlocks the power of big data behind payment transactions for the SMB market. Seeing the growing need for security solutions, we launched *TransArmor*, an encryption and tokenization solution for business owners, and we built a comprehensive EMV solution for card issuers. Seeing the growing interest in the virtualization of payment cards, we acquired *Gyft* and *Transaction Wireless*, significantly increasing our capabilities in the issuance and distribution of virtual gift cards. Finally, given our position as a leading issuer processor, we are creating a functionality to target the alternative lending market.

### ***Enhance Our Client-Facing Teams***

We believe we can grow our business and serve our clients better by investing in our client-facing personnel. Given our now-expanded solution suite, we believe we have more opportunities to conduct enterprise selling to new and existing clients, and more opportunities to sell new innovations into our large existing base of clients. We believe these initiatives should help drive new sales and increase client loyalty and retention.

We are undertaking key initiatives to enhance the effectiveness of our client-facing teams, including:

**Expand Our Sales Force** In the twelve months ended March 31, 2015, we expanded our sales force by 21% and we are building our enterprise coverage teams.

**Focusing on New Verticals** We are deepening our focus on select attractive industry verticals, such as government, gaming, sports and entertainment, and healthcare, among others. In order to increase our penetration in these verticals, we plan to deepen our specialist sales capabilities, enter into new distribution partnerships, and create targeted promotions and incentives.

**Expand our Distribution Partnerships** Our sales force is also increasing its focus on signing new partnership agreements with third-party resellers who typically desire easy technical integration with our systems. We have invested in next-generation customer boarding tools, easy-to-use application program interfaces (APIs) and software developer toolkits (SDKs), and our new AccessOne portal, which provides ISOs, PSPs, VARs, and ISVs with specialized sales tools.

### ***Grow Our eCommerce Business***

Our leading eCommerce presence positions us well to continue to capitalize on this fast-growing segment. We are focused on improving the eCommerce technical capabilities we provide our clients, expanding our relationships with businesses whose presence is primarily online, and increasing sales of eCommerce to brick and mortar businesses.

We plan to strengthen our core eCommerce technical capabilities and global reach through significant ongoing investments, allowing us to provide our clients: (1) a single, simple connection path to our gateways

---

**Table of Contents**

through our *Rapid Connect* universal integration messaging solution; (2) improved risk and fraud management solutions; (3) access to a greater number of alternative payment services which have been developed for specific customer segments and geographic markets; and (4) more effective global eCommerce gateways. In addition to these investments, we intend to continue to support our PSP clients as they grow and expand into new countries and customer segments by enabling them to establish new relationships with our network of financial institution partners, and by leveraging the global capabilities of our *OmniPay* eCommerce processing platform.

We are also focused on expanding our relationships with businesses whose presence is primarily online. We plan to widen our integration with shopping carts, web design firms, and other eCommerce infrastructure partners. We have also launched *Payeezy*, an all-in-one eCommerce solution for SMBs that includes web and mobile storefront development, payment processing, security and fraud management, together with new integration tools and APIs that are convenient and easy to use.

We also plan to increase the penetration of eCommerce sales to existing brick and mortar businesses, which will be achieved through solutions such as *Payeezy*, increased bundling of eCommerce with other First Data solutions, and selling eCommerce solutions to clients who currently lack an online presence.

***Expand Our Clover Operating System***

We acquired *Clover*, an open architecture, integrated POS operating system, in December 2012. At the time of acquisition, *Clover* had less than a dozen employees, none or only partially developed software, hardware options, and distribution strategy. Since then, we have grown *Clover* to 53 engineers, launched three versions — *Clover Station*, *Clover Mobile* and *Clover Mini* — and built a robust open architecture platform that can service a broad array of business clients. Within *Clover*, we also offer a cloud-based *Clover App Market* for business applications.

Our goal with *Clover* is to create the largest open architecture platform of commerce-enabling solutions and applications for business owners. We believe we can achieve this goal by leveraging the breadth and scale of our distribution channels, and selling into our large existing client base. The recently launched *Clover Mini*, for example, will compete in the high-volume traditional POS terminal space, and will, over time, likely become First Data's preferred terminal solution for acquiring clients.

In addition to enhancing our ability to drive core acquiring sales, *Clover* allows us to earn incremental revenue from business clients. Currently, certain versions of *Clover* charge a recurring software-as-a-service fee, and we also generate revenue from the *Clover App Market*, where we typically have a revenue share arrangement on paid applications with the application developer.

We also believe *Clover* can help enhance client retention because it will become core to our clients' businesses, and position First Data as a value-added partner. For example, business owners may use applications in the *Clover App Market* to manage their employees' work schedules, operate customer loyalty programs, integrate transaction information directly into their accounting software, and gain analytical insight into their business.

We believe it will be challenging for potential competitors to replicate *Clover*, particularly because of its open application marketplace. One of the primary drivers of success of an open application marketplace is the ability to attract third-party application developers, who are often motivated to have their applications deployed on platforms with the broadest reach. We believe our *Clover App Market* is uniquely positioned to attract many of these third-party developers given First Data's distribution strength into business clients.

***Expanding the STAR Network's Capabilities***

We intend to drive the *STAR Network* s growth by expanding its functionality and by cross-selling it more effectively with other First Data solutions. We have already expanded *STAR* s available card holder

## **Table of Contents**

verification methods from PIN to now also include PIN-less. We are also investing in more advanced fraud capabilities for *STAR*, and we will continue to consider additional enhancements to *STAR*'s capabilities. We believe financial institutions, businesses, and commerce technology companies are increasingly looking for additional network options. This, coupled with the expanded array of solutions we sell to these business and financial services client bases, creates more opportunities for us to cross-sell *STAR* issuance and *STAR* acceptance with our other issuing and acquiring solutions.

### ***Expand Our Global Footprint and Offerings***

We have operations in 36 countries and serve clients in 118 countries across North America, Latin America, Europe, the Middle East and Africa, and the Asia Pacific region. We have expanded globally over the past 15 years, including recently in India and Brazil, and we intend to continue to expand our global footprint by making strategic investments and developing key partnerships in attractive new markets. This strategy allows us to expand our offerings by selling many of our integrated solutions, including several recently developed next-generation products, to our non-U.S. client base in existing and new markets.

We may enter a new geographic region or country in several ways, including establishing a new office and hiring local salespeople, creating a new distribution partnership, and acquiring local assets or a business. We are selective in determining which markets to enter and typically consider a range of factors before entering a new country or region, including local market size, growth, profitability, commerce and technology trends, regulatory and other risks, required investments, management resources, and the potential return on investment.

### ***Continue to Enhance Our Operating Efficiencies***

Our focus on cost optimization will remain a persistent part of our culture. We will leverage the deep operating expertise of our management team to identify opportunities to improve our operating efficiencies, plan to and continue to leverage our fixed technology and operations infrastructure as our business grows. We will execute on this strategy by implementing various initiatives, including:

**Operational Excellence** We utilize an ongoing program to identify and implement opportunities for productivity improvements through process redesign, capacity analysis and optimization, automation, organizational effectiveness, and technology rationalization. As part of this program, we are rolling out a Global Process Head model to ensure visibility on the performance of our end-to-end processes across global sites to identify opportunities for optimization.

**Procurement Excellence** We have launched an initiative to optimize our approximately \$2 billion of annual non-compensation expenses by reviewing our inventory of vendors, optimizing terms, and enhancing our demand management processes.

**Location Strategy** We are implementing a location strategy program to improve workforce effectiveness and reducing costs through the consolidation of various satellite facilities into larger, but more efficient regional hubs.



**Offshoring and Outsourcing** We have client service support delivered through partners in India, Dominican Republic, and the Philippines, providing time zone flexibility and resiliency. We are strengthening our current offshoring and outsourcing programs by building a captive site for operations processing within our India entity, creating two technology collaboration centers in India, and partnering with select third parties to improve quality, productivity, and cost.

***Manage Our Capital Structure to Enhance Free Cash Flow Generation***

We intend to proactively manage our capital structure to reduce our interest expense and increase our free cash flow, which could be used to further de-leverage our consolidated balance sheet. For example, since July 2014, giving effect to this offering and the Equity Recapitalization, we will have raised \$        in equity capital to reduce debt, which reduces our annual interest expense by approximately \$        .

**Table of Contents**

We believe refinancing opportunities can further enhance free cash flow generation. After this offering, we will have \$ of debt outstanding with a weighted average cost of approximately %. In the current market environment, we believe there may be material refinancing opportunities of our debt at lower interest rates. Over \$11.2 billion of our notes become callable on more favorable terms over the next 12 months, with approximately \$2.6 billion in the second half of 2015 and \$8.6 billion in the first half of 2016. For example, in July 2015, we will refinance \$955 million of our \$1.6 billion aggregate principal amount of 7.375% senior secured first lien notes that became callable on more favorable terms in June 2015 with term loans priced at LIBOR plus 375 basis points.

**Our Segments and Solutions**

We provide a range of solutions to businesses and financial institutions across the value chain of commerce-enabling services and technologies. We create our value-added solutions from a suite of proprietary technology products, software, cloud-based applications, processing services, security offerings and customer support programs that we configure to meet our clients' individual needs. We provide these in three operating segments: Global Business Solutions, Global Financial Solutions, and Network & Security Solutions, as illustrated below.

**Table of Contents**

***Global Business Solutions***

Our largest segment, Global Business Solutions, provides businesses of all sizes and types with a wide range of solutions at the point of sale, including merchant acquiring, eCommerce, mobile commerce, POS, and other business solutions. We serve approximately 4 million business locations in the United States and 2 million outside the United States. Our largest service in this segment is merchant acquiring, which facilitates the acceptance of commercial transactions at the point of sale, whether a retail transaction at a physical business location, a mobile commerce transaction through a mobile or tablet device, or an eCommerce transaction over the Internet. In 2014, we acquired \$1.7 trillion of payment volume in the United States and \$211 billion of payment volume outside the United States, up 2% and 14%, respectively, over 2013.

We employ a variety of go-to-market strategies in our GBS segment. We operate direct sales teams and also partner with indirect non-bank sales forces, such as independent sales agents, ISOs, ISVs, VARs, and PSPs to sell our commerce solutions to SMBs. In addition, we leverage the powerful sales capabilities of our bank partners to go to market through several structures, including joint venture equity alliances, revenue sharing alliances, and referral partnerships. For more detail on our large, global distribution capabilities, see Our Sales and Distribution.

---

## Table of Contents

The Global Business Solutions segment generates approximately 77% of its revenues from clients in our North America region, 14% from clients in the EMEA region, 5% from clients in our APAC region, and 4% from clients in our LATAM region. The Global Business Solutions segment's revenues and earnings are impacted by the number of transactions and payment volume, the mix of consumer usage of credit cards, debit cards, stored value cards, and checks written at the POS, and the size of the business. GBS generally experiences increased POS activity during the traditional holiday shopping period in the fourth quarter, the back-to-school buying period in the third quarter, and certain holidays.

### *Merchant Acquiring and Processing Solutions*

Our largest service in the Global Business Solutions segment is merchant acquiring, which enables our business clients to accept electronic payments, such as credit, debit, stored-value, and loyalty cards. These services include transaction capture, payment authorization, funds settlement, charge-back handling, and Internet-based gateway encryption and routing. The vast majority of these services pertain to transactions which are routed through a payment network (such as Visa or MasterCard), an EFT network (such as the *STAR Network*, which is owned by us), or other payment issuer networks (such as American Express and Discover). Merchant acquiring revenues are generated from a variety of sources, including (1) discount fees charged to a merchant, net of credit and debit card interchange and assessment fees charged by the payment networks, which is typically either a percentage of the purchase amount or an interchange fee plus a fixed dollar amount; (2) processing fees charged to our alliances; (3) processing fees charged to merchant acquirers who have outsourced their transaction processing to us; (4) sales and leases of POS devices; (5) monthly or annual fees from providing reporting, compliance, security, and other services; and (6) software-as-a-service fees generated from the *Clover App Market*.

We typically provide these services as part of a broader commerce-enabling solution to our business clients across multiple channels, including:

**Retail Point-of-Sale** Physical businesses or storefront locations, such as retailers, supermarkets, restaurants and petroleum stations, with brick and mortar facilities, which we refer to as *Retail POS*;

**Mobile Point-of-Sale** Physical businesses with remote or wireless storefront locations, such as small retailers and service providers that use mobile devices to accept electronic payments, which we refer to as *Mobile POS*; and

**Online Point-of-Sale** Online businesses or website locations, such as retailers, digital content providers, and mobile app developers with Internet-based storefronts that can be accessed through a personal computer or a mobile device, which we refer to as *eCommerce*.

### *Our Clover Operating System*

We acquired *Clover*, an open architecture, integrated POS operating system, in December 2012 and invested in the technology to significantly enhance and expand its capabilities. Our goal with *Clover* is to create for business owners the largest open architecture platform of commerce-enabling solutions and applications in the world. We have expanded the family of *Clover* products to include the *Clover Station*, *Clover Mobile* and *Clover Mini*, and each device provides a broad range of next-generation features and software applications designed to help business clients conduct commerce. Within *Clover*, we also offer a cloud-based *Clover App Market* for business applications. Our

software marketplace is designed specifically to provide business clients with integrated software applications that they can download and install quickly and easily on their *Clover* devices. Business applications can be developed internally by First Data, such as *Perka*, *Gyft*, and *Insightics* or by third-party developers. As of June 30, 2015, the *Clover App Market* has 106 active business applications and 277 in development.

**Table of Contents**

In addition to enhancing our ability to drive core acquiring sales, *Clover* allows us to earn incremental revenue from business clients. Currently, certain versions of *Clover* charge a recurring software-as-a-service fee, and we also earn economics from the *Clover App Market*, where we typically have a revenue share arrangement on paid applications with the application developer.

We also believe *Clover* can help enhance client retention because we believe it will become core to our clients businesses, and position First Data as a value-added partner. For example, business owners may use applications in the *Clover App Market* to manage their employees' work schedules, operate customer loyalty programs, integrate transaction information directly into their accounting software, and provide analytics on their business.

*Summary of GBS Solutions*

The following table provides additional detail of select solutions provided by our Global Business Solutions segment.

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
<b>Card Acceptance Solutions</b>	<i>Core Acquiring Solutions, Credit/Debit/ Electronic Benefits Transfer Acceptance</i>	Integrated solutions that enable businesses to accept a wide range of payment types simply and securely, including credit, debit, check, gift, and Electronic Benefits Transfer in magnetic stripe, chip card, and mobile form factors.	<p>Fast, intelligent, secure, and compliant core acquiring solution</p> <p>Increased operating efficiency and reduced risk of fraud</p> <p>Acceptance of international payment types</p> <p>Seamless integration with POS software and IPOS systems</p>

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>GlobalChoice Dynamic Currency Conversion</i>	Enables online businesses to transact with international buyers in their home currencies.	<p>Attract new customers to increase overall sales</p> <p>Earn additional revenue from every transaction processed in a foreign currency</p> <p>Eliminate exposure to foreign exchange rate risk</p> <p>Reduce the cost of accepting payment cards issued in foreign countries</p> <p>Reduce shopping cart abandonment and increase sales conversion rates</p>
<b>Acquirer Processing</b>	<i>OmniPay</i>	Global provider of card and electronic payment processing services enabling financial institution acquirers and their customers to accept payment transactions for face-to-face and online transactions.	<p>Single, global platform</p> <p>Acceptance and processing for a wide range of payment types in 192 currencies</p> <p>Simplify and reduce costs of maintaining compliance with international card network rules</p> <p>Streamline domestic regulatory payment network compliance when operating in multiple markets</p>

<i>Acquirer Processing Solutions</i>	Payment transaction processing and related back-office services provided to financial institution acquirers.	Scalable, secure processing platform with connectivity to major international and domestic payment networks
<b>eCommerce Solutions</b>	<i>Payeezy eCommerce Solution</i>	A full-featured Internet gateway that enables payment acceptance on SMB websites and offers developer-friendly payment integration tools for web and mobile commerce applications.
		Support for client service and back-office operations under the financial institution's brand
		Accept a wide array of online payments securely
		Eliminate the need for multiple payment service providers
		Cutting-edge data protection technology
		Allow payments on mobile devices in customers' home currencies



**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>Online Payment Solutions</i>	Robust payment solutions that enable businesses to offer a seamless eCommerce experience across international borders and electronic devices.	<p>Accept a wide range of payment types, including eCheck and mobile wallets</p> <p>Single, simple point of integration to all of First Data's platforms</p> <p>Advanced security for end-to-end data protection and PCI/EMV compliance</p> <p>Reporting capabilities that yield valuable insights</p>
	<i>Alternative Payment Options</i>	Enable online businesses to accept alternative payment types such as PayPal, PayPal Credit, Google Wallet, mobile wallets such as Apple Pay, checks, and gift cards.	<p>Attract new customers and reduce online shopping cart abandonment</p> <p>Increase average order value</p> <p>Manage chargeback liability with advanced fraud tools</p>
	<i>Global ePricing</i>	Enables businesses to display pricing and accept payments in more than 140 foreign currencies while receiving funds in U.S. dollars.	<p>Attract new international customers and increase sales with an in-country shopping experience</p> <p>Collect payments in U.S. dollars regardless of customers' home currency</p> <p>Manage currency conversion exposures through an integrated, low-risk managed exchange rate</p>

**Business Management Solutions**     *Clover Operating System*

*Clover* is a proprietary, cloud-based, all-in-one, point-of-sale operating system that helps businesses manage their sales and daily operations. The *Clover* system is available in multiple integrated point-of-sale devices, including the *Clover Station*, *Clover Mobile*, and *Clover Mini*.

Minimize cost of international payment acceptance

Easy-to-use out of the box, with no lengthy manuals or tutorials required

Available in a variety of form factors to suit the needs of individual businesses

*Clover* provides an open platform for third-party developers to create new business applications, which business owners can download to fully customize their solution to meet their evolving needs.

Configurable to meet business owners unique technology and software needs

Automatic software and security updates, including our integrated *TransArmor* payment security system

Available with a broad range of software configurations, from traditional terminal management via our *First Data 2000* software suite, to our most comprehensive *First Data Pro* software, which incorporates a full range of applications to support all business management processes.

Accept EMV and contactless cards

Customizable with proprietary and third-party business management apps that can be downloaded through the *Clover App Market*

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
			Track inventory, manage employees, and review customer analytics remotely
			Cloud-based software with access to reports and dashboards that can be accessed from any Internet connection
			Integrated with customer relationship management tools and insightful reports from First Data applications such as <i>Insightics</i> , <i>Gyft</i> digital gift cards, and <i>Perka</i> mobile marketing
	<i>Insightics</i> <i>(Advanced Business Intelligence)</i>	Powerful, simple-to-use, cloud-based solution to help SMBs grow their businesses with unique, actionable insights that make smarter marketing simple by understanding customer spending patterns, the impact of marketing efforts, and the performance of their business compared to similar businesses.	Gain valuable insights based on actual sales data with the <i>Insightics</i> app for <i>Clover</i>
			Easily monitor business performance on a weekly, monthly, or annual basis
			Measure the ROI of marketing programs across channels and segments
			Bring in new customers and understand individual customer behavior
			Identify key areas for effective marketing by understanding where customers live and shop
<b>Marketing Solutions</b>	<i>Perka</i>	Sophisticated mobile marketing tools made simple and accessible for SMBs, enabling them to offer customized	Professional-caliber, customizable marketing program at a lower cost than alternatives

rewards programs, send special offers directly to customers' mobile phones via the *Perka* app, identify the most devoted customers in-store, and deliver a special and personalized shopping experience.

Increase customer engagement and sales

Enable businesses to identify high-value customers and deliver personalized experiences or perks

Social media promotional features that can help reach new customers

Tools that enable businesses to market directly to customers' mobile phones, even when they are not in the store

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>Advanced Marketing Solutions</i>	End-to-end marketing solutions that provide the tools to help businesses acquire, retain, and generate loyalty from customers by delivering smartly targeted, personalized offers, including gift cards and mobile coupons redeemable at the point of sale.	<p>Increase response rates by marketing to consumers on their terms (web, social media, mobile, direct mail)</p> <p>Integration to existing POS hardware</p> <p>Accurate campaign ROI measurement with robust reporting and analytics</p> <p>Access to business intelligence and industry analysis for planning</p>
<b>Mobile Commerce Solutions</b>	<i>Mobile Payments Acceptance</i>	Acceptance of contactless payments initiated from mobile phones, including Apple Pay. Available with <i>Clover</i> , traditional First Data terminals, and non-First Data hardware.	<p>Accept a wide range of payment methods preferred by customers</p> <p>Increase transaction security and speed at the point of sale</p>
	<i>First Data Mobile Pay (Mobile Terminal Solutions)</i>	Enables businesses to accept payment cards safely and reliably, anywhere and anytime, on mobile phones and tablets.	<p>Accept payments safely and simply outside of a fixed store location</p> <p>Accept mobile payments with minimal up-front investment in equipment and technology</p> <p>Simple, transparent pricing</p>
	<i>Digital Commerce</i>	Enables petroleum and quick-service restaurant businesses to allow customers to pre-order food, activate a pump, or receive time-sensitive offers prior to reaching the point of sale.	<p>View transactions and add or delete account users in real-time</p> <p>Increase customer loyalty and engagement</p>

<b>POS Solutions</b>	<i>Integrated Payment Systems and POS Software</i>	All-in-one solutions tailored for retail, services, and restaurant businesses, including POS systems and business management applications.	Increase efficiency and speed of business operations
			Reach customers through a range of interaction channels Accept payments securely
			Manage business operations with integrated applications (e.g., inventory, table management, loyalty)
			Check prices, inventory availability, and stock location
			Track customer visits and purchase histories to offer more personalized service and promotional offers

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>POS Terminals and Peripherals</i>	Reliable, high-performance, high-speed point-of-sale payment acceptance hardware solutions.	<p>Broad range of products to meet a variety of payment acceptance needs</p> <p>Acceptance of magnetic stripe, EMV, contactless, and mobile payments</p> <p>Highly reliable devices with multi-layered security</p>
	<i>POS Terminal Management</i>	Deployment management for POS terminals and other related accessories (e.g., PIN pads and label printers), including procurement, warehousing and inventory control, terminal programming and key injection, deployment, set-up and telephone training, equipment service, repair and replacement, remote terminal software updates, technical support, customized reporting, and conversions.	<p>Full support for supply chain, servicing, and maintenance of POS equipment</p> <p>Manage POS programs with fewer dedicated personnel and less up-front investment</p> <p>Streamline upgrades of POS equipment, particularly for large, multi-store businesses</p>
<b>Other Business Solutions</b>	<i>Global Leasing</i>	Cost-effective leasing of point-of-sale equipment.	<p>No upfront investment costs</p> <p>High approval rates</p> <p>Flexible terms including low, fixed monthly payments</p> <p>State-of-the-art POS solutions and equipment, including Clover Station and</p>

Clover Mobile

*Merchant Cash Advance* Working capital financing for businesses. Simple one-page application with no application fees

Receive funds in as few as three to five days

No fixed term or monthly payment

Automatic repayment through partial withholding of daily card sales

**Alternative Markets** *PayLucky Solutions*

Suite of payment solutions for online gaming operators and land-based casinos to enable funds collection and payouts.

Broad range of payment solutions for funds-in and payouts

Immediate player access to funds

Advanced analytics to minimize risk



---

**Table of Contents*****Global Financial Solutions***

Our Global Financial Solutions segment provides financial institutions, which include bank and non-bank issuers such as retailers with proprietary card portfolios, with a broad range of solutions that enable them to offer financial products and solutions to their customers. We serve over 1,200 financial institutions globally and deliver value to clients through a variety of channels, including end-to-end outsourced processing, managed services, and various software delivery models utilizing our proprietary *VisionPLUS* application. Our services include credit card and loan processing, commercial payments, and related supporting products. In 2014, we processed 6.5 billion transactions on our platforms. In 2014, GFS managed 694 million card accounts on file in the United States, up 4% over 2013 and 153 million card accounts on file outside the United States, up 7% over 2013.

Our GFS clients include some of the world's largest financial institutions, which we serve across 90 countries. Our largest service in this segment is issuer processing, which helps banks and non-bank issuers provide credit, commercial, and retail card programs to their account holders. We also provide licensed and managed platforms for processing activities to financial institutions globally. Depending on the market, our solutions are often bundled with related offerings, such as output services for statement printing and personalization of plastic cards, settlement and back office support, outsourced billing, remittance processing, and customer support call center services. As part of these solutions, we also provide custom programming and development to clients.

The Global Financial Solutions segment generates approximately 55% of its revenues from clients in our North America region, 33% from clients in the EMEA region, 6% from clients in the APAC region, and 6% from clients in the LATAM region. Within the United States, revenues are diversified across financial institutions of all sizes and are spread across the country. Global Financial Solutions' revenues and earnings are impacted by the number of consumer, commercial, and retail private label credit card accounts that are issued and actively in use. Revenue and profit growth is primarily driven by increased card usage, issuance of new cards from growth in existing clients and sales to new clients, and the related account conversions.

***Processing Services and Licensing***

Processing services and licensing provide solutions to financial institutions and other issuers of credit, such as banks, group service providers, retailers, consumer finance companies, and credit unions that enable these issuers to process transactions on behalf of customers. Depending on our clients' needs, we deliver these solutions through our proprietary outsourced services platforms, software application licenses, or software-as-a-service hosted in the cloud. Services in our proprietary platform include transaction authorization and posting, account maintenance, and settlement. Our *VisionPLUS* software is used globally as both a processing solution and a licensed software solution that enables clients to process their own transactions, depending on the market. We also enable merchants and financial institutions to offer next generation payment solutions to their clients, such as Apple Pay.

Revenues for card issuing processing services are derived from fees payable under contracts that depend primarily on the number of cardholder accounts on file. More revenue is derived from active accounts (those accounts on file that had a balance or any monetary posting or authorization activity during a specified period) than inactive accounts. Revenues are also derived from licensing fees for our *VisionPLUS* application, as well as cardholder and data transactions and professional services such as programming.

***Account Support Services***

Along with our processing and licensing solutions, we provide a variety of supporting services throughout the life cycle of each account. Services include processing a card application, initiating service for the cardholder,

accumulating the card s transactions into a monthly billing statement, and posting cardholder

**Table of Contents**

payments. Other services provided include customized communications to cardholders, plastics personalization and mailing, information verification associated with granting credit, debt collection, remittance processing, and client service on behalf of financial institutions. We also provide programming and customization to enhance and tailor our solutions to clients' needs through professional services.

*Summary of GFS Solutions*

The following table provides additional detail of select solutions provided by our Global Financial Solutions segment that enable financial institutions to do business with their customers.

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
<b>Processing Solutions</b>	<i>Credit and Retail Private Label Processing</i>	Core solution to support the entire process of credit card and retail private label card issuance, from underwriting new accounts to authorizing transactions and managing delinquencies.	Efficient credit card processing, with near real-time approvals  Online management tools to view reports, retrieve statements, and develop marketing materials
	<i>Commercial Card Solutions</i>	Enable financial institution clients to offer business, corporate, and purchasing cards and cash management services (for example, ACH and wire payments) to their customers.	Ability to assess risk on new accounts through our proprietary systems Customized card processing workflows  Detailed reporting and control with First Data 360Control system
	<i>Consumer Loan Processing</i>	Loan processing solution using a single processing platform that supports unsecured lending and installment loans, home equity and other lines of credit, student lending, and healthcare financing.	Multiple billing and payment options to enhance cash flow management Enable clients to manage their loan portfolios and card portfolios on the same platform  Support for regulatory reporting and compliance

**Vision  
Payment  
Solutions**

*VisionPLUS*

Business software application for processing large payment portfolios, with support for issuing and acquiring of credit, debit, prepaid, and private label consumer and commercial cards issued under the American Express, JCB, UnionPay, MasterCard, and Visa brands.

Reduced risk using fraud and credit scoring tools

Flexibility and control of loan terms and pricing

Highly configurable and flexible; available as both a processing solution in some markets, as well as a licensed solution

Scalability to add new product functionality and capabilities

Easy to integrate and upgrade

Support for multiple currencies and languages

Support for customers access through online and mobile channels

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>VisionPLUS Flex</i>	Our <i>VisionPLUS</i> solution tailored to run on midrange servers, for cost-effective deployment targeted towards small and mid-size financial institutions.	<p>Ability to deploy <i>VisionPLUS</i> quickly on cost-effective midrange servers</p> <p>Support for multiple currencies and languages</p>
	<i>AccessPLUS</i>	Software to support customer care and call center operations, enabling financial institution clients to deliver client service.	<p>Support for customers access through online and mobile channels</p> <p>Reduced training time</p> <p>Higher accuracy and efficiency</p> <p>Enhanced control over access to data and functions</p> <p>Integrated online help and end-user training programs</p>
<b>Data Access Tools</b>	<i>DataChoice</i>	Transaction data analysis platform providing secure, browser based analytics database.	<p>Global, experienced support partners to assist with implementation and configuration</p> <p>Enable financial institutions to analyze customer and transaction activity</p> <p>Flexible and user friendly</p> <p>Internet accessible</p>

			Provide security for different levels of users
	<i>Customer Inquiry System</i>	Customer management system that stores legacy memos, statement information, payment data, and allows further account actions such as adjustments, disputes, chargebacks, and retrievals.	Store historical information and data on behalf of financial institutions
<b>Account Support Services</b>	<i>Plastic Card Services</i>	Card plastics personalization, embossing, printing, carrier printing, and mailing of plastic cards, including EMV chip cards.	Full-color, digital card printing to support card programs and designs
			Card activation services to enable account holders to activate their cards
			Online access to perform various functions, including managing inventory and modifying production requests
			Low cost through scale
			Provide EMV cards, which increase security and fraud protection

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>Statement and Document Management Services</i>	End-to-end services for financial institutions to communicate with their customers through mailed or electronic document delivery, including a composition platform with advanced document formatting capabilities and full-color printing for account statements, letters, and other notices.	<p>Client-branded statements and communications</p> <p>Multiple delivery channels</p>
	<i>eMessenger</i>	Electronic messaging and delivery system enabling financial institutions to deliver content-rich, interactive communications directly to their customers, including communications for fraud notification, account updates, and collections via automated voice messaging, SMS, and email.	<p>Low cost through scale</p> <p>Replace costly paper communications</p> <p>Offer alerts and notification based on customer requests</p>
	<i>Biller Payments</i>	Multi-channel payment solution for the receipt and posting of cardholder payments, including lockbox services, business process outsourcing for value-added keying, EFT enrollment and address change keying, customer service, and reporting.	<p>Seamlessly integrate with online banking services</p> <p>Lower costs by maximizing conversion to electronic remittance processing</p> <p>Secure storage of sensitive customer information in our data center</p>
	<i>PayPoint</i>	A bill payment gateway that integrates with other First Data products to provide a comprehensive bill payment solution.	<p>Visibility and control across the remittance workflow</p> <p>A simple way to offer online bill pay to customers, covering multiple payment methods and channels</p> <p>One point for authorization and settlement</p> <p>Support many integration options</p>

<i>Loyalty and Rewards</i>	Supports client-branded loyalty programs, including a reward calculation and management engine, communication tools to inform customers via direct mail, email, in-store or web, and personalized offers from well-known retail partners.	Secure payment processing Increase customer acquisition  Flexible reward options, including points, cash rebates, and online rewards catalog  Easy implementation and low maintenance  Configurable website for loyalty fulfillment and retail offers  Enhance rewards programs with business-funded rewards
----------------------------	---	---



**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>Back-Office Outsourcing</i>	Comprehensive fraud research and investigation services, dispute resolution services, and chargeback management.	<p>End-to-end solution from the point of dispute through documentation</p> <p>Reduced expenses and operational complexity for financial institutions</p> <p>Minimized fraud losses through cardholder challenges, charge-backs and investigative efforts</p>
	<i>Programming and Development</i>	Full-service team that supports custom programming and development requests from financial institutions to tailor our solutions to their needs.	<p>Support and adapt to network regulation changes</p> <p>Customizable products, solutions, and tools for clients</p>

**Network & Security Solutions**

Our Network & Security Solutions segment provides a range of network solutions and security, risk and fraud management solutions to business and financial institution clients in our GBS and GFS segments, and independently to financial institutions, businesses, governments, processors, and other clients. This segment also includes our Data and Analytics Solutions, Online and Mobile Banking Solutions, Healthcare Solutions and Government Solutions, and serves clients in the United States and outside the United States. Our largest service in this segment is our *STAR Network*, which enables clients to encrypt, route, and decrypt various types of financial data, process debit and ATM transactions, and provide access to demand deposit accounts. In 2014, our *STAR Network* routed 3.6 billion transactions in the United States, up 3% over 2013.

**Network Solutions**

We provide a range of network solutions to business and financial institutions clients. Our *EFT Network Solutions* manage debit card and account processing solutions and facilitate EFT commerce, such as PIN debit, PIN-less debit, and ATM transactions. Our *Stored Value Network Solutions* facilitate stored value commerce, such as (1) closed-loop prepaid transactions, which are initiated by various types of prepaid cards issued by enterprises, such as retailers, that issue enterprise-branded cards that can generally be used only at the enterprise issuing the card or account, and (2) open-loop prepaid transactions, which are initiated by various types of prepaid cards issued by a bank and carry a network association brand, such as Visa or MasterCard, enabling them to be used at multiple merchant locations.

Our EFT Network Solutions enable our business and financial institution clients to route secure, encrypted data between themselves on our *STAR Network* to facilitate PIN and PIN-less debit and ATM transactions. Our *STAR Network* is connected to over 3,800 financial institutions and community banks, over 1 million POS and ATM locations, and numerous third-party payment processors, ATM processors, and card processors that participate in the

network. When a business, a merchant acquirer, or an ATM owner acquires a *STAR Network* transaction, it sends the transaction data to the network switch, which is operated by us, which in turn routes the encrypted information to the appropriate financial institution for authorization. To be routed through the *STAR Network*, a transaction must be initiated with a card participating in the *STAR Network* at an ATM or POS device also participating in the *STAR Network*.

---

**Table of Contents**

Revenues related to the *STAR Network* are derived from fees payable under contracts and negotiated rate structures, but are driven more by the data transactions processed than by accounts on file. In a situation in which a debit transaction uses our network and we are the debit card processor for the financial institution as well as the merchant acquirer for the business, we are eligible to receive one or more of the following: (1) a fee from the card issuing financial institution for running the transaction through the *STAR Network*; (2) a fee from the card issuer for obtaining the authorization; (3) a fee from the business for acquiring the transaction, recognized in the GBS segment; and (4) a network acquirer fee from the business for accessing the *STAR Network*. There are other possible configurations of transactions that result in us receiving multiple fees for a transaction, depending on the role we play.

Our Stored Value Network Solutions provide a range of services to facilitate commercial and digital prepaid transactions, which are similar to debit payments, but the funds used to settle these payments are funded in advance by the account or card holder. Our commercial prepaid offerings are primarily sold to businesses and are comprised of:

***ValueLink*** Provides card and account issuing, program management, and transaction processing services for a range of prepaid card programs. Our closed-loop prepaid programs include gift, incentive, and rebate cards. We serve over 200 brands globally and several thousand SMBs. Our open-loop prepaid programs include reloadable and non-reloadable prepaid cards, and may be used with a variety of mobile applications.

***Money Network*** Provides open-loop electronic payroll distribution solutions that reduce or eliminate an employer's expense associated with traditional paper paychecks and helps employees without bank accounts avoid check cashing fees. The solution also provides important employee security as the funds are stored on the account, not as cash that can be lost or stolen. *Money Network* accounts can be used at any business location that accepts MasterCard branded cards, includes a packet of checks to be used to pay bills and avoid the cost of money orders, and offers a web portal to track account activity.

***Gyft*** A leading digital platform that enables consumers to buy, send, manage, and redeem virtual closed-loop cards using mobile devices. The *Gyft* solution, combined with our leadership in prepaid issuing solutions, creates a unique combination to support growth in a rapidly expanding market for virtual cards.

***Transaction Wireless*** A leading digital platform that enables businesses to sell virtual gift cards online, either to consumers through an integration with their eCommerce storefront, or to other businesses through a proprietary business-to-business solution.

***Security Solutions***

We provide a range of security, risk, and fraud management solutions that help businesses and financial institutions securely run and grow their business by protecting their data, managing risk, and preventing fraud. Our solutions include *TransArmor*, our encryption, tokenization, and PCI compliance solution for POS data in-transit, *Fraud Predictor Plus*, our solution to detect fraud at the POS through a machine-learning based predictive model, and *TeleCheck*, the industry-leading database of check-writers activity. *TeleCheck* provides check verification, settlement, and guarantee services using our proprietary data-based system. Businesses can use this system to lower the risk of check acceptance or to have all checks guaranteed if approved. Revenues for our security solutions are earned on a licensed basis or per transaction.



**Table of Contents***Summary of NSS Solutions*

The following table provides additional detail of select solutions provided by our Network & Security Solutions segment.

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
<b>Network Solutions</b>	<i>STAR Network</i>	Enable businesses and financial institution clients to encrypt and route EFT data transactions such as debit, ATM, and person-to-person transfers through one of the most recognized independent debit networks.	<p>99.999% uptime ensures consistent account access</p> <p>Reduced transaction cost for issuers on PIN, PINless, and signature debit transactions</p> <p>Cost-effective gateway to all leading payment networks</p>
	<i>STAR PINless</i>	Eliminate the need for cardholder verification for transactions under \$50.	Increase transactions with a seamless cardholder checkout experience through lower transaction abandonment rates
	<i>Debit Processing</i>	End-to-end management of PIN-secured and signature debit card issuing programs for financial institutions, available as both turn-key and customized solutions.	<p>Integration with First Data Smart Routing<sup>SM</sup> enables choice and priority for acquirers and businesses with more than 1 million annual PIN transactions</p> <p>Continuous availability and world-class transaction speed for clients</p> <p>Consolidation of end-to-end services with a single provider</p>

Highly accurate, real-time fraud detection to reduce losses

Web-based management tools to enhance efficiency

*ATM Processing*

End-to-end ATM management solution, including transaction processing, ATM driving and monitoring, performance management tools to remotely manage ATM programs, personalization tools to allow cardholders to set transaction preferences, and targeted marketing campaigns.

Differentiate ATM programs with innovative services and features

Improve operational efficiency and ensure full compliance

Grow profitability of ATM program

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>ValueLink</i>	Provides card and account issuing, program management, and transaction processing services for a range of prepaid card programs.	<p>Accurate, timely net settlement of gift cards with easy-to-use reporting</p> <p>Enable businesses to manage their gift card program and increase brand exposure and gift card sales</p>
	<i>Money Network Payroll Cards</i>	Comprehensive, paperless paycheck delivery options that enable businesses to improve control over their costs and give employees safe, convenient access to their wages.	<p>Enable electronic paycheck delivery through widely accepted Visa, MasterCard, Discover and <i>STAR</i> cards</p> <p>Reduce costs through electronic delivery of pay stub details</p> <p>Provide employees with benefits such as online bill pay and balance alerts</p> <p>Pay final wages to terminated employees in a timely and compliant manner</p> <p>Follow complex payroll laws in all 50 states</p> <p>Manage payroll program with online reporting tools</p>
	<i>Advanced Marketing Solutions and Gift Cards</i>	Comprehensive enterprise-branded pre-paid gift card program management for national and global businesses, including planning and forecasting, order management, design consultation, and inventory and fulfillment services.	Increase customer engagement, purchases, and retention

Increase brand exposure and boost gift card sales by expanding the number of channels for card distribution

Lower total cost of payment acceptance for businesses

Simple, web-based solution enabling customers to reload funds onto gift or spending cards in real-time from a credit card or checking account

Accurate, timely net settlement and easy-to-use reporting



**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>Gyft</i>	Leading mobile digital gift card platform that enables consumers to buy, reload, or re-gift their cards, and offers businesses a simple and effortless direct-to-consumer digital distribution channel.	<p>Single solution to sell mobile gift cards, track balances, issue store credits, and create promotions</p> <p>Create loyalty programs that reward customer purchases</p> <p>Run focused marketing campaigns to target sought-after demographic groups</p> <p>Drive purchase behavior through social media platforms</p>
	<i>Transaction Wireless</i>	Enables businesses to sell virtual gift cards online, either to consumers through an integration with their eCommerce storefront, or to other businesses through a proprietary business-to-business portal.	<p>Enable rapid implementation of digital card sales on client's existing eCommerce site</p> <p>Support bulk distribution and sale of gift cards for businesses</p> <p>Provide tools and a dashboard for businesses to manage their digital card program</p>
	<i>Retail Online Banking</i>	Full-service web and mobile suite of traditional and online banking services, including balance inquiries, transfers, personal financial manager, online bill payment, online deposits, cash management for business banking, and interactive voice response (IVR).	Single, flexible platform with mobile integration, branded by the financial institution

Intuitive user interface with single sign-on and 24/7 Internet access

Easy and fast online account opening

Simple integration using SaaS technology

Strong fraud protection and data encryption capabilities

**Digital and Commercial Payments**

*Commercial Online Banking Accounts Payable Solutions*

Business bill pay and commercial accounts payable solutions that automate and streamline invoice and payment processing, including invoice capture, automatic storage, payment scheduling, and payment execution.

Help clients attract and retain more commercial account holders

Single, flexible platform with mobile integration

Faster processing of invoices and payments

Single sign-on and integrated cash management services

Streamline and simplify back-office operations, reducing resources required to process accounts payable

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>Mobile Banking Solutions</i>	Secure and affordable way for our financial institution clients to provide their customers with a complete mobile banking solution, including end-user multi-mode account interaction via apps, mobile web, and text banking, money management through balance inquiries, fund transfers, bill payment, check deposit, and analytics and reporting.	<p>Attract, retain, and build loyalty with profitable customers</p> <p>Cost-effective solution for the highly desirable mobile banking segment</p> <p>Low cost to implement and maintain</p> <p>Security through multi-factor authentication and inactivity time-out</p>
<b>Account Support Solutions</b>	<i>Consumer Preferences</i>	Comprehensive notification and control solution, including email alerts, SMS alerts, user controls, and commands.	<p>Customizable branding</p> <p>Reduced fraud losses through early alerts and detection</p> <p>Improved efficiency with a single notification solution for an entire portfolio</p>
<b>Security Solutions</b>	<i>TransArmor</i>	Unique cyber security solution that protects sensitive card payment data from the moment of swipe throughout the entire transaction, regardless of the merchant's acquirer.	<p>Stronger customer engagement</p> <p>Avoid the impact of a potential data breach, including fines, liability, cost of remediation, and reputational damage</p> <p>Encryption that permits safe storage of card data after transaction authorization</p> <p>Easier PCI compliance and analytics through tokenization, which replaces sensitive account numbers with proxy data</p>

**Fraud  
Solutions**

*Fraud  
Protection  
Solutions  
DefenseEdge,  
RiskShield*

Advanced fraud protection that enables financial institutions to reduce fraud levels and costs by detecting fraud on monetary and non-monetary transactions (e.g., change of address, request for new PIN) based on customized business rules.

Ability to implement independent of the merchants chosen acquirer

Real-time, critical non-monetary decisioning capability

Easy customization with robust rule-creation features

Allow clients to define their own decision elements and calculations (specific to fraud on their portfolio)

Ability to identify true fraud and reduce false positives

Help prepare for future fraud detection issues (new technology such as mobile and EMV)

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>PCI Rapid Comply</i>	Online tool that helps businesses achieve and maintain PCI compliance more quickly and easily.	Comprehensive support to complete the required annual PCI questionnaire
	<i>Integrated Token Services</i>	Solution that enables financial institution issuers to have their card accounts enabled within mobile wallets (including Apple Pay) through the creation of a token stored on the device.	<p>Enable financial institutions to participate in high profile mobile wallets</p> <p>Increase transaction security using state-of-the-art tokenization technology</p> <p>Reduce the risk of a data breach and fraud losses</p>
	<i>TeleCheck</i>	Fast, safe, and flexible payment option that enables businesses to lower the risk of check acceptance, or eliminate that risk entirely with a guarantee solution.	<p>Increase customer choice of payment methods and technologies</p> <p>Convert checks to electronic transactions at the POS to streamline processing</p> <p>Save time and reduce expenses by depositing checks electronically</p> <p>Reduce risk of returned checks</p> <p>Enable customers to make secure payments over the phone from their checking accounts</p> <p>Protect customers' personal information from identity theft</p>

Set up customers pre-arranged recurring payments from their checking account

Significantly lower processing costs compared to other payment types

**Data Analytics Solutions** *Business Reporting Solutions*

Comprehensive reporting solutions for businesses of all sizes, enabling efficient management of payment transaction data, including statements, alerts, dispute tracking, and customized reports.

Access payments information through any Internet-connected device

Stay informed about key deposits and disputes

Receive timely notifications of reconciliation and dispute events that have bottom-line impact

Access data in flexible formats

**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
	<i>SpendTrend</i>	Economic analyses of point-of-sale transaction data that provides timely, accurate insight and analysis of U.S. consumer spending behavior to help facilitate better forecasting, benchmarking, and business decisions.	<p>Quickly react to changing customer purchasing behavior with advanced notification</p> <p>Easily access and filter spending data via a web interface for accurate, granular analysis</p> <p>Satisfy individual business intelligence needs with customized data sets</p>
	<i>Account Screening Solution</i>	Enables financial institutions to conduct reliable, real-time, cost-effective screening of new account applicants.	<p>Fast deployment</p> <p>Open more DDA accounts by reducing the number of applications rejected based on stale data</p> <p>Reduce screening costs and risk and write-off expenses</p> <p>Fast customer acquisition with real-time access to data</p>
<b>Healthcare Solutions</b>	<i>Electronic Claims Payments</i>	Electronic claims payment system for reimbursements from a health insurer and/or a consumer to a healthcare provider via a virtual card, credit, debit, eCheck, or ACH payment.	<p>Faster transfer of payments to healthcare providers</p> <p>Streamlined reconciliation of healthcare claims and payments received</p>

Compliance with 2016 electronic payment requirements of the U.S. Affordable Care Act

*Benefit  
Card  
Solutions*

Solutions that enable businesses to manage their employee-based healthcare programs electronically.

Support a single account that stores multiple healthcare fund balance types that can be tracked and accessed separately

Customer-controlled business rules that enable unique benefit debit card programs to be launched quickly

Customer-defined authorization and posting rules for fund balances and lines of credit

State-of-the art security and fraud solutions



**Table of Contents**

<b>Category</b>	<b>Service</b>	<b>Description</b>	<b>Benefits</b>
<b>Government Solutions</b>	<i>remitONE Online Tax Payments</i>	Allows businesses to pay all of their federal, state and local payments through a single online service.	<p>Scalable, multi-channel, modular payment service with low customer transaction cost</p> <p>Web-based tool requiring no software installation</p> <p>Flexibility to use the client's own brand and embed into their website</p>
	<i>StateEFT Online Tax Payments</i>	Provides states with an electronic interface (IVR, Web, or file upload) to make ACH debit payments directly to a state's financial institution.	<p>Reduce paper processing and risk of associated errors</p> <p>Reduce costs related to check processing and postage</p> <p>More convenient than paper coupons, while ensuring compliance with mandates established by taxing entities</p> <p>Allow for faster response times to inquiries regarding the status of tax payments</p> <p>Robust security features</p>
	<i>Independent IT Consulting Services</i>	Comprehensive consulting and strategic staffing services, including strategic planning, acquisition support, business transformation, project management, and	Technical know-how and programmatic expertise to solve complex government challenges

quality assurance for Federal, state, and municipal government clients.

Increased quality of planning, including business and technical requirements assessment, feasibility studies, worker and facility readiness audits, and business process re-engineering

Improve the performance of government agency solutions and reduce risk

**Table of Contents**

**Our Global Regions**

Over the past 15 years, we have established a global leadership position. We currently have operations in 36 countries and serve businesses and financial institutions in 118 countries around the world as illustrated on the following map.

We are well positioned to serve our clients in developed and developing economies and to benefit from the different growth trends in each type of market. We have well-established businesses and partnerships to serve clients in large developed economies such as the United States, the United Kingdom, Germany, and Australia where the penetration of electronic payments is high and the use of commerce-enabling technologies is common. In these markets, we continue to see growth and we offer a broad range of solutions that address the diverse needs of businesses and financial institutions of all sizes and types and satisfy the increasing demand for more advanced capabilities. We also continue to find opportunities in developed economies to partner with financial institutions and technology providers to deliver innovative solutions to clients.

We have also made strategic investments and developed key partnerships in fast-growing emerging markets such as India and Brazil where the penetration of electronic payments is lower and the use of more advanced commerce-enabling technologies is still nascent. In these markets, we have positioned ourselves to benefit from the rapid adoption of electronic payments by offering core solutions, such as merchant acquiring and card issuer processing, which we differentiate versus local vendors by utilizing our global scale, broad capabilities and deep industry expertise. In addition, we are leveraging the advanced features and functionality of the solutions we have created for our clients in developed markets to offer new commerce-enabling solutions to our clients in emerging markets that empower them with next-generation technology and capabilities to grow their businesses. We believe these imported capabilities are highly differentiated versus the often less-advanced offerings of local competitors.

---

**Table of Contents**

We employ a variety of go-to-market strategies across all of our geographic regions based on specific market dynamics, which can vary significantly based on the competitive landscape, the regulatory environment, and local market preferences. In our GBS segment, we frequently partner with financial institutions through joint venture equity alliances, revenue sharing alliances, and referral partnerships to source new business leads via their retail branch networks. In some markets we also operate direct sales teams or partner with non-bank sales channels, such as independent sales agents, ISOs, ISVs, VARs, and PSPs to sell our commerce solutions to large, medium and small businesses. In our GFS and NSS segments, we frequently utilize a direct sales model given the longer sales cycles and the greater diversity of needs between clients, and we leverage strategic referral partners, such as group service providers, like industry associations, system integrators, and IT consultancies, who recommend First Data's solutions to members and clients that they are advising on related projects. For more detail on our distribution capabilities, see Our Sales and Distribution.

***North America***

North America (the United States and Canada) is our largest region, accounting for \$5.3 billion of revenue and \$2.2 billion of EBITDA in 2014 (including Corporate expenses). We are the largest merchant acquirer, issuer processor, independent network services provider in the region. The United States is our largest market in the world and accounts for the majority of our activity in the region. In 2014, we processed approximately 64 billion commercial transactions and acquired \$1.7 trillion of payment volume in the United States, accounting for nearly 10% of U.S. GDP. We provide our full range of technology solutions across all three of our business segments and have established a strong leadership position in all of our core businesses. We utilize all of our direct and indirect distribution channels in the United States, including three of our largest equity alliances, Bank of America Merchant Services, Wells Fargo Merchant Services and PNC Merchant Services, and our largest revenue sharing alliance, Citi Merchant Services.

In the United States, we serve large businesses, such as national retail, supermarket and restaurant chains, as well as regional medium-sized businesses and small businesses that are positioned across a wide range of industry verticals. In 2014, we served approximately 4 million business locations in the United States and acquired 39% of U.S. credit and debit purchase volume according to The Nilson Report. We also serve financial institutions of all sizes and types including national and regional banks, community banks, credit unions and non-bank issuers of retail private label cards. In the United States, we served approximately 3,900 financial institutions and had 785 million card accounts on file in 2014. To help route transactions between businesses and financial institutions, we own and operate the *STAR Network*, which is the largest independent PIN debit and ATM network in the United States. In 2014, *STAR* processed 3.6 billion transactions. The network serves our clients separately from our Global Business Solutions and Global Financial Solutions segments and often facilitates transactions that are routed by our merchant acquiring competitors.

In Canada, we serve similar types of clients and provide our core merchant acquiring, issuer processing, and eCommerce solutions by utilizing our U.S. platforms. We sell our commerce-enabling solutions to businesses through two First Data-owned entities, *POSNET* and *UNPS*, and through various distribution partners. We sell our solutions to financial institutions primarily through our direct sales force. The Canadian market is relatively small compared to the United States, but we believe it is subject to many of the same favorable trends and growth opportunities.

While the adoption of electronic payments is significant in this region, we believe there are various attractive industry verticals, client segments, and transaction categories that remain relatively underpenetrated and represent a significant growth opportunity, including: (1) the government, gaming, sports and entertainment, and healthcare verticals; (2) the small business and micro-merchant client segments; and (3) the eCommerce, mobile commerce, prepaid, person-to-person, and commercial transaction categories.

In addition, we believe our growth in North America will benefit as many of the businesses and financial institutions who have already adopted electronic payments migrate to more sophisticated commerce-

---

**Table of Contents**

enabling technologies. We believe this trend represents a significant growth opportunity in the region to further penetrate our existing client base and to win new clients as business and financial institutions: (1) adopt new business management solutions such as IPOS systems and software apps to manage and grow their enterprises more effectively; (2) migrate more of their commerce online, driving more eCommerce volumes and greater online banking activity; (3) increasingly digitize their payment products to be used in next-generation mobile wallets, such as Apple Pay, and digital stored-value marketplaces, such as *Gyft*; (4) move to multi-channel commerce-solutions that enable them to engage with their customers across physical, online and mobile storefronts in an integrated manner; (5) increasingly use next-generation analytics solutions that help them unlock the power of their enterprise data and identify new opportunities for growth; and (6) upgrade to new security and risk management solutions that help protect their enterprises in the wake of widely publicized data breaches and a market shift to EMV technology.

***Europe, Middle East and Africa***

The Europe, Middle East and Africa is our second largest region, accounting for \$1.1 billion of revenue and \$340 million of EBITDA in 2014 (excluding NSS). We have operations in 18 countries and serve clients in 65 countries in this region. We are a leading acquirer processor in EMEA and provide our suite of next-generation commerce-enabling solutions to businesses and financial institutions of all sizes and types. We entered the region in 1991 through the establishment of an equity alliance with Lloyds Bank to provide merchant acquiring services in the United Kingdom. Since then, we have expanded our presence across EMEA by establishing a direct presence in certain markets, developing new alliances and distribution partnerships, and executing a series of acquisitions over the past 15 years.

In Western Europe, we have established a footprint in the United Kingdom, Ireland, Switzerland, Germany, Austria, Italy, Greece, Belgium, and the Netherlands and serve clients in other markets from our operations in these countries. We have established various wholly-owned entities in the region, which enable us to sell our solutions directly through locally-based relationship managers and business consultants. We have also created various distribution alliances with banks and referral agreements with third-party resellers, such as ISOs and PSPs, to leverage their strong customer relationships and acquired several companies to expand our reach in the region. In the United Kingdom, we have an equity alliance with Lloyds Bank named *Cardnet Merchant Services*. In Ireland, we have established an equity alliance with Allied Irish Banks named *Allied Irish Banks Merchant Services*. In the Netherlands and Belgium, we have established a joint venture with ABN AMRO named *European Merchant Services*, and in Italy, we have established an equity alliance with BNP Paribas named *BNL POSitivity*. In Germany, we sell our business solutions through *TeleCash*, which we acquired in 2003, and our clients include *ConCardis*, which is the largest German merchant acquirer, according to The Nilson Report.

We have used similar strategies to establish a footprint in Central and Eastern Europe and the Middle East and Africa. In Central and Eastern Europe, we have established a footprint in Poland, the Czech Republic, Slovakia, Hungary, Romania, the Baltics, the Balkans and Greece. Our largest business in this region is our wholly-owned entity in Poland named *Polcard*, which we acquired in 2007. In the Middle East and Africa, we have established a footprint in the United Arab Emirates, Saudi Arabia, Qatar, Egypt, and we recently launched our acquiring business in South Africa.

We believe our EMEA business will continue to benefit from several industry and regulatory trends. We believe the shift to electronic payments will continue to drive growth in the region, particularly as more commerce moves online and businesses and financial institutions in Central and Eastern Europe and the Middle East and Africa continue to develop and mature. Similar to the United States and Canada, we believe the penetration of new industry verticals, small businesses, online and mobile commerce, prepaid products, and commercial transactions will continue to drive core growth in the region, while the adoption of more advanced commerce-enabling solutions, such as IPOS, business

management software apps, and data and analytics solutions, will fuel a second wave of growth among more established businesses.

---

**Table of Contents**

In the European Union, we believe there are also several regulatory initiatives which could help drive new growth opportunities for First Data. We believe the implementation of the E.U. *Regulation on Multilateral Interchange Fees*, which caps interchange fees at 30 basis points for credit transactions and 20 basis points for debit transactions, could help incentivize more businesses, particularly smaller ones, to accept electronic payments and adopt complementary commerce-enabling solutions. Since the European Union also has a proportionally high use of debit cards, we believe this regulation could also drive financial institutions to seek new sources of revenue through the issuance of new payment products, technology innovation and the adoption of other commerce-enabling solutions, which we are well positioned to help them achieve.

We believe the implementation of the E.U. *Revised Directive on Payment Services (PSD2)* will also provide a new catalyst for growth. This regulatory initiative expands on prior efforts to open and harmonize the European payments industry and allows non-bank entities to offer certain payment services, including issuing and merchant acquiring, across all E.U. countries through a single payment institution license. We have obtained this license and believe it will help us pursue new expansion opportunities and drive incremental growth across the region.

***Latin America***

The Latin America region accounted for \$235 million of revenue and \$46 million of EBITDA in 2014 (excluding NSS). We have operations in 8 countries and serve clients in 32 countries in this region. We are a leading merchant acquirer, issuer processor, and eCommerce processor to businesses and financial institutions of all sizes and types in the region and have begun to introduce other commerce-enabling solutions in selected markets. We entered LATAM in 2001 in Puerto Rico. Since then, we have expanded First Data's services and now conduct business in Argentina, Brazil, Colombia, Panama, Mexico, Uruguay, Central America, and the Caribbean.

In Brazil, we opened an office in 2002 and primarily provided issuer processing services through the licensing of our *VisionPLUS* solution to large local banks. Over the past few years, we made significant investments in our personnel, infrastructure, and technology in Brazil and launched our first merchant acquiring business in 2014 called *Bin*. We are building our distribution capabilities through partnerships with banks and non-bank partners to penetrate the market, and we plan to launch our *Clover* operating system, eCommerce services, and other commerce-enabling solutions in 2015 and 2016.

In Mexico, First Data established a revenue sharing alliance with Scotiabank in 2003 named *ScotiaPOS* to provide merchant acquiring services across the country. Since then, the base of business clients and their billings have grown double digits and expanded acceptance in segments such as Education and Health. *ScotiaPOS* will continue to grow its merchant base by cross-selling products to current bank clients and expanding to new sales channels to penetrate segments with low card acceptance.

In Argentina and Uruguay, we expanded our footprint through the acquisition of Argencard in 2006, which provided a full range of services to businesses and financial institutions. We are the sole acquirer for MasterCard products in those markets, serve a range of issuers, and have continued to enhance our capabilities in these countries to provide point-of-sale services, through *POSNET* in Argentina and *POS 2000* in Uruguay. We also made significant investments in a new data center and our hosted card issuing platforms so that we could address new cost-effective processing opportunities. This facilitated our expansion throughout the Latin America region.

We entered the Colombian market in 2014, taking advantage of the changes in the regulatory market that opened up new opportunities to expand our footprint, and are currently serving the two largest financial groups in this market.



In Central America and the Caribbean, we serve the acquiring and issuing processing needs of our local, regional, and multinational clients either directly or through *Procesa*, our joint venture with Banco General of Panama.

## **Table of Contents**

We believe our business in Latin America will benefit from several industry trends similar to those in the United States and EMEA, including the shift to electronic payments, the penetration of new industry verticals and customer segments, and the adoption of new payment types and channels such as prepaid and eCommerce. In addition, the region is benefitting from regional trends, such as:

Financial inclusion, which consists of (1) the reduction in cost and increase in the effectiveness of social and welfare programs by shifting their distribution from paper-based vouchers to debit and stored-value cards and (2) the formalization of the economy and increase in tax collection by providing rebates of the value-added tax to the consumer when payments are made through debit and stored-value cards. Brazil, Argentina and Uruguay are some of the countries that have run transformative programs that have produced an increase in debit card transactions.

The emergence of a consumer middle class with greater spending power, which we believe will continue to drive strong transaction growth trends that will fuel further investment in commerce-enabling solutions by businesses and financial institutions. We believe the adoption of more advanced technology solutions will also drive growth in larger markets, such as Brazil and Mexico, where the telecommunications infrastructure and access to the Internet is more developed and the adoption of enterprise software and new technologies by businesses and financial institutions is more prevalent.

We also believe regulatory reforms will continue to favorably impact our business in Latin America. For example, in Brazil the government eliminated acquiring exclusivity in 2010 and appointed the Central Bank of Brazil to regulate the payments industry in 2013. In Mexico, the government began granting payment licenses to non-bank acquirers in 2014, which we believe will stimulate growth in the acceptance of electronic payments and the investment in POS solutions. Similar regulatory initiatives across the region could open up markets to new competition versus incumbent providers, which we believe are often local industry utilities with limited capabilities. These competitors typically only provide basic services and may not have the ability to invest material capital in innovation and new technology solutions given their consortium governance structures.

### ***Asia Pacific***

The Asia Pacific region accounted for \$295 million of revenue and \$100 million of EBITDA in 2014 (excluding NSS). We have operations in 8 countries and serve clients in 19 countries in this region. We are a leading merchant acquirer, issuer processor, ATM services provider, and eCommerce processor to businesses and financial institutions of all sizes and types in the region and have begun to introduce other commerce-enabling solutions in selected markets. We have significant operations in Australia, South Korea, Singapore, India, and China.

We entered the region in 1992 when First Data began providing issuer processing services in Australia, which is our largest market in the region. We expanded our footprint by licensing our *VisionPLUS* solution and providing managed services to support bank clients. We also have a growing merchant acquiring business.

We entered China in 1995, becoming one of the first non-Chinese companies with permission to build a data center in mainland China. We have maintained our operations in China, expanded into Hong Kong, Taiwan, and Macau, and currently provide a range of commerce-enabling solutions to businesses and financial institution clients in all three markets. In 2001, we established operations in South Korea and in 2005 acquired *Korea Mobile Payment Services*, a leading provider of value-added network services, which manage POS terminals and route transactions to Korean banks.

In 2009, we formed an equity alliance in India with ICICI Bank, one of the country's leading banks, named *ICICI Merchant Services*, which provides merchant acquiring, mobile POS, and eCommerce solutions to businesses across India. We also have a growing issuer processing business providing managed services to our bank clients through our *VisionPLUS* solution. We recently launched *First Data India Ventures*, which is focused on identifying, investing, and incubating next-generation commerce companies.

## **Table of Contents**

We have also built a footprint across South East Asia, establishing operations in Singapore, Malaysia, Brunei, and New Zealand and providing services to clients in Indonesia, Thailand, Vietnam, and the Philippines. We provide merchant acquiring services and eCommerce solutions directly to businesses across the region through *First Data Merchant Solutions*. To address the diverse needs of issuers in the APAC region, we operate a *VisionPLUS* center of excellence in Singapore and India that provides custom development and other professional services to our financial institution clients.

We believe our business in the APAC region will benefit from several industry trends, including the shift to electronic payments driven in part by government incentives, the penetration of new industry verticals and customer segments, and the adoption of new payment types and channels such as prepaid, eCommerce, and mobile commerce. In addition, we believe the fast economic growth, maturation of the financial services industry in many countries, favorable consumer demographics, and the emergence of a consumer middle class with greater spending power in the region will continue to drive strong transaction growth trends and investment in commerce-enabling solutions by businesses and financial institutions.

### **Our Sales and Distribution**

We sell our commerce-enabling solutions to approximately 6 million business locations and over 4,000 financial institutions through a combination of channels that provide us with a large, global distribution platform. Uniquely, we have a wide network of bank relationships that exclusively provide us or our equity alliances with referrals to their customers. These banks include Bank of America Corporation, Wells Fargo, the PNC Financial Services Group, Citigroup, SunTrust Banks, Lloyds Banking Group, Allied Irish Banks, ICICI Bank, ABN AMRO Group and over 300 other banks with a combined global branch network of over 36,000 locations which can sell First Data solutions. We believe that this combination provides us with one of the largest sales forces in our industry and one of the largest business-to-business sales forces in the world, enabling us to reach clients of all sizes, types, and industry verticals.

As part of our transformation, we have expanded and upgraded our sales force. In the twelve months ended March 31, 2015, we expanded our sales force by 21% to enhance the capabilities and increase the reach of our sales force by broadening coverage in certain geographies, hiring more sales specialist for certain products and verticals, and growing our telesales capabilities.

**Table of Contents*****Our Sales and Distribution Channels***

Our global sales capabilities are highly diverse and are comprised of five types of distribution channels, including:

**Equity Alliances** We currently have equity alliances with eight large banks around the world in which we have a controlling or material equity ownership stake, including 3 of the top 6 acquiring banks in the United States. These alliances, listed in the table below, are stand-alone entities, but leverage the trusted brands, customer relationships, and distribution capabilities of our partners to sell our solutions.

<b>Region</b>	<b>Joint Venture</b>	<b>Partner</b>	<b>Countries Served</b>	<b>First Data Ownership</b>
<b>North America</b>	Bank of America Merchant Services	Bank of America	United States	51%
	Wells Fargo Merchant Services	Wells Fargo	United States	40%
	PNC Merchant Services	PNC	United States	40%
<b>EMEA</b>	Cardnet	Lloyds Bank	United Kingdom	49.9%
	AIB Merchant Services	Allied Irish Banks	Ireland	50.1%
	European Merchant Services	ABN AMRO	Netherlands, Belgium	51%
	BNL POSitivity	BNP Paribas	Italy	49%
<b>APAC</b>	ICICI Merchant Services	ICICI Bank	India	81%

**Revenue Sharing Alliances** We have entered into over 80 partnership alliances with large and mid-sized banks, such as Citibank and SunTrust Banks in the United States, as well as partnerships outside of the United States, such as Scotiabank in Mexico, and with several non-bank entities, such as SAM's Club, Restaurant Depot, and FedEx in the United States, which resell our solutions in exchange for a share of the revenues generated by these sales. Similar to our equity alliances, our revenue sharing alliances leverage the trusted brands, customer relationships, and distribution capabilities of our partners.

**Referral Partnerships** We partner with over 400 banks and 1,200 non-bank entities that refer us to their clients in exchange for a commission. These partners leverage their individual market positions, domain expertise, and client relationships to identify new sales opportunities on our behalf.

**Direct Sales** We employ over 1,300 full-time relationship managers and business consultants in the United States who service leads from revenue sharing alliances, referral partnerships, and other sources. Our sales force utilizes our customized consultative sales program, *The First Data Way*, to engage with our clients and partners as trusted technology advisors, collaborate with them to assess their specific needs, and develop an integrated, commerce-enabling solution that works best for their situation and goals. We believe this program will enable our sales force to approach our clients in a differentiated way and work with them to create enterprise-wide strategies and solutions that empower them to grow their businesses, rather than just offering discrete services at the lowest marketable price point.

**Table of Contents**

**Indirect Sales** We partner with over 1,100 third parties who actively re-sell our solutions. These parties include independent sales agents, ISOs, PSPs, ISVs, VARs and GSPs who often have specialized sales capabilities to reach into local communities, small businesses, eCommerce channels, or specific industry verticals.

Our alliances and referral partnerships enable us to provide our solutions through multiple financial institutions, leveraging their respective branch networks and brand loyalty to reach more businesses and increase client retention. These partnerships provide us with high-quality leads that our bank partners generate through their treasury services relationships or customer visits to their branches. These leads are provided, in most cases, exclusively to First Data in several ways, depending on our partnership arrangements.

For example, when a business customer visits the branch of one of our bank partners to open a new account, a branch representative will assess the customer's needs to operate their business and either refer the customer directly to a First Data business consultant or offer a range of First Data solutions on behalf of the bank, including (1) point-of-sale technology, (2) card acceptance services, (3) business loyalty programs, and (4) other commerce-enabling solutions.

Together with our partners, we may contribute management, sales, marketing, and other administrative services to each alliance that we participate in depending on its needs. We also use various advertising methods to market our solutions in both our direct and indirect sales channels, including branch advertising, websites, industry conferences and trade shows, and social media.

**Table of Contents*****Our Industry Verticals***

Our sales force and distribution partners sell our solutions to nearly all types and sizes of business, financial institution and government clients. However, we also target and provide solutions for specific industry verticals through dedicated resources, such as specialized relationship managers and sales programs, and through our distribution partners. These industry verticals are listed in the following table:

<b>Industry Verticals Served</b>	<b>Description</b>
Airlines	Global airlines, small and midsize carriers and major airport locations
Education	Educational institutions from grades K-12 and higher education
Entertainment	Broad range of companies including print media, television, movie theaters, and theme parks
Gaming	Broad range of companies including casinos, lottery, racetrack, and online gaming
Government	All federal, state, and local agencies and services
Grocery	Grocery and drug store chains
Healthcare	Healthcare systems, hospitals, physicians' offices, and dental care offices
Hotels	Hotel chains and groups
Industrials	Manufacturing and other industrial verticals, such as pharmaceuticals
Insurance	Broad range of insurance companies
Non-Profit	Non-profit and charitable organizations
Petroleum	Traditional petroleum companies, such as refining companies, and other firms associated with petroleum, such as engineering, distribution and services, such as gas stations and convenience stores
Professional Services	Broad range of service providers, such as consulting companies and system integrators
Real Estate	Broad range of companies including REITs, construction companies, building management firms, and engineering and design firms.
Restaurants	Restaurants chains and groups, including quick service restaurants
Retail	Broad range of companies with a retail presence, such as department stores, specialty retail chains and retail services
Sports	Sporting leagues and their associated teams, stadiums, and associated companies
Technology	Broad range of technology companies from digital start-ups to global internet services and multi-national hardware and software firms
Transportation and Logistics	Broad range of companies specializing in transportation and logistics services, such as railroads and shipping
Other Travel and Leisure	Rental car companies and vacation clubs
Utilities	Utility companies that provide a range of services, such as energy, water and sewage maintenance
Wholesale Trade	Broad range of companies that provide wholesale supplies, food and equipment to other companies, such as food services, produce, restaurant equipment, and durable medical equipment





**Table of Contents**

**Our Operations**

Our operations include a wide range of client service and processing functions that enable us to serve and support our clients across all of First Data's business segments. Led by our Chief Operations Officer, the team consists of over 11,500 employees globally and focuses on:

Delivering a high-quality, end-to-end client service experience across our suite of commerce-enabling solutions;

Executing our internal operating cost and productivity improvement strategies; and

Establishing a control environment that helps to ensure business continuity, minimize operational risks, and maintain an effective risk governance framework.

We have developed an operational excellence program that supports our cost and productivity improvement strategies by helping our management review processes to drive down the demand for resources, reduce expenses, and drive greater value for our clients. We have also developed a Global Process Head program to optimize the effectiveness of our operations organization. The Global Process Head team is comprised of senior managers responsible for the performance of end-to-end processes across global sites. The team (1) determines strategic priorities for technology development supporting key projects and service excellence, (2) analyzes and monitors operating metrics globally, (3) enhances the level of service performance delivered to clients, and (4) delivers operating efficiencies across processes.

Our operations and support services include:

**New Client Onboarding** Our new client onboarding team works closely with the sales force to deliver a seamless transition from sales to implementation to ongoing client services. Our client onboarding team is responsible for setting up business and financial institution clients on the appropriate platforms and managing the activation process, including communicating to and educating our clients about how to successfully provision their solutions.

**Client Service / Account Management** Our contact center team handles in-bound client service calls ranging from basic account maintenance requests to emergency technical service calls. We offer various levels of support for our clients and partners, including multi-lingual and 24/7 support. We also are increasingly providing self-service tools that put our clients in control to address service requests quickly or on their own time. Our account management team, which is assigned specifically to large business and financial institution accounts, also regularly reaches out to clients to assess their service needs and proactively improve their client experience. In some instances, individual large accounts have fully dedicated account management and client service teams.

**Settlement Operations** Our settlement and funding team is responsible for setting the guidelines that determine the speed at which our businesses receive funds for electronic payment transactions processed. We also manage the settlement, clearing and reconciliation process with financial institutions and payment card networks.

**Disputes / Chargebacks** Our disputes and chargebacks team provides case management support on behalf of our clients when disputed charges are filed. We work with the payment card networks and card issuing banks involved in disputed transactions to determine whether fraud occurred by collecting and analyzing relevant information and records from the merchant, such as signed receipts, to determine liability. As appropriate, we also initiate collection processes to ensure our business clients get reimbursed for certain disputed charges. We also provide chargeback services to some issuing clients.

**Terminal Distribution / Supply Chain Management** Our terminal distribution team manages the deployment of POS devices and related accessories, such as PIN pads and label printers. We provide a variety of services such as: procurement, warehousing and inventory control; terminal programming

## **Table of Contents**

and key injection; deployment, set-up and telephone training; equipment services; repair and replacement; remote terminal software updates; technical support; customized reporting; and conversions. We provide these services to our direct and indirect channel merchants.

**Output Services** Our output services team manages the printing and mailing of cardholder statements and other communications, such as account notices, as well as the printing, embossing, personalization and mailing of plastic cards. This includes full support of newer payment technologies such as EMV.

**Remittance Processing** Our remittance team provides lockbox processing services in 8 state-of-the-art facilities throughout the United States. We support processing of all methods of payment to banks and corporations, such as card issuers and telecommunications companies, who receive payment remittances by postal mail from their clients.

### **Our Controls Organization**

We face a range of strategic, reputational, financial, operational, and compliance risks inherent in our business. The objective of our controls organization is to understand those risks and effectively manage, mitigate, and/or monitor those risks to protect First Data, our clients, and our partners, as well as meet regulatory obligations. Reporting to the CEO, the Chief Control Officer (the CCO) leads our Controls Organization and provides regular reporting on the state of controls to the Risk and Audit Committees of the Board. We have made significant investments in strengthening controls. Our model includes three lines of defense:

#### ***First Line of Defense***

*Business unit ownership.* Our business unit, shared services and function executives are responsible for identifying, assessing, managing, and controlling the risks they take or are exposed to while conducting their activities. Additionally, we assign control officers for each business, who are responsible for monitoring risk, advising on planned mitigation strategies, and monitoring corrective actions to address process and control deficiencies.

#### ***Second Line of Defense***

*Oversight of the organization.* Our compliance, anti-money laundering, OFAC, anti-bribery and corruption, privacy, third-party risk management, enterprise risk management, operation risk, and credit risk functions all report to our CCO. These functions facilitate and monitor the implementation of effective risk management practices. They are responsible for providing oversight to the business as well as independent guidance and advice to the business in implementing risk policies. The second line of defense is also accountable for owning and developing the risk and control frameworks, which the first line of defense uses to discharge its responsibilities.

#### ***Third Line of Defense***

*Assurance through Audit.* Our internal Audit functions, which provide independent assurance over the key risks to the organization, including an independent annual assessment of the risk management and internal control systems to the Audit Committee of the Board of Directors. Our Chief Auditor reports to the Chair of the Audit Committee of the Board.



---

**Table of Contents**

We have increased headcount in these areas and enhanced our capabilities by recruiting leaders from a variety of industries, such as financial services, with diversified backgrounds and extensive experience in controls. We are also continuously improving our controls-related processes by making significant investments in technology and managing a dedicated technology team to support our efforts. Some key elements of our controls organization include:

**Enterprise Risk Management Program** Our enterprise risk management framework reflects a methodology comprised of six key components: (1) risk governance and culture, (2) risk strategy and appetite, (3) risk assessment and measurement, (4) risk management and monitoring, (5) risk reporting and communications, and (6) risk data technology and infrastructure. We have established a Risk Committee of the Board and an executive level risk committee. These are responsible for articulating our risk appetite and determining an acceptable level based on the tradeoff of assumed risk versus the expected value of the opportunity. The enterprise risk management program is integrated with the strategic planning process and is aimed at identifying the risks associated with our strategic objectives and related objectives, such as operational, financial reporting, and compliance.

**Underwriting and Credit Risk Management** Our credit risk management team defines our underwriting policies and standards for prospective new business and financial institution clients and performs the initial client risk assessment to determine creditworthiness and acceptable credit terms, which may include funding delay or collateral requirements. We continuously monitor the risk profile of our client portfolio to determine adherence to our credit policy and assessment of the clients' business model relative to our risk appetite, and remediate problematic clients as warranted. Our risk scoring models and rules consider such factors as how long a client has been on file, dispute history, credit utilization, deposit patterns and trends, industry vertical, payment history, account delinquency, financial safety and soundness, and compliance with regulations.

**Regulatory Compliance** We have established and maintain a regulatory compliance program and framework, as a second line-of-defense, that is designed to (1) identify and establish an understanding of First Data's regulatory compliance responsibilities; (2) train owner associates; (3) achieve compliance with regulatory requirements and internal regulatory compliance policies; (4) review operations to verify responsibilities are carried out and requirements are met; (5) take corrective and timely action when necessary; and (6) provide timely and effective management information on the state of regulatory compliance to internal and external stakeholders. We have tailored the program to the business strategy and needs of First Data by creating line-of business groups that provide dedicated compliance coverage to our three business segments globally. The program also includes subject-specific areas of coverage, including: privacy, ethics, antitrust, anti-money laundering, government sanctions, and anti-bribery and corruption.

**Internal Audit** Our internal audit team provides management and the Audit Committee with independent, objective assurance and consulting activities designed to add value and improve our operations. We do this through a systematic, risk-based, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Our annual plan is aligned to our objectives and the results of our audits are shared with management and the Audit Committee. The internal audit department reports directly to the Chair of the Audit Committee and to management through the CCO.

**Third-Party Risk Management** Our third-party risk management team establishes policies and practices used in managing and overseeing third-party risks to us and our clients, necessary for meeting regulatory requirements, client contract obligations and industry best practices. This team manages third-party related audits, performs due diligence reviews, targeted risk assessment analysis and ongoing monitoring activities of third-parties to identify and address potential patterns or trends which may pose enhanced risk.

---

**Table of Contents**

**Third-Party Oversight** Our third-party oversight team establishes the risk management framework utilized in assessing and managing risks associated with third-party relationships entered into by the firm for goods or services, with enhanced focus on third-party vendor relationships involving critical activities that directly or indirectly support our clients. The third-party oversight program performs comprehensive risk management reviews throughout each stage of the third-party life-cycle, which includes initial planning, due diligence, contract review, ongoing monitoring and relationship termination. Risk assessment reviews cover a wide range of risk factors, including information security, operational and technology, financial, regulatory and compliance, reputational, physical security, country risk, fourth party risk, and resilience. Additionally, the third-party oversight team performs continuous ongoing monitoring activities of third-party relationships by means of onsite reviews, third-party score-cards, and periodic risk assessment analysis.

In addition to providing First Data with a strong controls system, we believe our Controls Organization represents a strategic advantage to First Data as it enables us to work more effectively with our many clients who have complex regulatory and risk environments and to customize our solutions to fit their specific needs.

## **Our Technology**

### ***Platforms***

We run a series of high performance, low latency platforms to power commerce across the globe. Our top priority is the reliability of all software, infrastructure, and operations that process and drive our clients' business. With a relentless focus on the continuous improvement of our operating environment, we have increased our strategic investments in technology over the past two years. These investments have driven technology development efforts that have fundamentally changed the way we, and our clients, do business across brick-and-mortar, eCommerce, and mobile channels.

We have optimized the technology and business processes that we use to onboard businesses, serve financial institutions, and deliver solutions globally. Our implementations and conversions team leverages internal technology tools used to board and manage large global clients to provide our SMB clients with the same low latency of our always-on authorizations platforms. Our scalability framework, developed with virtualization and cloud computing, enables us to continue onboarding new clients, and increase business with existing clients, quickly and with limited additional expense. We have also developed a proprietary set of APIs and SDKs to make it easier for our clients to connect and integrate with us. These improvements have helped us manage the increase in our base of business and financial institution clients effectively and efficiently.

We are in the first year of a three-year transformation process to improve the software driving our solutions and our integrated set of core engines. We are also leveraging our significant and secure infrastructure to continue to invest in our software-as-a-service model, our internal service oriented architecture, and its functional components. We believe these capabilities will have a significant impact on First Data, as we increase our percentage of shared software resources across the firm. We believe our clients will also benefit from: (1) our highly scalable transaction capacity, (2) our platform agility that provides for updates in a timely manner, (3) our processing speeds that are at or exceed market standards, (4) our strong transaction security, (5) the breadth of functionality that we provide, and (6) the numerous technology driven innovations we bring to market.

### ***Our Technology and Infrastructure***

First Data has long been known as a company of innovative industry firsts grounded and enabled by a superior core of technology. Our technology core has allowed us to scale to a large global footprint capable of handling the changing and complex business and regulatory environments across 118 countries. We have assembled a team of over 1,800



infrastructure and technology operations specialists worldwide with a diverse set

## Table of Contents

of backgrounds, ranging from large-scale Internet providers, the payments industry, financial services, and telecommunications, who continue to evolve our platforms and drive transformation today. The primary attributes of our technology and infrastructure include:

**Globalized Scale and Agility** The ever-changing business and regulatory landscape around the world demands an agile technology platform capable of adjusting to a myriad of changing requirements. Our platforms can quickly and seamlessly scale and adapt to those demands.

**Worldwide Presence** First Data has 14 go-forward primary data centers located around the world focused on delivering its products and services. In addition to these facilities, there are also 18 smaller regional technology centers focused on the storage, security, and regulatory compliance of regional data governance requirements.

**Worldwide Reach** First Data's global backbone spans every continent except Antarctica. In addition to our data center locations, we provide numerous client access points to allow for quick, cost-effective client onboarding.

### *Our Infrastructure Modernization Initiatives*

Over the past 18 months, we have invested over \$180 million into our Architecture Modernization Program (AMP), which has already begun to produce material results. We are currently midway into our 36-month program to complete a technology refresh of our core network infrastructure, security infrastructure, customer connectivity network, and North American and European mainframe environments. To date, this initiative has enabled us to:

Refresh 95% of our mechanical data center infrastructure and 70% of our electrical data center infrastructure in North America;

Refresh 50% of all midrange computer platforms worldwide;

Refresh significant portions of our storage environments;

Begin moving all of the firm's call centers to Voice over IP (VOIP) technology, resulting in significant operational efficiencies worldwide;

Virtualize nearly 70% of our existing server footprint; and

Develop a platform where 65% of all new builds are virtualized from the start.

This infrastructure has been fully integrated with our mainframe and midrange computer environments to create a powerful product and services engine.

*Results of Our Initiatives*

We have combined our AMP program initiatives with an aggressive operating regimen, an acute attention to operational detail, and a focus on security to drive operational excellence. Some of the results from these initiatives include:

**Data Center Consolidations** We have de-commissioned and consolidated five primary data center facilities over the last 18 months. These facilities include two locations in the United States, and three locations in Australia, Italy, and Argentina. We are scheduled to close five additional primary data center locations, one location in North America, three locations in Europe, and one location in South America within the next 18 months. These moves will result in greater operational and cost efficiencies for the business.

**Data Center Optimization** We have removed approximately 60 tons of IT equipment from our data centers worldwide. This has resulted in the recapture of 15% of our global data center capacity, without the need for significant capital and operating expenditures.

## **Table of Contents**

**Improved Availability** We have introduced and improved high-availability programs resulting in a 78% time reduction in our return-to-operations metrics across our top North American platforms, with a greater than 20% increase across other infrastructure.

**Operational and Cost Efficiency** We have achieved significant efficiencies through a number of key efforts including: (1) global telecommunication renegotiations resulting in almost \$6 million in annual savings; (2) operating tool rationalization, which simplifies the management and operations of our internal infrastructure, yielding approximately \$8 million in annual savings; and (3) the doubling of our speed to remediate security vulnerabilities as they occur.

## ***Security***

First Data is committed to providing a secure technology environment. Our proprietary security technologies power our risk management solutions to help prevent and detect fraud and the security functions to protect our clients' data and our systems.

Our security team consists of a wide variety of top cyber security and fraud management experts with diverse backgrounds ranging from former domestic and international law enforcement, financial services, security technology, military veterans and cyber threat analysis experts. This team's primary function is to protect First Data's core operations. However, we also leverage their talent and expertise to advise our clients on security related matters, and share relevant information with anti-fraud groups across the financial services industry and with law enforcement entities around the world.

Over the past two years, our investments in security and fraud management have nearly doubled, enabling us to expand our capabilities significantly. We have also partnered with leading security and fraud analytics firms to increase the inspection of, and advance our level of insight into, the millions of transactions that we process every day. These investments include a multi-layered 24/7 security monitoring capability created by the combination of dedicated cyber security experts and additional layers of monitoring provided by top tier expert industry partners. This combination provides a merged protection model that is designed to allow for rapid detection, response, and containment of internal and external threats.

## **Our Competition**

We compete with a variety of companies that provide similar technology offerings, including hardware and software vendors, payment processors, program managers, and financial institutions. In many cases, we also compete with in-house solutions developed by our business and financial institution clients.

## ***Global Business Solutions***

Our Global Business Solutions segment competes with merchant acquirers that include Vantiv, Worldpay, Global Payments, and Heartland Payment Systems, in addition to financial institutions that provide acquiring and processing services to businesses on their own, such as Chase Paymentech Solutions, Elavon (a subsidiary of U.S. Bancorp), and Barclaycard. In many cases our alliance and commercial partners compete against each other. Additionally, payment networks such as Visa and MasterCard are increasingly offering products and services that compete with our suite of solutions. Competitors of our next-generation services include PayPal, Braintree (a subsidiary of PayPal), CyberSource (a subsidiary of Visa Inc.), Adyen, and Stripe, along with integrated point of sale providers such as Micros, NCR, Square, ShopKeep, Revel, and others.

The primary competitive factors impacting this segment are brand, data security, breadth of features and functionality, ease of technological integration, strength of financial institution partnerships, price, and servicing capability. Other factors impacting this segment include consolidation among large businesses and financial institutions, the pace of integrated point of sale solution development, and the creation of new payment methods and related technologies.

---

**Table of Contents*****Global Financial Solutions***

Our Global Financial Solutions segment competes with card issuer processors, such as Total System Services, Vantiv, Fidelity National Information Services, Fiserv, Worldline, Equens, and SIX Payment Services, as well as the card issuer processing businesses of the global payment networks such as UnionPay Data. In addition, we compete with various software or custom-designed solutions that some financial institutions use to perform these services in-house.

The primary competitive factors impacting this segment are system performance and reliability, data security, breadth of features and functionality, disaster recovery capabilities and business continuity preparedness, platform scalability and flexibility, price, and servicing capability. Another factor impacting this segment is financial institution consolidation.

***Network & Security Solutions***

Our Network & Security Solutions segment competes with networks such as Visa, MasterCard, and Discover for debit network services, and with Fidelity National Information Services for debit network and check verification and guarantee services. We also face competition from regional operators of debit networks. Our portfolio of analytics, information, security and risk management solutions competes with a wide range of providers across multiple disciplines, including Visa, MasterCard, Voltage, Verisk, Equifax, Experian, TransUnion, and Fair Isaac.

The primary competitive factors impacting this segment are system performance and reliability, data security, breadth of features and functionality, platform scalability and flexibility, price, and financial institution consolidation. Other factors impacting this segment include increasingly powerful and affordable technology capacity, improved data management and analytic tools, and emergence of cloud-based delivery models.

**Regulation**

Various aspects of our service areas are subject to U.S. federal, state, and local regulation, as well as regulation outside the United States. Failure to comply with regulations may result in the suspension or revocation of licenses or registrations, the limitation, suspension or termination of service, and/or the imposition of civil and criminal penalties, including fines. Certain of our services also are subject to rules promulgated by various payment networks and banking authorities as more fully described below.

***The Dodd-Frank Act***

In July 2010, the Dodd Frank Act was signed into law in the United States. The Dodd-Frank Act has resulted in significant structural and other changes to the regulation of the financial services industry. Among other things, Title X of the Dodd-Frank Act established a new, independent regulatory agency known as the CFPB to regulate consumer financial products and services (including some offered by our clients). The CFPB may also have authority over us as a provider of services to regulated financial institutions in connection with consumer financial products. Separately, under the Dodd-Frank Act, debit interchange transaction fees that a card issuer receives and are established by a payment card network for an electronic debit transaction are now regulated by the Board of Governors of the Federal Reserve System (the Federal Reserve Board), and must be reasonable and proportional to the cost incurred by the card issuer in authorizing, clearing, and settling the transaction. Effective October 1, 2011, the Federal Reserve Board capped debit interchange rates for card issuers operating in the United States with assets of \$10 billion or more at the sum of \$0.21 per transaction and an ad valorem component of 5 basis points to reflect a portion of the issuer's fraud losses plus, for qualifying issuers, an additional \$0.01 per transaction in debit interchange for fraud prevention costs. In addition, the new regulations contain non-exclusivity provisions that ban debit payment card networks from

prohibiting an issuer from contracting with any other payment card network that may process an electronic debit transaction involving

---

**Table of Contents**

an issuer's debit cards and prohibit card issuers and payment networks from inhibiting the ability of merchants to direct the routing of debit card transactions over any network that can process the transaction. Beginning April 1, 2012, all debit card issuers in the United States were required to participate in at least two unaffiliated debit payment card networks. On April 1, 2013, the ban on network exclusivity arrangements became effective for prepaid card and healthcare debit card issuers, with certain exceptions for prepaid cards issued before that date.

Effective July 22, 2010, merchants were allowed to set minimum dollar amounts (not to exceed \$10) for the acceptance of a credit card (while federal governmental entities and institutions of higher education may set maximum amounts for the acceptance of credit cards). They were also allowed to provide discounts or incentives to entice consumers to pay with an alternative payment method, such as cash, checks or debit cards. In addition, the Dodd-Frank Act created a new entity, the Financial Stability Oversight Council, and authorized it to require that a nonbank financial company that is deemed to pose a systemic risk to the U.S. financial system become subject to consolidated, prudential supervision by the Federal Reserve Board. At this point it is unclear whether we would be subject to additional systemic risk related oversight.

***Association and Network Rules***

We are subject to rules of MasterCard, Visa, INTERAC, PULSE, and other payment networks. In order to provide processing services, a number of our subsidiaries are registered with Visa and/or MasterCard as service providers for member institutions. Various subsidiaries of ours are also processor level members of numerous debit and electronic benefits transaction networks or are otherwise subject to various network rules in connection with processing services and other services we provide. As such, we are subject to applicable card association, network, and national scheme rules that could subject us to fines or penalties. We are also subject to network operating rules promulgated by the National Automated Clearing House Association relating to payment transactions processed by us using the Automated Clearing House Network and to various state and federal laws regarding such operations, including laws pertaining to electronic benefits transaction.

Cashcard Australia Limited (Cashcard) is a member of the Australian Consumer Electronic Clearing System (CECS), which is a debit payment system regulated by network operating rules established and administered by Australian Payments Clearing Association Limited, and is a member of the ATM Access Australia Limited and the eftpos Access Australia Limited that administer reciprocal access and interchange arrangements for ATMs and Electronic Funds Transfer at Point of Sale (eftpos), respectively, in Australia. The network operating rules, ATM Access Code and eftpos Access Code impose a variety of sanctions, including suspension or termination of membership and fines for non-compliance. Cashcard also operates its own network of members, regulated by rules promulgated by Cashcard. To enable Cashcard to settle in CECS directly with banks and financial institutions, Cashcard maintains an Exchange Settlement Account which is supervised by the Reserve Bank of Australia (RBA), and that requires Cashcard to adhere to conditions imposed by RBA.

Our subsidiary in Germany, TeleCash GmbH & Co. KG, is certified and regulated as a processor for domestic German debit card transactions by the Deutsche Kreditwirtschaft (DK), the German banking association. Failure to comply with the technical requirements set forth by the DK may result in suspension or termination of services.

***Banking Regulations***

Because a number of our subsidiary businesses provide data processing services for financial institutions, we are subject to examination by the Federal Financial Institutions Examination Council, which examines large data processors in order to identify and mitigate risks associated with significant service providers.



FDR Limited is authorized and regulated in the United Kingdom by the Financial Conduct Authority, one of the two principal financial markets regulators in the United Kingdom. FDR Limited is authorized by the Financial Conduct Authority to arrange and advise on certain insurance contracts for the purpose of arranging

**Table of Contents**

insurance taken out by its issuer clients' cardholders. FDR Limited is also required to obtain permission from the Financial Conduct Authority by March 31, 2016 in respect of certain consumer credit related activities in order to continue to carry on such activities after that date for the purposes of its issuer services and merchant terminal leasing businesses. FDR Limited has applied for this permission and, in the meantime, the Financial Conduct Authority has granted FDR Limited an interim consumer credit permission effective April 1, 2014 (being the date when the Financial Conduct Authority took over as the regulatory body for consumer credit). As a firm authorized by the Financial Conduct Authority, FDR Limited is required to comply with certain prudential, conduct of business and reporting requirements.

As a result of the implementation of the Payment Services Directive (2007/64/EC) in the European Union, a number of our subsidiaries in the Global Business Solutions segment hold payment institution licenses in the European Union member states in which such subsidiaries do business. As payment institutions, we are subject to regulation and oversight in the applicable European Union member state, which includes (amongst other obligations) a requirement to maintain specified regulatory capital. In July 2013, the European Commission proposed legislation in two parts, covering a wide range of proposed regulatory reforms affecting the payments industry across the European Union. The first part was a proposed European Union-wide regulation on interchange fees for card-based payment transactions (the Interchange Fee Regulation). The Interchange Fee Regulation (2015/751) was published in May 2015 and entered into effect in June 2015. The second part consisted of a recasting of the Payment Services Directive. The European Commission's PSD2 proposal has been considered by the two other main European Union legislative institutions, the Council of the European Union and the European Parliament. The Council of the European Union published its final compromise proposal on the PSD2 in June 2015.

First Data Trust Company, LLC (FDTC) engages in trust activities previously conducted by the trust department of a former banking subsidiary of ours and is subject to regulation, examination, and oversight by the Division of Banking of the Colorado Department of Regulatory Agencies. Since FDTC is not a bank under the Bank Holding Company Act of 1956, as amended (BHCA), our affiliation with FDTC does not cause us to be regulated as a bank holding company or financial holding company under the BHCA.

TeleCheck Payment Systems Limited (TPSL) in Australia holds an Australian Financial Services License under Chapter 7 of the Australian Corporations Act 2001, which regulates the provision of a broad range of financial services in Australia. The license, issued by the Australian Securities and Investments Commission, entitles the Australian operations of TPSL to deal in and provide general financial product advice about its check guarantee and check verification product and requires that TPSL's Australian operations issue product documents that comply with specific content requirements and follow prescribed procedures.

Further, several subsidiaries provide services such as factoring or settlement that make them subject to regulation by local banking agencies, including the National Bank of Slovakia, the National Bank of Poland and the German Federal Financial Supervision Agency.

***Privacy and Information Security Regulations***

We provide services that may be subject to various state, federal, and foreign privacy laws and regulations, including, among others, the Gramm-Leach-Bliley Act and Directive 95/46/EC, the Australian Privacy Act, the Personal Information Protection and Electronic Documents Act in Canada, the Personal Data (Privacy) Ordinance in Hong Kong, the Malaysian Data Protection Act 2010, and the Singapore Data Protection Act 2012. These laws and their implementing regulations restrict certain collection, processing, storage, use, and disclosure of personal information, require notice to individuals of privacy practices, and provide individuals with certain rights to prevent use and disclosure of protected information. These laws also impose requirements for the safeguarding and proper destruction

of personal information through the issuance of data security standards or guidelines. Certain federal and state laws impose similar privacy obligations and, in certain circumstances, obligations to notify affected individuals, state officers, the media, and consumer reporting

---

**Table of Contents**

agencies, as well as businesses and governmental agencies that own the information, of security breaches affecting personal information. In addition, there are state laws restricting the ability to collect and utilize certain types of information such as Social Security and driver's license numbers. In February 2013, the European Commission proposed additional European Union-wide legislation regarding cyber security in the form of the proposed Network and Information Security Directive (the NIS Directive). The NIS Directive is currently being considered by the two other main European Union legislative institutions, the Council of the European Union and the European Parliament. On June 29, 2015, the Council of the European Union announced that agreement had been reached in informal negotiations on the main principles of the NIS Directive.

***Credit Reporting and Debt Collections Regulations***

*TeleCheck* is subject to the Federal Fair Credit Reporting Act and various similar state laws based on *TeleCheck*'s maintenance of a database containing the check-writing histories of consumers and the use of that information in connection with its check verification and guarantee services.

The collection business within TRS Recovery Services, Inc. (TRS) is subject to the Federal Fair Debt Collection Practices Act and various similar state laws. TRS has licenses in a number of states in order to engage in collection in those states. In the United Kingdom, FDR Limited has a license under the Consumer Credit Act of 1974 (CCA) to enable it to undertake, among other things, credit administration and debt collections activities on behalf of its card issuing clients through calls and correspondence with the cardholders. FDR Limited is also licensed under the CCA to carry on the activity of a consumer hire business for the purpose of leasing devices to merchants.

*TeleCheck* and TRS are subject to regulation, supervision, and examination from the CFPB. Further regulations may be imposed in the future as state governments and federal agencies identify and consider supplementary consumer financial protection, including laws regulating activities with respect to current or emerging technology such as automated dialers or pre-recorded messaging or calls to cellular phones, which could impair the collection by TRS of returned checks and those purchased under *TeleCheck*'s guarantee services. Moreover, reducing or eliminating access to and use of information on drivers licenses, requiring blocking of access to credit reports or scores, mandating score or scoring methodology disclosure and proscribing the maintenance or use of consumer databases could reduce the effectiveness of *TeleCheck*'s risk management tools or otherwise increase its costs of doing business.

In addition, several of our subsidiaries are subject to comparable local laws regarding collection activities and obtaining credit reports.

***Unfair Trade Practice Regulations***

We and our clients are subject to various federal, state, and international laws prohibiting unfair or deceptive trade practices, such as Section 5 of the Federal Trade Commission Act. Various regulatory enforcement agencies, including the Federal Trade Commission (FTC) and state attorneys general, have authority to take action against parties that engage in unfair or deceptive trade practices or violate other laws, rules, and regulations and to the extent we are processing payments for a client that may be in violation of laws, rules, and regulations, we may be subject to enforcement actions and incur losses and liabilities that may impact our business. For example, *TeleCheck* and TRS are subject to a consent decree with the FTC which, among other items, addresses the timeliness of certain actions that they take.

***Anti-Money Laundering, Anti-Bribery, Sanctions, and Counter-Terrorist Regulations***

We are subject to anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 (collectively, the BSA ). Among other things, the BSA requires money services businesses (such as money transmitters, issuers of money orders and official checks, and providers of prepaid access) to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious

---

## **Table of Contents**

activity, and to maintain transaction records. Our subsidiary Money Network Financial LLC provides prepaid access for various open loop prepaid programs for which it is the program manager and therefore must meet the requirements of the Financial Crimes Enforcement Network, the agency that enforces the BSA.

We are also subject to anti-corruption laws and regulations, including the FCPA and other laws, that prohibit the making or offering of improper payments to foreign government officials and political figures and includes anti-bribery provisions enforced by the Department of Justice and accounting provisions enforced by the SEC. The FCPA has a broad reach and requires maintenance of appropriate records and adequate internal controls to prevent and detect possible FCPA violations. Many other jurisdictions where we conduct business also have similar anticorruption laws and regulations. We have policies, procedures, systems, and controls designed to identify and address potentially impermissible transactions under such laws and regulations.

We are also subject to certain economic and trade sanctions programs that are administered by OFAC, which prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations. Other group entities may be subject to additional local sanctions requirements in other relevant jurisdictions.

Similar anti-money laundering and counter terrorist financing and proceeds of crime laws apply to movements of currency and payments through electronic transactions and to dealings with persons specified in lists maintained by the country equivalents to OFAC lists in several other countries and require specific data retention obligations to be observed by intermediaries in the payment process. Our businesses in those jurisdictions are subject to those data retention obligations. In the European Union, for example, certain of our businesses are subject to requirements under the Third Money Laundering Directive (2005/60/EC) (MLD3) as implemented in relevant European Union member states. MLD3 was repealed and replaced by the Fourth Money Laundering Directive ((EU) 2015/849) (MLD4), when the latter entered into force on June, 25 2015. European Union member states are required to implement MLD4 into national law by June 26, 2017.

### ***Money Transmission and Payment Instrument Licensing and Regulations***

We are subject to various U.S. federal, state, and foreign laws and regulations governing money transmission and the issuance and sale of payment instruments, including some of our prepaid products.

In the United States, most states license money transmitters and issuers of payment instruments. Many states exercise authority over the operations of our services related to money transmission and payment instruments and, as part of this authority, subject us to periodic examinations. Many states require, among other things, that proceeds from money transmission activity and payment instrument sales be invested in high-quality marketable securities before the settlement of the transactions. Such licensing laws also may cover matters such as regulatory approval of consumer forms, consumer disclosures and the filing of periodic reports by the licensee, and require the licensee to demonstrate and maintain levels of net worth. Many states also require money transmitters, issuers of payment instruments, and their agents to comply with federal and/or state anti-money laundering laws and regulations.

### ***Escheat Regulations***

We are subject to unclaimed or abandoned property (escheat) laws both in the United States and abroad that require us to turn over to certain government authorities the property of others held by us that has been unclaimed for a specified period of time such as, in the Integrated Payment Systems business, payment instruments that have not been presented for payment or, in the Global Business Solutions segment, account balances that cannot be returned to a merchant

following discontinuation of its relationship with us. A number of our subsidiaries hold property subject to escheat laws and we have an ongoing program to comply with those laws. We are subject to audit by individual U.S. states with regard to our escheatment practices.

---

**Table of Contents*****Indirect Regulatory Requirements***

A number of our clients are financial institutions that are directly subject to various regulations and compliance obligations issued by the CFPB, the Office of the Comptroller of the Currency and other agencies responsible for regulating financial institutions. While these regulatory requirements and compliance obligations do not apply directly to us, many of these requirements materially affect the services we provide to our clients and us overall. To remain competitive, we expend significant resources to assist our clients in meeting their various compliance obligations, including the cost of updating our systems and services as necessary to allow our clients to comply with applicable laws and regulations, and the cost of dedicating sufficient resources to assist our clients in meeting their new and enhanced oversight and audit requirements established by the CFPB, the Office of the Comptroller of the Currency and others. The banking agencies, including the Office of the Comptroller of the Currency, also have imposed requirements on regulated financial institutions to manage their third-party service providers. Among other things, these requirements include performing appropriate due diligence when selecting third-party service providers; evaluating the risk management, information security, and information management systems of third-party service providers; imposing contractual protections in agreements with third-party service providers (such as performance measures, audit and remediation rights, indemnification, compliance requirements, confidentiality and information security obligations, insurance requirements, and limits on liability); and conducting ongoing monitoring of the performance of third-party service providers. Accommodating these requirements applicable to our clients imposes additional costs and risks in connection with our financial institution relationships. We expect to expend significant resources on an ongoing basis in an effort to assist our clients in meeting their legal requirements.

***Other***

Stored-value services we offer to issuers in the United States and internationally are subject to various federal, state, and foreign laws and regulations, which may include laws and regulations related to consumer and data protection, licensing, escheat, anti-money laundering, banking, trade practices and competition, and wage and employment. These laws and regulations are evolving, unclear, and sometimes inconsistent and subject to judicial and regulatory challenge and interpretation, and therefore the extent to which these laws and rules have application to, and their impact on, us, financial institutions, merchants or others is in flux.

At this time we are unable to determine the impact that the clarification of these laws and their future interpretations, as well as new laws, may have on us, financial institutions, merchants or others in a number of jurisdictions. These services may also be subject to the rules and regulations of the various international, domestic and regional schemes, networks, and associations in which we and the card issuers participate.

In addition, the Housing Assistance Tax Act of 2008 included an amendment to the Internal Revenue Code that requires information returns to be made for each calendar year by merchant acquiring entities and third-party settlement organizations with respect to payments made in settlement of payment card transactions and third-party payment network transactions occurring in that calendar year. Reportable transactions are also subject to backup withholding requirements. We could be liable for penalties if we are not in compliance with these rules.

**Legal Proceedings**

From time to time, we are involved in various litigation matters arising in the ordinary course of our business. None of these matters, individually or in the aggregate, currently is material to us.





**Table of Contents****Our Intellectual Property**

We own a global portfolio of many trademarks, trade names, patents, and other intellectual property that are important to our future success. The only intellectual property rights that are individually material to us are the *First Data* trademark and trade name, and the *STAR* trademark and trade name. The *STAR* trademark and trade name are used in the Financial Services segment. The *First Data* trademark and trade name are associated with quality and reliable electronic commerce and payments solutions. Financial institutions and merchants associate the *STAR* trademark and trade name with quality and reliable debit network services and processing services. Loss of the proprietary use of the *First Data* or *STAR* trademarks and trade names or a diminution in the perceived quality associated with these names could harm the growth of our businesses.

**Our Employees**

As of December 31, 2014, we employed approximately 23,000 persons, approximately 97% of which were full-time employees. The majority of the employees of our subsidiaries outside of the United States are subject to the terms of individual employment agreements. One of our wholly owned subsidiaries has approximately 1,600 employees in the United Kingdom, a portion of whom are members of the Unite trade union. Employees of our subsidiaries in Vienna, Austria; Frankfurt, Germany; and Nürnberg, Germany are also represented by local works councils. The Vienna workforce and a portion of the Frankfurt workforce are also covered by a union contract. Certain employees of our Korean subsidiary are represented by a Labor-Management council. In Brazil every single employee is unionized and covered by the terms of industry-specific collective agreements. Employees in certain other countries are also covered by the terms of industry-specific national collective agreements. None of our employees are otherwise represented by any labor organization in the United States. We believe that our relations with our employees and the labor organizations identified above are in good standing.

**Our Facilities**

As of December 31, 2014, we and our subsidiaries owned or leased 62 domestic properties and 90 international properties. These facilities are used for operational, sales and administrative purposes, and are substantially all currently being utilized.

	<b>Leased Facilities</b>		<b>Owned Facilities</b>	
	<b>No.</b>	<b>Sq. Ft.</b>	<b>No.</b>	<b>Sq. Ft.</b>
Facilities in the United States	45	2,216,955	17	2,194,962
International Facilities	80	925,776	10	410,011

Global Business Solutions principal operations are conducted in New York; Coral Springs, Florida; Hagerstown, Maryland; London; Sao Paulo; and Marietta, Georgia. The principal operations for Global Financial Solutions are located in Omaha, Nebraska; Chesapeake, Virginia; Wilmington, Delaware; and Maitland, Florida. Our principal international operations are located in Basildon, United Kingdom; Frankfurt, Germany; Buenos Aires, Argentina; Athens (Kryoneri), Greece; Thane, India; and Sydney, Australia. Our Corporate facilities include New York, New York; Atlanta, Georgia; and Greenwood Village, Colorado.

We believe that our facilities are suitable and adequate for our current business; however, we periodically review our space requirements and may acquire new space to meet the needs of our businesses or consolidate and dispose of or sublet facilities which are no longer required.



**Table of Contents****MANAGEMENT**

Below is a list of our executive officers and directors and their respective ages as of June 30, 2015 and a brief account of the business experience of each of them.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Frank J. Bisignano	55	Chairman and Chief Executive Officer
Joseph J. Plumeri	71	Vice Chairman
Joe W. Forehand	67	Director
Henry R. Kravis	71	Director
Heidi G. Miller	62	Director
James E. Nevels	63	Director
Scott C. Nuttall	42	Director
Tagar C. Olson	37	Director
Cynthia A. Armine-Klein	54	Executive Vice President, Chief Control Officer
Daniel J. Charron	50	Executive Vice President, Head of Global Business Solutions
Guy Chiarello	55	President
Sanjiv Das	53	Executive Vice President, Co-Head of Global Financial Solutions and Head of EMEA and APAC Regions
Christopher Foskett	57	Executive Vice President, Head of Corporate and Business Development
Andrew Gelb	44	Executive Vice President, Co-Head of Global Financial Solutions
Jeffrey I. Hack	50	Executive Vice President, Chief Operating Officer (Global Business Solutions)
Thomas Higgins	57	Executive Vice President, Chief Administrative Officer
Christine E. Larsen	54	Executive Vice President, Chief Operations Officer
Gustavo Marin	57	Executive Vice President, Head of LATAM Region
Anthony S. Marino	52	Executive Vice President, Head of Human Resources
Barry C. McCarthy	51	Executive Vice President, Head of Network & Security Solutions
Michael K. Neborak	58	Executive Vice President, Director of Finance
Himanshu A. Patel	40	Executive Vice President, Strategy, Planning and Business Development
Adam L. Rosman	50	Executive Vice President, General Counsel and Secretary

**Directors**

**Frank J. Bisignano** has been Chairman of our Board since March 2014 and Chief Executive Officer and a member of our Board since April 2013. Before joining us, Mr. Bisignano was the Co-Chief Operating Officer for JPMorgan Chase & Co. from July 2012 to April 2013, CEO of Mortgage Banking at JPMorgan Chase & Co. from February 2011 until December 2012, and Chief Administrative Officer of JPMorgan Chase & Co. from 2005 until July 2012. From 2002 to 2005, Mr. Bisignano served as the chief executive officer for Citigroup's Global Transactions Services business and a member of Citigroup's Management Committee.

**Joseph J. Plumeri** has been a member of our Board and a Senior Advisor of KKR since August 2013 and our Vice Chairman since May 2014. Mr. Plumeri was also our Head of Client Delivery, Innovation and Marketing from June 2014 until June 2015. Before joining us, Mr. Plumeri was Chief Executive Officer of Willis Group Holdings plc from October 2000 to January 2013 and Chairman of its board of directors from 2001 to July 2013. Before joining the Willis Group, Mr. Plumeri spent 32 years as an executive with Citigroup Inc. and its predecessors, where his responsibilities included overseeing the 450 North American retail branches of Citigroup's Citibank unit. Before that, Mr. Plumeri served as Chairman and Chief Executive Officer of Citigroup's Primerica Financial Services from 1995 to

1999. In 1994, Mr. Plumeri was appointed Vice Chairman of Citigroup's predecessor, Travelers Group Inc. In 1993, Mr. Plumeri became the President of a predecessor of Citigroup's Salomon Smith Barney unit after overseeing the merger of Smith Barney and Shearson and serving

---

**Table of Contents**

as the President and Managing Partner of Shearson since 1990. He also serves on the boards of the National Center on Addiction and Substance Abuse; Mount Sinai Medical Center; the Intrepid Sea, Air & Space Museum; the Jackie Robinson Foundation and the Churchill Centre and Museum at the Cabinet War Rooms in London.

**Joe W. Forehand** has been a member of our Board since September 2009 and was Chairman of the Board from March 2010 to March 2014. Mr. Forehand was our interim Chief Executive Officer from March 2010 until October 2010. In his more than 30 years with Accenture Ltd., Mr. Forehand served as the CEO from 1999 until 2004. Before that, as chief executive of the Communications and High Technology Operating Group, and as Chairman of the board of directors of Accenture Ltd. from 2001 until 2006. Mr. Forehand is a Senior Advisor of KKR and has also been involved with KKR's growth and emphasis on the technology industry sector. He is a board member of Aricent Inc.

**Henry R. Kravis** has been a member of our Board since September 2009. Mr. Kravis, a pioneer of the private equity industry, co-founded KKR in 1976 and is its Co-Chairman and Co-Chief Executive Officer. He is actively involved in managing KKR and serves on its regional Private Equity Investment and Portfolio Management Committees. In addition to serving on the board of the general partner of KKR & Co. L.P., Mr. Kravis currently serves on the boards of China International Capital Corporation Limited and ICONIC Capital, LLC. He also serves as a director, chairman emeritus or trustee of several cultural, professional and education institutions, including The Business Council, Claremont McKenna College, Columbia Business School, Mount Sinai Hospital, Partnership for New York City, Partnership Fund for New York City, Sponsors for Educational Opportunity, Rockefeller University, and Tsinghua University School of Economics and Management. He earned a B.A. from Claremont McKenna College in 1967 and a M.B.A. from the Columbia Business School in 1969. Mr. Kravis has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies.

**Heidi G. Miller** has been a member of our Board since April 2014. Prior to retiring in 2012, Ms. Miller had been president of JPMorgan International, a division of JPMorgan Chase & Co., since June 2010. She served as Executive Vice President, Chief Executive Officer - Treasury and Securities Services of JPMorgan Chase & Co. from January 2004 to June 2010. From 2002 to 2004, Ms. Miller served as Executive Vice President and Chief Financial Officer of Bank One Corporation. Previously, she had been Chief Financial Officer of Citigroup Inc. She is a director of General Mills Inc. and HSBC Holdings plc. and previously served as a director of Progressive Casualty Insurance Company. Ms. Miller graduated from Princeton University with a bachelor's degree in history and completed her doctorate in Latin American History at Yale University.

**James E. Nevels** has been a member of our Board since November 2014. Mr. Nevels is Chairman of The Swarthmore Group, a minority-owned investment advisory firm that he founded in 1991. He is also Lead Independent Director of The Hershey Company and a director of Hershey Trust Company, WestRock Company, Mead Westvaco Corporation and the board of managers of Milton Hershey School. In 2004, Mr. Nevels was appointed by the President of the United States to a three-year term on the advisory committee to the Pension Benefit Guaranty Corporation, where he served as Chairman from 2005 to 2007. In 2001, he was appointed by the Governor of Pennsylvania as Chairman of the Philadelphia School Reform Commission overseeing the turnaround of the Philadelphia School System, at that time the ninth-largest school district in the United States. Mr. Nevels has been a member of the board of directors of the Federal Reserve Bank of Philadelphia since January 2010, and served as its Deputy Chairman from January 2012 until his appointment as Chairman in January 2014. Mr. Nevels was formerly a director of Tasty Baking Company from May 2005 to May 2011. He holds a bachelor's degree, cum laude and Phi Beta Kappa, in political science and philosophy from Bucknell University, a Masters of Business Administration degree from the Wharton School of the University of Pennsylvania and a Juris Doctor degree from the University of Pennsylvania Law School.

**Scott C. Nuttall** has been a member of our Board since September 2007 and is a Member of KKR. Mr. Nuttall joined KKR in 1996 and is head of KKR's Global Capital and Asset Management Group, which

---

**Table of Contents**

includes Credit, Hedge Funds, KKR Capital Markets and KKR's Client and Partner Group. He has played a significant role in several of KKR's private equity investments. Before joining KKR, he was with the Blackstone Group where he was involved in numerous merchant banking and merger and acquisition transactions. He received a B.S., summa cum laude, from the University of Pennsylvania.

**Tagar C. Olson** has been a member of our Board since September 2007. Mr. Olson joined KKR in 2002 and is a Member and Head of KKR's Financial Services industry team. Mr. Olson is on the board of directors of Alliant Insurance Services, Sedgwick, Inc., Visant Corporation, and WMI Holdings Corp. and is also involved with KKR's investment in Nephila Capital Ltd. Before joining KKR, Mr. Olson was with Evercore Partners Inc., where he was involved in a number of private equity transactions and mergers and acquisitions. He holds a B.S. and B.A.S., summa cum laude, from the University of Pennsylvania.

**Executive Officers**

**Cynthia A. Armine-Klein** has been our Executive Vice President, Chief Control Officer since May 2014. Before joining us, Ms. Armine-Klein was Executive Vice President and Chief Compliance Officer for JPMorgan Chase & Co. from July 2012 to May 2014. Before joining JPMorgan Chase & Co., she spent 31 years at Citigroup and its predecessor firms and was Citigroup's Global Chief Compliance Officer from 2008 until 2012.

**Daniel J. Charron** has been our Executive Vice President, Head of Global Business Solutions since February 2015. Before joining us, Mr. Charron spent 14 years with Chase Paymentech, the global payment processing business of JPMorgan Chase & Co., most recently as its President from May 2013 until December 2014. From March 2013 to May 2013, Mr. Charron was acting head of Chase Paymentech and before that, he served as Executive Vice President, Head of Client Services from November 2008 until March 2013.

**Guy Chiarello** has been our President since July 2013. Before joining us, Mr. Chiarello was the Chief Information Officer of JPMorgan Chase & Co. for the prior five and a half years and served in various technology roles for Morgan Stanley for 23 years before that.

**Sanjiv Das** has been our Executive Vice President, Co-Head of Global Financial Solutions and Head of EMEA and APAC Regions since June 2015. He joined us in May 2014 as Executive Vice President and Chief of Staff and was appointed Head of International Regions in October 2014. Previously, Mr. Das was the CEO and President of CitiMortgage, Inc. from July 2008 until May 2013. Before joining Citi, Mr. Das was Managing Director at Morgan Stanley Institutional Securities (Equities) Division from October 2000 to June 2008. Mr. Das previously served as Chairman of Citicorp Trust Bank and as a director of the Council for Financial and Applied Research for Washington University, St. Louis.

**Christopher Foskett** joined us in May 2014 as Head of Global, Strategic & National Accounts and has been our Executive Vice President, Head of Corporate and Business Development since June 2015. Before joining us, Mr. Foskett served as the Managing Director, Head of North American Treasury Services and Global Head of Sales for Treasury Services at JPMorgan Chase Bank from 2011 to April 2014. He was Managing Director, Global Head of Financial Institutions at National Australia Bank from 2009 to 2011. Previously, Mr. Foskett was a Managing Director in Citigroup's Corporate & Investment Bank leading several global businesses from 1991 to 2008. He has been a member of the Board of Directors of Verisk Analytics, Inc. since 1999, where he serves on the Finance Committee and as Chairman of the Audit Committee

**Andrew Gelb** has been our Executive Vice President, Co-Head of Global Financial Solutions since June 2015. He joined us in November 2014 as Executive Vice President and Head of Financial Services. Previously, Mr. Gelb spent



17 years at Citigroup Inc. and was Managing Director and Head of North America Treasury and Trade Solutions business from June 2012 until July 2014. Previously, Mr. Gelb was Head of Securities & Fund Services for EMEA (Europe, Middle East & Africa) of Citigroup Inc. from June 2008 until June 2012.

---

**Table of Contents**

**Jeffrey I. Hack** joined us in September 2013 as head of Product Management & Client Solutions for our Merchant Solutions business and has been our Executive Vice President, Chief Operating Officer (Global Business Solutions) since January 2015. He also oversees firm-wide areas including Pricing, Sales Training, Client Management Reporting & Analysis, and Enterprise Programs. Before joining us, Mr. Hack was the Chief Operating Officer of Morgan Stanley Smith Barney from April 2011 until August 2013. Previously, Mr. Hack served as Chief Operating Officer of Treasury & Securities Services, Chief Operating Officer of Global Private Bank & Private Client Services and head of Corporate Strategy during his 7 years at JPMorgan Chase & Co. from June 2004 until April 2011.

**Thomas Higgins** joined us in December 2013 and has been our Executive Vice President, Chief Administrative Officer since May 2014. Before joining us, he was the head of Operational Control at JPMorgan Chase & Co. from January 2011 until December 2013. In 2010, Mr. Higgins retired after a 24-year career with the U.S. Government. He worked in the national security and foreign policy areas and was a member of the Senior Executive Service.

**Christine E. Larsen** joined us as Executive Vice President, Chief Operations Officer in June 2013. Before joining us, she was Executive Vice President of JPMorgan Chase & Co. since January 2012 responsible for firm-wide process improvement and enterprise program management, with a focus on control and integration efforts. From 2006 to January 2012, she was responsible for various senior operations and technology roles at JPMorgan Chase & Co.

**Gustavo Marin** joined us as our Executive Vice President, Head of LATAM Region since February 2015. Before joining us, Mr. Marin spent 32 years with Citibank, most recently as Senior Advisor from July 2012 until July 2013. He was CEO of Citibank Argentina, Brazil, Paraguay and Uruguay from 2001 until 2012 and Country and Business Manager of Citibank Peru from 1996 to 1998. Mr. Marin served on the Conselho de Desenvolvimento Economico e Social, the advisory body of the Presidency of the Republic, and as a member of the Board of Directors of the Brazilian Federation of Banks. He also served on the Advisory Board of the Brazilian Futures Exchange and as a member of the International Advisory Board of Thomson Reuters.

**Anthony S. Marino** joined us in March 2015 as Executive Vice President, Head of Human Resources. Before joining us, Mr. Marino was Executive Vice President and Chief Human Resources Officer for The Guardian Life Insurance Company from September 2014 until February 2015. Previously, he was Chief Human Resources Officer and General Manager at Bank of Tokyo-Mitsubishi UFJ from January 2011 until September 2014. From September 2007 until December 2010, Mr. Marino was Chief Human Resources Officer at Ally Financial.

**Barry C. McCarthy** has been our Executive Vice President, Head of Network & Security Solutions since June 2015. Previously, Mr. McCarthy was Executive Vice President, Head of Consumer and Network Solutions from November 2014 until June 2015 and president of our U.S. Financial Services segment from February 2013 until October 2014. Mr. McCarthy joined us in 2004 and has served in various roles of increasing responsibility including head of the merchant product organization, new technologies and general manager of our Asia-Pacific merchant business. Before joining us, he co-founded MagnaCash, a Silicon Valley-based micropayments company, and held various executive roles at VeriSign, Wells Fargo Bank, and Procter & Gamble.

**Michael K. Neborak** has been our Executive Vice President, Director of Finance since July 2014. Previously, Mr. Neborak was Group Chief Financial Officer of Willis Group Holdings plc from July 2010 to June 2014. Mr. Neborak also served as Chief Financial Officer of MSCI Inc. from 2006 to 2010. Earlier in his career, from 1982 to 2006, Mr. Neborak served in roles of increasing responsibility within business units of Citigroup and its predecessor companies. He began his career with Arthur Andersen & Co.



**Table of Contents**

**Himanshu A. Patel** joined us in June 2013 as Executive Vice President, Strategy, Planning and Business Development. Before joining us, he served in various roles at JPMorgan Chase & Co. since 1997, including Senior Equity Analyst from 2001 to 2011.

**Adam L. Rosman** has been our Executive Vice President, General Counsel and Secretary since October 2014. Before joining us, Mr. Rosman served as Group General Counsel of Willis Group Holdings plc from May 2012 until September 2014. He joined Willis Group in 2009, serving as Deputy Group General Counsel until May 2012. Previously, Mr. Rosman was Senior Vice President and Associate General Counsel at Cablevision Systems Corporation in Bethpage, New York, and before that he was a partner at the Washington D.C.-based law firm of Zuckerman Spaeder LLP. Between 1997 and 2003, Mr. Rosman was an Assistant United States Attorney in Washington, D.C. He also worked in 2000 and 2001 as Deputy Assistant to the President and Deputy Staff Secretary for President Clinton.

**Composition of the Board**

Our business and affairs are managed under the direction of our Board. Our Board currently consists of Messrs. Bisignano, Forehand, Kravis, Nevels, Nuttall, Olson, Plumeri and Ms. Miller. In connection with this offering, we will be amending and restating our certificate of incorporation to provide for a classified board of directors, with \_\_\_\_\_ directors in Class I (expected to be \_\_\_\_\_), \_\_\_\_\_ directors in Class II (expected to be \_\_\_\_\_) and \_\_\_\_\_ directors in Class III (expected to be \_\_\_\_\_). See Description of Capital Stock Anti-Takeover Effects of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law Classified Board.

**Background and Experience of Directors**

Our Governance, Compensation and Nominations Committee currently identifies individuals qualified to become members of our Board and recommends to our Board that such individuals be appointed to our Board. Following our initial public offering, our Governance, Compensation and Nominations Committee will recommend to our Board nominees for election as directors at each annual meeting of stockholders and nominees to fill vacancies on our Board from time to time.

Our Board seeks to ensure that it is composed of members whose particular experience, qualifications, attributes and skills, when taken together, will allow our Board to satisfy its oversight responsibilities effectively. More specifically, in identifying candidates for membership on our Board, the Governance, Compensation and Nominations Committee takes into account (1) individual qualifications, such as industry knowledge or business experience, strength of character and mature judgment, and (2) any other factors it considers appropriate, including the ability and willingness to make a commitment to us.

When considering whether our directors have the experience, qualifications, attributes and skills, taken as a whole, to enable our Board to satisfy its oversight responsibilities effectively in light of our business and structure, our Governance, Compensation and Nominations Committee and our Board focused primarily on the information discussed in each of the directors' individual biographies set forth above. With regard to Mr. Bisignano, our Board considered his many years of executive experience in the financial industry. With regard to Mr. Forehand, our Board considered his many years of experience at a publicly held consulting and technology services company, including service as Chairman of our Board. With regard to Mr. Kravis, our Board considered his significant experience and expertise in private equity investments. With regard to Ms. Miller, our Board considered her executive experience in the financial services industry and her service as a director of a publicly held company. With regard to Mr. Nevels, our Board considered his expertise in the securities and investment industry with decades of experience in finance, law

and corporate governance. With regard to Mr. Nuttall, our Board considered his broad perspective brought by his involvement in KKR's diverse investments and his extensive knowledge of our business and capital structure through his involvement with our Company since the 2007 Merger. With regard to Mr. Olson, our Board considered his expertise in the financial

---

**Table of Contents**

services industry and his extensive knowledge of our business and capital structure through his involvement with our Company since the 2007 Merger. With regard to Mr. Plumeri, our Board considered his many years of experience as chief executive officer and chairman of the board of a publicly held company.

**Role of Board in Risk Oversight**

The Board has extensive involvement in the oversight of risk management related to us and our business and accomplishes this oversight through the regular reporting by the Audit Committee and the Risk Committee. The Risk Committee represents the Board by overseeing our risk governance structure, risk assessment, and risk management practices, and making recommendations to the Board regarding our willingness to accept risks and strategies related to key risks. The Audit Committee represents the Board by periodically reviewing our accounting, reporting and financial practices, including the integrity of our consolidated financial statements, the surveillance of administrative and financial controls and our compliance with legal and regulatory requirements. Through its regular meetings with management, including the finance, legal, and internal audit functions, the Audit Committee reviews and discusses all significant areas of our business and summarizes for the Board all areas of risk and the appropriate mitigating factors. In addition, our Board receives periodic detailed operating performance reviews from management.

Our Chief Executive Officer and other executive officers will regularly report to the non-executive directors and the Audit, the Governance, Compensation and Nominations and the Risk Committees to ensure effective and efficient oversight of our activities and to assist in proper risk management and the ongoing evaluation of management controls. The Head of Internal Audit will report administratively to our Chief Control Officer and directly to the Audit Committee. We believe that the leadership structure of our Board provides appropriate risk oversight of our activities given the controlling interests held by KKR.

**Controlled Company Exception**

After the completion of this offering, investment funds associated with or designated by KKR will not hold any of our Class A common stock, but will hold % of our Class B common stock and, consequently, % of the combined voting power of our common stock. As a result, we will be a controlled company within the meaning of the corporate governance standards of the applicable stock exchange. Under the applicable stock exchange's corporate governance standards, a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company and may elect not to comply with certain corporate governance standards, including (1) the requirement that a majority of the Board consist of independent directors, (2) the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, (3) the requirement that we have a nominating and corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities, and (4) the requirement for an annual performance evaluation of the nominating and corporate governance and compensation committees. Following this offering, we intend to utilize these exemptions. As a result, following this offering, we will not have a majority of independent directors on our Board; and we will not have a nominating and corporate governance committee or a compensation committee that is composed entirely of independent directors. Also, such committee will not be subject to annual performance evaluations. Accordingly, stockholders of the Company will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the applicable stock exchange. In the event that we cease to be a controlled company, we will be required to comply with these provisions within the transition periods specified in the corporate governance rules of the applicable stock exchange.



## **Table of Contents**

### **Board Committees**

Our Board currently has, and upon the consummation of this offering will have, an Audit Committee, a Risk Committee, and a Governance, Compensation and Nominations Committee.

#### *Audit Committee*

Our Audit Committee currently consists of Mr. Olson (Chair), Ms. Miller, and Mr. Nevels. Ms. Miller and Mr. Nevels qualify as independent directors under the corporate governance standards of the applicable stock exchange and the independence requirements of Rule 10A-3 of the Exchange Act. We expect a third new independent member to be placed on the Audit Committee to replace Mr. Olson within one year of the completion of this offering so that all of our Audit Committee members will be independent as such term is defined in Rule 10A-3(b)(i) under the Exchange Act and under the rules of the applicable stock exchange. Our Board has determined that each of Mr. Olson, Ms. Miller, and Mr. Nevels qualifies as an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K.

The purpose of the Audit Committee will be to assist our Board in fulfilling its oversight responsibilities with respect to the quality and integrity of our consolidated financial statements, our compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications, performance and independence and the performance of our internal auditing department. The Audit Committee will also prepare the audit committee report required by the SEC to be included in our proxy statement.

Upon completion of this offering, the amended Audit Committee charter will be available on our website.

#### *Risk Committee*

Our Risk Committee consists of Ms. Miller (Chair) and Mr. Nevels. The purpose of the Risk Committee is to oversee the management of risks to the Company. The Risk Committee oversees our risk governance structure, risk assessment, and risk management practices. It will oversee and make recommendations to the Board regarding our willingness to accept risks and strategies related to key risks. The Risk Committee also will oversee the appointment and, if necessary, replacement of the Company's Chief Control Officer.

#### *Governance, Compensation and Nominations Committee*

Our Governance, Compensation and Nominations Committee consists of Messrs. Nuttall (Chair), Kravis, and Forehand. The purpose of the Governance, Compensation and Nominations Committee is to oversee our governance policies, nominate directors (other than KKR directors) for election by stockholders, recommend committee chairpersons and, in consultation with the committee chairpersons, recommend directors for membership on the committees of the Board. In addition, the Governance, Compensation and Nominations Committee will assist our Board with the development of our Corporate Governance Guidelines.

The Governance, Compensation and Nominations Committee is also responsible for approving, administering and interpreting our compensation and benefits policies, including our executive officer incentive programs. It will review and make recommendations to our Board to ensure that our compensation and benefit policies are consistent with our compensation philosophy and corporate governance guidelines. The Governance, Compensation and Nominations Committee will also be responsible for establishing the compensation of our executive officers and directors.



Upon completion of this offering, the Governance, Compensation and Nominations Committee charter will be available on our website.

## **Table of Contents**

### *Compensation Committee Interlocks and Insider Participation*

None of our Governance, Compensation and Nominations Committee members has been one of our executive officers or employees at any time, except for Joe W. Forehand who served as interim Chief Executive Officer during 2010. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of our Board or Committee. We are parties to certain transactions with KKR and its affiliates described in the Certain Relationship and Related Transactions section below.

### **Code of Ethics**

We are amending our Employee Code of Conduct that applies to all of our officers and employees, including our Code of Ethics for Senior Financial Officers that applies to our principal executive officer, principal financial officer and principal accounting officer, to comply with the rules and regulations governing a public company. Upon completion of this offering, our Code of Business Conduct and Ethics will be available on our website. Our Employee Code of Conduct and Code of Ethics for Senior Financial Officers will each be a code of ethics, as defined in Item 406(b) of Regulation S-K. Please note that our website address is provided as an inactive textual reference only. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our Internet website.

## **Compensation Discussion and Analysis**

### *Introduction*

Our executive compensation philosophy is designed to attract and retain individuals with the qualifications to manage and lead the Company as well as to motivate them to develop professionally and contribute to the achievement of our financial goals and ultimately create and grow our equity value.

Our named executive officers (the NEOs) for 2014 were:

Frank J. Bisignano, our Chairman and Chief Executive Officer;

Michael K. Neborak, our Executive Vice President, Director of Finance;

Ray E. Winborne, our former Executive Vice President and Chief Financial Officer; and

our three other most highly compensated executive officers who served in such capacities as of December 31, 2014, namely,

Cynthia Armine-Klein, our Executive Vice President, Chief Control Officer;

Sanjiv Das, our Executive Vice President, Co-Head of Global Financial Solutions and Head of EMEA and APAC Regions; and

Joseph J. Plumeri, our Vice Chairman.

Prior to this offering, our executive compensation program was determined and approved by the Boards of Directors and Governance, Compensation and Nominations Committees of each of the Company and Holdings. The Company's Board and Governance, Compensation and Nominations Committee is comprised of the same individuals as are members of the Holdings' Board of Directors and Governance, Compensation and Nominations Committee. Except where the context requires otherwise, the terms Board and Committee as used in this Compensation Discussion and Analysis section refer to the Board of Directors and Governance, Compensation and Nominations Committee of each of the Company and Holdings.

#### Leadership Developments in 2014

During 2014, we continued to broaden and deepen our talent pool to best position ourselves for future growth and advancing the mission of providing solutions to help our clients succeed. On March 5, 2014,

---

## Table of Contents

Mr. Bisignano was voted Chairman of our Board. Mr. Bisignano assumed the role from Mr. Forehand, who had served as our Chairman since March 2010. Although Mr. Forehand is no longer Chairman of our Board, he continues to serve as a member of our Board. On April 17, 2014, we announced the departure of Mr. Winborne, our former Executive Vice President and Chief Financial Officer and on May 13, 2014, our Board appointed Mr. Plumeri as Vice Chairman of the Company.

Additions to our leadership team in 2014 also included: Cynthia Armine-Klein, Executive Vice President, Chief Control Officer, on May 12, 2014; Sanjiv Das, Executive Vice President, Co-Head of Global Financial Solutions and Head of EMEA and APAC Regions, on April 21, 2014; and Michael K. Neborak, Executive Vice President, Director of Finance, on July 14, 2014.

In concert with our compensation philosophy based on wealth-creation via equity value creation, the compensation packages of both new and continuing executives in 2014 were structured to be predominantly in the form of Holdings equity. Our compensation practice that includes a significant Holdings equity component also ensures executive alignment with the long-term interests of our Company, clients and shareholders. The total compensation for our new executives was set at a level reflecting their established positions and their decisions to forgo other professional opportunities.

In connection with the HoldCo Merger, all Holdings stock option awards, Holdings restricted stock awards and Holdings restricted stock unit awards will be converted into awards on shares of our Class B common stock. For additional information regarding Holdings stock options and Holdings restricted stock, see Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards Equity Awards. Information in this Compensation Discussion and Analysis does not give effect to the Reverse Stock Split.

## Financial Highlights in 2014

2014 was a foundational year for our Company, with a number of significant accomplishments. Holdings, our parent company prior to its merger with the Company in connection with this offering, completed a \$3.5 billion capital raise, and contributed approximately \$2.5 billion of capital to our Company to strengthen our consolidated balance sheet. Many of our businesses experienced growth in revenue and profitability during 2014, including credit and retail private label processing, output services, *STAR Network*, *Money Network*, and *TransArmor*. New innovative and powerful products designed to help clients grow their businesses *Clover Station* and *Insightics* were launched. The acquisitions of *Gyft* and *Perka* further expanded our suite of innovative products for consumers and businesses. We also participated in and supported the launch of Apple Pay by enabling the technology for merchants and financial institutions.

## **Role of the Governance, Compensation and Nominations Committee**

During 2014, the Committee was comprised of Messrs. Forehand, Kravis, and Nuttall (Chairperson). Presently, the Committee reviews and approves all aspects of our compensation programs for our executive officers. Specifically, under its current charter, the Committee:

establishes the Company's compensation philosophy in consultation with management and oversees management's development and implementation of our compensation and benefits policies;

evaluates performance and sets compensation for our executive officers;

oversees regulatory compliance with respect to compensation matters; and

delegates to and monitors various subcommittees with responsibility for administrative and legal compliance for retirement and benefit plans.

Prior to this offering, the equity compensation provided to our senior executives, including our NEOs, was approved by the Holdings Governance, Compensation and Nominations Committee (the Holdings

## **Table of Contents**

Committee ). The Company Committee will assume sole responsibility for establishing, maintaining and administering all of our compensation policies, including overseeing the equity compensation provided to our senior executives, following this offering.

## **Role of Management**

Our Chief Executive Officer, General Counsel and Head of Human Resources generally provide information, data, analysis, updates, and compensation recommendations to the Committee. Specifically, they provide recommendations to the Committee on compensatory arrangements for executive officers other than themselves as well as the design of all material compensation and benefit plans.

## **Executive Compensation Program Objectives**

### *Executive Compensation Philosophy*

The Company's executive compensation philosophy and corresponding pay practices are designed to attract and retain individuals with the qualifications to manage and lead the Company as well as to motivate them to develop professionally and contribute to the achievement of our financial goals and ultimately create and grow our equity value. Our compensation philosophy aligns our executives with our growth objectives via equity compensation and annual incentive compensation, the value of which is driven by our performance over the long and short term, respectively. All of our NEOs, including those hired in 2014, maintain a significant equity stake in the Company.

When considering the design of the Company's compensation plans, incentive plan funding schemes, and individual compensation decisions, the Committee considers several principles:

Focus on total compensation, rather than individual pay components;

Align realized compensation with Company performance;

Emphasize equity ownership as largest component of compensation; and

Pay at a competitive market position in order to attract and retain the best available talent.

### **Focus on Total Compensation**

We have a strong commitment to rewarding all executives, and all employees, on a total compensation basis. When considering the total compensation package for our executive officers, we review market data and aim to provide competitive total compensation opportunities. For executives, management and the Committee believe that a large majority of these total compensation opportunities should be delivered via an equity-based compensation component. This philosophy is reflected in the hiring packages for new executives and other 2014 compensation decisions described below.

### **Align Realized Compensation with Company Performance**

The Committee places a great emphasis on the alignment of compensation with Company performance and shareholder value. Our executives should see their realized compensation increase or decrease based on the performance of our Company. With a significant portion of compensation opportunities derived from equity, the linkage between compensation value and our performance has been very strong. Additionally, our annual cash incentive plan for executives, the Senior Executive Incentive Plan (the "SEIP"), rewards our NEOs primarily for our financial performance during the prior year.

**Table of Contents****Emphasize Equity Ownership**

The Committee provides equity-based compensation and equity investment opportunities so that executives have a significant equity stake in our Company to ensure strong alignment with shareholders, significant correlation between Company performance and executive compensation, and complete focus on our goals.

The 2007 Stock Incentive Plan for Employees of First Data Corporation and its Affiliates (formerly the 2007 Stock Incentive Plan for Key Employees of First Data Corporation and its Affiliates), as amended from time to time (the 2007 Equity Plan ), facilitates significant equity ownership by executive officers. All executive officers have either directly purchased shares of Holdings equity or received grants of Holdings equity-based awards as a result of relinquishing equity of their former employer. The Committee believes that by requiring a personal investment in Holdings, the 2007 Equity Plan is a powerful mechanism to facilitate equity ownership and closely align executive and shareholder interests. To ensure equity remains the predominant compensation component for executives and to strengthen long-term alignment, executives also receive annual equity-based grants.

As a further demonstration of the Committee's commitment to equity ownership as a path to align the interests of our employees with the long-term success of the Company and our clients, the Committee approved broad-based equity grants in the first quarter of both 2014 and 2015. Management and the Committee believe that creating a strong culture of ownership will benefit its clients, employees, and shareholders.

**Pay at a Competitive Market Position**

The Committee ensures that incoming and incumbent executives are paid competitively. In order to successfully attract and retain top performing executives, our Human Resources Department annually reviews market data and aims to provide our executives with competitive total compensation opportunities. In light of our recent hiring of executives, the Company and the Committee have gained significant insight into current executive compensation practices and have leveraged this information along with peer group analysis in making pay decisions.

The Chief Executive Officer, Human Resources Department and the Committee periodically review our executive compensation practices against a peer group of companies. Our peer group is comprised of direct competitors, frequently identified peer companies to our direct competitors, and other companies deemed comparable to us in terms of industry, pay practices, revenue and market value. The peer group includes the following 21 companies:

Accenture Plc

ADP, LLC

The American Express  
CompanyCapital One Financial  
CorporationComputer Sciences  
CorporationDiscover Financial  
Services, Inc.

eBay Inc.

Fidelity National  
Information Services

Fifth Third Bancorp



Fiserv, Inc.

MasterCard Incorporated

PNC Financial Services  
Group, Inc.

Science Applications  
International Corporation

SLM Corporation

State Street Corporation

SunTrust Banks, Inc.

Symantec Corporation

Total System Services

Visa Inc.

The Western Union  
Company

Yahoo! Inc.

**Table of Contents**

The total compensation opportunity for each of our executive officers is created by utilizing available information disclosed in proxy statements of these companies in combination with generally available market compensation survey information. It is important to note that compensation data from non-peer group companies is also given significant consideration since we also recruit talent from organizations outside the payments industry.

**Elements of Compensation**

Compensation for our NEOs is delivered through:

base salary;

bonuses;

long-term incentive compensation; and

benefits and perquisites.

*Base Salary*

Base salary compensates our executives for performing the requirements of their positions and provides them with a level of cash income predictability and stability with respect to a portion of their total compensation. The Committee believes that base salaries for executives should reflect market competitive levels of pay and factors unique to each executive such as experience and breadth of responsibilities, performance, individual skill set, time in the role, pay relative to peers within the Company, and base pay in previous roles outside of the Company. Initial base salaries for our NEOs are agreed with the NEO at the time of hiring. Each executive officer is reviewed annually and is eligible for a discretionary annual merit increase. Base salaries may also be adjusted at other times to deal with competitive pressures or changes in job responsibilities. Mr. Bisignano's salary was not increased in 2015. The following table reflects our NEOs base salaries as of December 31, 2014.

	<b>Base Salary as of December 31, 2014</b>
Frank J. Bisignano, Chairman and Chief Executive Officer	\$ 1,500,000
Michael K. Neborak, Executive Vice President, Director of Finance	600,000
Cynthia Armine-Klein, Executive Vice President, Chief Control Officer	500,000
Sanjiv Das, Executive Vice President, Co-Head of Global Financial Solutions and Head of EMEA and APAC Regions	750,000
Joseph J. Plumeri, Vice Chairman	1,200,000

*Bonuses*

Annual Cash Incentives

In order to motivate our NEOs to achieve short-term performance goals and tie a portion of their cash compensation to actual performance, each NEO is eligible for an annual discretionary cash bonus award under our SEIP based on the achievement of our strategic growth objectives and individual performance in meeting those objectives. Consistent with First Data's overall compensation philosophy, discretionary cash bonus awards are generally a small percentage relative to equity-based awards for executives.

**Table of Contents**

Awards are based primarily on our performance during the year and secondarily on individual results during the year. To best accomplish this, the Committee approved a fully discretionary funding structure for 2014 for the SEIP. This structure was deemed most appropriate to ensure the Committee maintained the discretion and ability to appropriately reward the performance of each NEO.

At the time of hiring, Ms. Armine-Klein and Mr. Das were each offered a minimum cash incentive, but both subsequently agreed to waive a portion of their minimum cash incentive for 2014 prior to the Committee making its discretionary cash bonus determination because they wanted the form of their total compensation package to be consistent with the form of total compensation being received by other members of our management who had recently realigned their total compensation package to include a greater percentage of compensation in the form of equity. As a result, Ms. Armine-Klein and Mr. Das waived a portion of their minimum cash incentive and received the value of the waived portion of compensation in the form of equity. For 2015, no NEOs have been offered any minimum cash incentive amounts and all awards will be completely performance-based. The Committee has approved discretionary cash bonuses for the 2014 plan year as follows:

	<b>2014 SEIP Payout</b>
Frank J. Bisignano	\$ 1,140,000
Michael K. Neborak	400,000
Cynthia Armine-Klein	625,000
Sanjiv Das	625,000
Joseph J. Plumeri	540,000

**Sign-On Bonuses**

From time to time, the Committee may award sign-on bonuses in connection with the commencement of an NEO's employment with us. Sign-on bonuses are used only when necessary to attract highly skilled individuals to the Company. Generally they are used to incentivize candidates to leave their current employers, or may be used to offset the loss of unvested compensation they may forfeit as a result of leaving their current employers. In 2014, in order to attract Ms. Armine-Klein to the position of Executive Vice President, Chief Control Officer and Mr. Das to the position of Executive Vice President, Co-Head of Global Financial Solutions and Head of EMEA and APAC Regions, the Committee awarded Ms. Armine-Klein a sign-on bonus of \$3,000,000 and Mr. Das a sign-on bonus of \$1,500,000 in connection with the commencement of their employment with us. Mr. Das will be required to repay a pro-rated portion of the sign-on bonus if he resigns or is terminated for cause within 24 months following his commencement date and Ms. Armine-Klein will be required to repay a portion of the sign-on bonus if her employment terminates for any reason within 36 months following her commencement date.

*Long-Term Incentive Compensation*

As described above, equity compensation is at the heart of our compensation philosophy. Prior to this offering, Holdings granted long-term equity-based awards to our executives which were designed to promote our interests by providing our executives with the opportunity to acquire equity interests as an incentive for remaining in our service and aligning the interests of our executives with those of our ultimate equity holders. The long-term incentive awards were granted to our NEOs in the form of Holdings restricted stock and stock options. The Committee determined that granting our NEOs Holdings restricted stock, restricted stock units and stock options would meet our goals of fostering a culture of performance and commitment to our Company. Restricted stock serves as a retention tool for us and stock options serve as components of performance-based compensation because they only provide value to our NEOs if the value of Holdings stock appreciates. All equity-based awards were granted under the 2007 Equity Plan.

Following this offering, all equity-based awards will be granted by us.

---

**Table of Contents****Fiscal 2014 Grants**

On February 10, 2014, annual grants of Holdings stock options were made to Messrs. Bisignano and Winborne and annual grants of Holdings restricted stock were made to Messrs. Bisignano, Plumeri and Winborne, with amounts determined in the sole discretion of the Holdings Committee based on each executive's role and performance. Subject to continued employment through the applicable vesting date, these Holdings stock options vest 33% per year on each of the first three anniversaries of the date of grant and these Holdings restricted stock awards vest on the later of January 1, 2017 and the expiration of any underwriter-imposed transfer restrictions in connection with a Qualified Public Offering.

A Qualified Public Offering is defined in the Management Stockholder Agreement to which all restricted shares granted to NEOs are subject as an initial public offering (1) for which aggregate cash proceeds to be received by Holdings (or any successor thereto, including the Company following the merger of Holdings with the Company) from such offering (or series of offerings) (without deducting underwriter discounts, expenses and commissions) are at least \$400,000,000, or (2) pursuant to which at least 35% of the outstanding shares of Class B common stock are sold by Holdings (or any successor thereto, including the Company following the merger of Holdings with the Company).

On May 13, 2014, Ms. Armine-Klein and Mr. Das received special equity grants in the form of Holdings restricted stock and Holdings stock options in connection with the commencement of their employment and to replace equity holdings forfeited due to departing their previous employer. Subject to continued employment through the applicable vesting date, these Holdings stock options vest 20% per year on each of the first five anniversaries of the date of grant and these Holdings restricted stock awards will vest on the later of May 13, 2017 with respect to Mr. Das and May 31, 2016 with respect to Ms. Armine-Klein and the expiration of any underwriter-imposed transfer restrictions in connection with a Qualified Public Offering.

Also on May 13, 2014, Mr. Plumeri received a grant of Holdings stock options as a one-time option match for each share of Holdings stock he purchased, which options vest 33% per year on each of the first three anniversaries of the date of grant, subject to continued employment through each applicable vesting date. Mr. Plumeri made a personal investment to purchase 1,250,000 shares of Holdings stock in 2014, which further aligned his financial interests with those of our ultimate equity holders. In addition, Mr. Plumeri also received a restricted stock grant in 2014 based on his contributions to our Company during 2013 as a senior advisor, which restricted stock awards vest on the later of January 1, 2017 and the expiration of any underwriter-imposed transfer restrictions in connection with a Qualified Public Offering, subject to continued employment through the applicable vesting date.

In 2014, in connection with the commencement of his employment Mr. Neborak also received two separate Holdings stock option grants. One grant was to replace equity holdings forfeited due to departing his previous employer and the other was as a one-time option match for each share of Holdings stock he purchased. Mr. Neborak made a personal investment to purchase 500,000 shares of Holdings stock in 2014, which further aligned his financial interests with those of our ultimate equity holders. Both awards of Holdings stock options granted to Mr. Neborak vest 20% per year on each of the first five anniversaries of the date of grant, subject to his continued employment through each applicable vesting date.

***Benefits and Perquisites***

While our compensation philosophy is to focus on performance-based forms of compensation while providing only minimal executive benefits and perquisites, we provide to all of our employees, including our NEOs, broad-based employee benefits that are intended to attract and retain employees while providing them with retirement and health

and welfare security, which include:

a 401(k) savings plan; and

medical, dental, vision, life and disability insurance coverage, and dependent care and healthcare flexible spending accounts.

---

**Table of Contents**

In 2014, all of our employees in the U.S. were eligible to participate in the First Data Corporation Incentive Savings Plan (the "ISP"). The ISP is a tax-qualified 401(k) plan designed to comply with Internal Revenue Service (the "IRS") safe harbor rules. The Company maintains the ISP to allow employees to save for their retirement on a pre-tax basis. The ISP allows for Company contributions to help employees build retirement savings. Beginning on January 1, 2014, the Company match was suspended for all employees, including NEOs. We do not currently offer defined benefit pension benefits or non-qualified retirement benefits to our NEOs.

We also provide our NEOs with limited perquisites and personal benefits that are not generally available to all employees such as reimbursement for relocation, housing and moving expenses. NEOs are also authorized to use the corporate aircraft for personal purposes in limited instances. The financial planning benefit previously offered to all executives was terminated in 2013. Per his employment agreement, Mr. Bisignano is provided with use of a car and driver and is eligible for financial planning assistance; however, this benefit was only partially used in 2014 and is reported in perquisites. In addition, from time to time, we provide tax gross-ups on perquisites we provide in order to allow our NEOs to enjoy the full benefit of the perquisite we are providing.

**Severance and Change in Control Agreements**

The Company believes that reasonable and appropriate severance and Change in Control benefits are necessary in order to be competitive in the Company's executive attraction and retention efforts. The First Data Corporation Severance/Change in Control Policy (Management Committee Level) (the "Policy") provides for certain payment, rights and benefits to the NEOs (other than Mr. Bisignano) upon an involuntary termination of employment without cause from the Company with or without a Change in Control. Under the Policy, no benefits (other than excise tax gross-up payments) are provided based solely on a Change in Control. As a condition to receiving severance payments and benefits under the Policy, all NEOs are required to release the Company and its employees from all claims they may have against them and agree to a number of restrictive covenants which are structured to protect the Company from potential loss of customers or employees and to prohibit the release of confidential company information.

On November 12, 2014, the Committee adopted amendments to the Policy, which were effective on January 1, 2015. Under the new terms, the cash severance payment for all eligible participants is equal to one year's base pay plus the prior year's cash bonus, if any, and a prorated portion of the prior year's cash bonus, if any, based on time worked during the year of termination. See "Severance and Change in Control Agreements" for descriptions of these arrangements.

**Tax and Accounting Considerations**

During 2014, Internal Revenue Code Section 162(m) limitations on tax deductibility of compensation did not apply to the Company as none of its common stock was registered or publicly-traded. The Committee has not considered Internal Revenue Code Section 162(m) deductibility limitations in the planning of 2015 compensation since they do not apply.

**Compensation Actions During 2015**

In January 2015, the Committee granted the following annual equity-based awards to the NEOs under the 2007 Equity Plan.

**Grant Date**



		<b>Stock Options Granted</b>	<b>Restricted Stock Granted</b>
Frank J. Bisignano	1/28/2015	1,140,000	1,710,000
Michael K. Neborak	1/14/2015	133,333	200,000
Cynthia Armine-Klein	1/14/2015	208,333	312,500
Sanjiv Das	1/28/2015	208,333	312,500
Joseph J. Plumeri	1/28/2015	540,000	810,000

**Table of Contents**

The options will vest in equal annual installments, 33% per year, over a three year period, subject to continued employment through each applicable vesting date. Subject to continued employment through the applicable vesting dates, the restricted stock will vest as follows:

upon the later of: (1) January 1, 2016; and (2) the expiration of any underwriter imposed transfer restrictions in connection with a Qualified Public Offering, twenty percent (20%) of the shares will vest;

upon the later of: (1) January 1, 2017; and (2) the expiration of any underwriter imposed transfer restrictions in connection with a Qualified Public Offering, an additional forty percent (40%) will vest; and

upon the later of: (1) January 1, 2018; and (2) the expiration of any underwriter imposed transfer restrictions in connection with a Qualified Public Offering, the remaining forty percent (40%) will vest.

The terms and conditions of these awards (other than with respect to vesting as noted above) are substantially similar to those awards granted in 2014.

**Director Compensation for Fiscal 2014**

The following table summarizes all compensation for our non-employee directors for fiscal 2014. Non-employee directors of the Company do not receive any compensation for their service on the Company's Board, but they do receive compensation for service on the Board of Directors of Holdings.

Name	Fees Earned or Paid in Cash (\$)(3)	Stock Awards (\$)(4)	Option Awards (\$)(5)	Change in Pension Value and Non-Qualified Non-Equity Deferred Compensation			Total (\$)
				Incentive Compensation (\$)	Earnings Compensation (\$)	All Other Compensation (\$)	
Joe W. Forehand	318,333	125,000	1,076,000			20,806(6)	1,540,139
Henry R. Kravis	40,000						40,000
Heidi Miller(1)	56,250	125,000	1,045,500				1,226,750
James Nevels(2)	18,750	125,000	1,147,500				1,291,250
Scott C. Nuttall	40,000						40,000
Tagar C. Olson	40,000						40,000

(1) Ms. Miller's annual retainer for 2014 was prorated based on her appointment to our Board and the Holdings Board of Directors on April 14, 2014.

(2) Mr. Nevels' annual retainer for 2014 was prorated based on his appointment to our Board and the Holdings Board of Directors on November 12, 2014.

(3)

- Messrs. Kravis, Nuttall, and Olson, and Ms. Miller elected to defer their annual cash retainer earned in 2014 and Mr. Forehand deferred \$75,000 of his annual cash retainer in 2014.
- (4) Amounts reported reflects the grant date fair value computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 for the 31,250 restricted stock awards granted to each of Mr. Forehand, Ms. Miller and Mr. Nevels, respectively, on July 3, 2014, April 14, 2014 and November 12, 2014, respectively. The aggregate number of unvested restricted stock owned by our non-employee directors at December 31, 2014 was as follows: Mr. Forehand, 448,250 shares of unvested restricted stock; Ms. Miller, 31,250 shares of unvested restricted stock; and Mr. Nevels, 31,250 shares of unvested restricted stock.
- (5) Amounts reported reflect the grant date fair value computed in accordance with FASB ASC Topic 718 for the 500,000 options granted to each of Mr. Forehand, Ms. Miller and Mr. Nevels, respectively, on July 3, 2014, April 14, 2014 and November 12, 2014, respectively. For a discussion of the assumptions and

**Table of Contents**

methodologies used to calculate the amounts reported, please see the discussion of stock option awards contained in Note 11 to our audited consolidated financial statements included elsewhere in this prospectus. The aggregate holdings of stock options owned by our non-employee directors at December 31, 2014 was as follows:

Mr. Forehand, 3,300,000 stock options; Ms. Miller, 500,000 stock options; and Mr. Nevels, 500,000 stock options.

- (6) Mr. Forehand also had \$20,806 in corporate aircraft usage. The calculation of incremental cost for personal use of the corporate aircraft includes the average hourly variable costs of operating the aircraft for the year attributed to Mr. Forehand's personal flight activity.

*Description of Director Compensation*

This section contains a description of the material terms of our compensation arrangements for our non-employee directors prior to March 2015.

*KKR Directors.* Each non-employee director of Holdings associated with KKR, received an annual cash retainer of \$40,000 for their services on the Holdings Board.

*Joe W. Forehand.* While serving as our Chairman of the Holdings Board, Mr. Forehand was entitled to receive a cash retainer of \$800,000 a year and he was also provided with an \$800,000 discretionary bonus opportunity based primarily on our performance during the year. During 2014, Mr Forehand received a cash retainer of (1) \$133,000 for his service as Chairman of the Holdings Board prior to March 5, 2014 (2) a cash bonus of \$110,000 in recognition of the work and leadership he provided as Chairman of the Holdings Board prior to March 5, 2014 (3) a \$75,000 cash retainer for service as a director on the Holdings Board following March 5, 2014 and (4) a grant on March 5, 2014 of 500,000 options to purchase shares of common stock of Holdings pursuant to the 2007 Equity Plan and a grant of 31,250 shares of Holdings restricted stock for his service as a director on the Holdings Board following March 5, 2014. The restricted stock will vest upon the later of the end of lockup period following an initial public offering, and three years from the grant date. The options will vest in equal annual installments, 33% per year, over a three year period from the grant date and have a ten-year term.

*Heidi Miller.* Ms. Miller received a \$75,000 cash retainer for her service on the Holdings Board and a grant of 500,000 options to purchase shares of common stock of Holdings pursuant to the 2007 Equity Plan and a grant of 31,250 shares of Holdings restricted stock. The restricted stock will vest upon the later of the end of lockup period following an initial public offering, and three years from the grant date. The options will vest in equal annual installments, 33% per year, over a three year period from the grant date and have a ten-year term.

*James Nevels.* Mr. Nevels received a \$75,000 cash retainer for his service on the Holdings Board and a grant of 500,000 options to purchase shares of common stock of Holdings pursuant to the 2007 Equity Plan and a grant of 31,250 shares of Holdings restricted stock. The restricted stock will vest upon the later of the end of lockup period following an initial public offering, and three years from the grant date. The options will vest in equal annual installments, 33% per year, over a three year period from the grant date and have a ten-year term.

All directors are eligible to defer their annual cash retainer in the First Data Holdings Inc. 2008 Non-Employee Director Deferred Compensation Plan (the "Director Deferred Comp Plan"). Deferrals under the Director Deferred Comp Plan track the value of shares of Holdings and are payable to participants only upon separation from service or death.

*Reimbursements*

Directors are reimbursed for their expenses incurred in attending Board, committee and shareholder meetings, including those for travel, meals and lodging. Directors are also reimbursed for their expenses incurred in attending director education programs. The Company also provided office space and administrative support for Mr. Plumeri in support of performance of his duties as a senior advisor from January 2014 through May 2014.

**Table of Contents**

*Indemnification*

The Company's Certificate of Incorporation provides that the Company shall indemnify and hold harmless each director to the fullest extent permitted or authorized by the General Corporation Law of the State of Delaware.

*Non-Employee Director Compensation for 2015*

On February 24, 2015, the Holdings Committee approved cash and equity compensation to our non-employee directors, which superseded and replaced the existing agreements with our non-employee directors.

Each non-employee director of Holdings associated with KKR will receive an annual cash retainer of \$40,000, payable in semi-annual installments.

Each director of Holdings not employed by Holdings or affiliates of KKR will receive the following:

At the time of their appointment, a one-time grant of 500,000 options to purchase shares of common stock of Holdings pursuant to the 2007 Equity Plan, with a strike price equal to the fair market value at the time of grant to vest in equal annual installments on the first three anniversaries of the grant date.

An annual grant of restricted stock of Holdings equivalent in value to \$125,000, both at the time of their appointment and during the first quarter of each subsequent calendar year during which they continue to serve pursuant to the 2007 Equity Plan on the following terms:

20% vesting upon later of end of lockup period following an initial public offering, and one year from the grant date;

40% vesting upon later of end of lockup period following an initial public offering, and two years from the grant date;

40% vesting upon later of end of lockup period following an initial public offering, and three years from the grant date;

Forfeiture of unvested awards upon termination of Board service for any reason other than death or disability; and

In the event of death or disability, Holdings shall exercise call rights and pay 100% of the fair market value for unvested awards.

Annual cash retainer of \$75,000 to be paid in quarterly installments on the first day of each calendar quarter.

All cash compensation may be deferred under the Director Deferred Comp Plan based upon the election made prior to each calendar year by each director. All amounts deferred will accrue earnings based on the performance of Holdings common stock and be paid to the director upon termination of the director's service, subject to acceleration of the payout under certain circumstances.

**Table of Contents****Summary Compensation Table**

The following table provides summary information concerning compensation paid or accrued by us to or on behalf of our NEOs for services rendered to us during 2014.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)(1)</b>	<b>Bonus (\$)(2)</b>	<b>Stock Awards (\$)(3)</b>	<b>Option Awards (\$)(4)</b>	<b>All Other Compensation (\$)(5)</b>	<b>Total (\$)</b>
Frank J. Bisignano, Chairman and Chief Executive Officer	2014	1,500,000	1,140,000	4,500,000	1,629,000	533,199	9,302,199
	2013	1,045,839	3,704,161	20,000,002	50,994,285	635,234	76,379,521
Michael K. Neborak, Executive Vice President, Director of Finance	2014	279,615	400,000		2,680,000	1,183	3,360,798
Ray E. Winborne, former Executive Vice President and Chief Financial Officer	2014	506,250		656,252	237,563	2,088,435	3,488,500
	2013	662,500	1,000,000	675,000	795,728	14,386	3,147,614
	2012	600,000	510,000	249,999	265,667	30,926	1,656,592
Cynthia Armine-Klein, Executive Vice President, Chief Control Officer	2014	320,192	3,625,000	3,000,000	1,003,000	673	7,948,865
Sanjiv Das, Executive Vice President, Co-Head of Global Financial Solutions and Head of EMEA and APAC Regions	2014	523,077	2,125,000	2,000,000	2,006,000	1,288	6,655,365
Joseph J. Plumeri, Vice Chairman	2014	1,239,288	540,000	3,000,000	4,012,000	6,273	8,797,561

- (1) Salary for Mr. Plumeri includes consulting income of \$639,288 earned while acting as senior advisor to the Company prior to being hired as Vice Chairman and Head of Client Delivery, Innovation and Marketing on June 1, 2014. The amounts reported in this column for all NEOs other than Messrs. Bisignano and Winborne were pro-rated to reflect the portion of their base salary earned in fiscal 2014 from the date they commenced employment with the Company.
- (2) Amounts reported represent the discretionary 2014 bonus payouts under the SEIP paid to our NEOs and, with respect to Mr. Das and Ms. Armine-Klein, a cash sign-on bonus of \$1,500,000, and \$3,000,000, respectively.
- (3) Amounts reflect aggregate grant date fair value of all restricted stock granted in 2014 under the 2007 Equity Plan,



calculated in accordance with FASB ASC Topic 718.

- (4) Amounts reflect the grant date fair value of all stock options awarded under the 2007 Equity Plan, calculated in accordance with FASB ASC Topic 718. For a discussion of the assumptions and methodologies used to calculate the amounts reported, please see the discussion of stock option awards contained in Note 11 to our audited consolidated financial statements included elsewhere in this prospectus.
- (5) Full explanation of All Other Compensation for 2014 is provided in the Perquisite and Personal Benefits Table and accompanying footnotes.

**Table of Contents****Perquisite and Personal Benefits**

Name	Tax						Total (\$)
	Financial Planning (\$)	Defined Contribution Plans (\$)	Life Insurance (1) (\$)	Gross-Up Payments (2) (\$)	Severance Payments (3) (\$)	Relocation Benefits (4) (\$)	
Frank J. Bisignano	18,812	265	4,902	270,017		52,384	533,199
Michael K. Neborak			1,183				1,183
Ray E. Winborne			984	1,683	2,085,768		2,088,435
Cynthia Armine-Klein			673				673
Sanjiv Das			1,288				1,288
Joseph J. Plumeri				1,831			4,442
							6,273

- (1) Includes the value of imputed income on life insurance premiums paid by the Company.
- (2) Mr. Bisignano received tax gross-ups based on imputed income from relocation benefits \$78,691; car lease and driver \$8,787; ex-spouse health insurance coverage and life/disability coverage for Mr. Bisignano \$46,106; \$132,181 for personal aircraft usage; \$3,082 for travel to President's Club; \$1,145 for auto gross-up; and \$25 for a benefits correction. Messrs. Plumeri and Winborne received tax gross-ups in the amounts of \$1,831 for travel to President's Club and \$1,683 for personal aircraft usage, respectively.
- (3) On July 29, 2014, Mr. Winborne entered into a Separation Agreement whereby he received a pro-rated 2014 bonus of \$600,000, semi-monthly payments for one year totaling \$1,475,000 and benefits coverage for one year valued at \$10,768.
- (4) Mr. Bisignano received temporary living expenses in the amount of \$52,384.
- (5) Mr. Bisignano received reimbursement for a vehicle lease in the amount of \$21,970, health insurance coverage for his ex-spouse of \$3,954, insurance premiums of \$49,204 and personal use of corporate aircraft valued at \$109,080. Messrs. Bisignano and Plumeri each received \$2,611 for spouse's expenses related to company functions. The calculation of incremental cost for personal use of the corporate aircraft includes the average hourly variable costs of operating the aircraft for the year attributed to the NEO's personal flight activity.

**Table of Contents****Grants of Plan-Based Awards in 2014**

<b>Name</b>	<b>Grant Date</b>	<b>All Other Stock Awards: Number of Shares of Stock or Units (#) (1)</b>	<b>All Other Option Awards: Number of Securities Underlying Options (#) (2)</b>	<b>Exercise or Base Price of Option Awards(\$/Sh)</b>	<b>Grant Date Fair Value of Stock and Option Awards (3)(\$)</b>
Frank J. Bisignano	2/10/2014	1,125,000	750,000	4.00	4,500,000
	2/10/2014				1,629,000
Michael K. Neborak	7/14/2014		750,000	4.00	1,072,000
	8/11/2014				1,608,000
Ray E. Winborne	2/10/2014	164,063	109,375	4.00	656,252
	2/10/2014				237,563
Cynthia Armine-Klein	5/13/2014	750,000	500,000	4.00	3,000,000
	5/13/2014				1,003,000
Sanjiv Das	5/13/2014	500,000	1,000,000	4.00	2,000,000
	5/13/2014				2,006,000
Joseph J. Plumeri	2/10/2014	750,000	2,000,000	4.00	3,000,000
	5/13/2014				4,012,000

- (1) Grants reflected in this column are grants of restricted stock made under the 2007 Equity Plan. Grants made to Messrs. Bisignano, Plumeri and Winborne vest upon the later of January 1, 2017 and the expiration of any underwriter-imposed transfer restriction in connection with a Qualified Public Offering, subject to continued employment through the applicable vesting date. Grants made to Ms. Armine-Klein and Mr. Das vest upon the later of May 13, 2017 with respect to Mr. Das and May 31, 2016 with respect to Ms. Armine-Klein and the expiration of any underwriter-imposed transfer restriction in connection with a Qualified Public Offering, subject to continued employment through the applicable vesting date.
- (2) Grants reflected in this column are grants of stock options made under the 2007 Equity Plan. The exercise price was determined at the time of the grant by the Board, pursuant to its authority under the plan, to be \$4.00. The grants, dated February 10, 2014, to Messrs. Bisignano and Winborne vest in substantially equal annual installments, one-third per year, over a three year period from the grant date, subject to continued employment through the applicable vesting date and have a ten-year term. The grant, dated May 13, 2014, to Mr. Plumeri vests in equal substantially equal annual installments, one-third per year, over a three year period from the grant date, subject to continued employment through the applicable vesting date and have a ten-year term. The grants, dated May 13, 2014, to Ms. Armine-Klein and Mr. Das vest in equal annual installments, 20% per year, over a five year period from the grant date and have a ten-year term.
- (3) Grant date fair value for restricted stock and stock options is based on their valuation for financial reporting purposes at the time of grant. These grants are subject to all terms and conditions of the Management

Stockholders Agreement.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan Based Awards**

**Summary of NEO Employment Agreements**

In general, the Company does not enter into employment agreements with employees, including the NEOs, except in the case of Mr. Bisignano. A description of this agreement is provided below. All current NEOs serve at the will of the Board.

---

**Table of Contents**

***Employment Agreement with Mr. Bisignano***

On April 28, 2013, the Company and Holdings entered into an employment agreement with Mr. Bisignano (the Employment Agreement ). The Employment Agreement provides for an initial five-year term from April 29, 2013 and automatic one-year extensions after such time unless terminated by either party with prior written notice.

Under the terms of the Employment Agreement, Mr. Bisignano will earn an annual base salary of \$1,500,000, which base salary may be increased but not decreased; and commencing with the 2014 fiscal year, is eligible to receive a discretionary annual incentive payment in such amount as determined in the sole discretion of the Committee, based upon its assessment of Mr. Bisignano's performance, payable in the form of cash, equity-based awards or a combination thereof.

Mr. Bisignano is eligible to receive executive perquisites, fringe and other benefits consistent with what is provided to other executive officers of the Company. In addition, he is eligible to receive reimbursement for temporary living, commuting and relocation expenses, use of a car and driver, financial planning and use of private aircraft. Mr. Bisignano is also eligible to participate in the Company's 401(k), medical, dental, short and long-term disability, and life insurance plans.

Pursuant to the terms of the Employment Agreement, Mr. Bisignano is subject to covenants not to (1) disparage the Company or interfere with existing or prospective business relationships, (2) disclose confidential information, (3) solicit customers and certain employees of the Company, and (4) compete with the Company. In the event of an alleged material breach of the covenant not to solicit certain employees of the Company and not to compete, any unpaid severance amounts will be suspended until a final determination has been made that Mr. Bisignano has in fact materially breached such covenants at which time the right to any further payment is forfeited.

**Terms of Equity Awards**

***General Provisions for Options and Shares under the Management Stockholder's Agreements***

If an NEO's employment with the Company terminates for any reason, all stock and vested options, to the extent not forfeited, are subject to call rights by Holdings until a Change in Control, as defined in the 2007 Equity Plan and Management Stockholder Agreement.

If an NEO's employment terminates due to death or Disability (as defined in the Management Stockholder's Agreement) or the NEO's employment is terminated by the NEO for Good Reason (as defined in the Management Stockholder's Agreement) or by the Company without Cause (as defined in the Management Stockholder's Agreement), call rights may be exercised by Holdings on vested options at the fair market value share price, less the exercise price. In this event, shares, including those issued upon exercise of an options, may be repurchased at the fair market value share price. In the event of death or Disability prior to a Change in Control, the NEO has a put right on stock and vested options for fair market value in the case of stock and for the difference between the fair market value and the option exercise price in the case of vested options.

If the NEO's employment is terminated voluntarily without Good Reason, all outstanding options whether vested or unvested automatically terminate (other than in the case of Mr. Bisignano). In this event, shares issued upon exercise of an option may be called at the lesser of the original purchase price and fair market value per share price and all other shares may be called at fair market value per share unless the NEO is in violation of the restrictive covenants in the Management Stockholder's Agreement (or, in the case of Mr. Bisignano, the Employment Agreement) on the date that the call notice is sent, in which case the shares may be called at the lesser of the fair market value per share price

or the original purchase price. These provisions greatly enhance the retention of executives who participate in the 2007 Equity Plan by eliminating all potential option gains for executives who voluntarily terminate prior to a Change in Control.

**Table of Contents**

In the case of a termination of the NEO's employment by the Company for Cause or in the case of an impermissible transfer, all outstanding options whether vested or unvested automatically terminate and call rights may be exercised on shares, including those issued upon exercise of an option, at the lesser of the fair market value per share price or the original purchase price.

Under Mr. Bisignano's employment agreement, if a Change in Control occurs within 180 days after the date for determining the price for the exercise of Holdings' call right upon a termination due to death or Disability, by Mr. Bisignano for Good Reason or by the Company without Cause, the call price will be adjusted so that Holdings will pay Mr. Bisignano a per share price equal to the per share price paid in such Change in Control.

An initial public offering or sale of the Company (other than a Change in Control) has no impact on options or restricted stock vesting unless affiliates of KKR sell or otherwise dispose of at least 90% of the maximum number of shares of common stock in the Company, owned, directly or indirectly, by affiliates of KKR from time to time. If such transaction occurs, then all options granted in 2011 and later and all shares of restricted stock become 100% vested. If the sale of the Company results in a Change in Control all call rights are eliminated, options granted in 2011 and forward become 100% vested and all shares of restricted stock become 100% vested.

Holdings has a right of first refusal if an NEO proposes to sell his or her purchased stock prior to a Change in Control or a Qualified Public Offering.

Pursuant to the terms of the Management Stockholder Agreement, the NEOs are subject to covenants not to (1) disclose confidential information, (2) solicit customers and certain employees of the Company, and (3) compete with the Company. In the event of a breach of any of such covenants, the NEO is required to pay to the Company any amounts actually paid to him or her by the Company in respect of any repurchase by the Company of any stock options held by such NEO and, with respect to any stock, the NEO is required to pay to the Company such amounts, if any, that the NEO received in excess of the price paid by the NEO in acquiring such stock, on a net after-tax basis.

**Table of Contents****Outstanding Equity Awards at 2014 Fiscal Year End**

Name	Grant Date	Company	Option Awards				Stock Awards		
			Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-exercisable	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) (2)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)	
Frank J. Bisignano	5/7/2013	Holdings	5,257,142	21,028,572	3.50	5/7/2023			
	2/10/2014	Holdings		750,000	4.00	2/10/2024			
	2/10/2014	Holdings					1,125,000	5,062,500	
Michael K. Neborak	7/14/2014	Holdings		500,000	4.00	7/14/2024			
	8/11/2014	Holdings		750,000	4.00	8/11/2024			
Ray E. Winborne	6/23/2010	Holdings	45,000	11,250	3.00	6/23/2020			
	2/1/2011	Holdings	355,000	88,750	3.00	2/1/2021			
	3/8/2011	Holdings	160,000		3.00	3/8/2021			
	3/8/2011	Holdings					80,000	360,000	
	3/3/2012	Holdings	111,111	55,556	3.00	3/3/2022			
	3/3/2012	Holdings					83,333	374,999	
	3/5/2013	Holdings	128,571	257,143	3.50	3/5/2023			
	3/5/2013	Holdings					192,857	867,857	
	2/10/2014	Holdings					164,063	738,284	
2/10/2014	Holdings		109,375	4.00	2/10/2024				
Cynthia Armine-Klein	5/13/2014	Holdings		500,000	4.00	5/13/2024			
	5/13/2014	Holdings					750,000	3,375,000	
Sanjiv Das	5/13/2014	Holdings		1,000,000	4.00	5/13/2024			
	5/13/2014	Holdings					500,000	2,250,000	
Joseph J. Plumeri	10/12/2013	Holdings	333,333	666,667	3.50	10/12/2023			
	5/13/2014	Holdings		2,000,000	4.00	5/13/2024			
	2/10/2014	Holdings					750,000	3,375,000	

(1) Grants reflected in this column are grants of stock options made under the 2007 Equity Plan All stock options listed that were granted during and prior to 2010 are time-based and vest in equal annual installments 20% each year over a five year period; stock options granted in 2011 and later are time-based and vest in substantially equal



annual installments of one-third per year over three years, subject to continued employment on each applicable vesting date, except as noted below in the section entitled Termination and Change in Control Payments and Benefits. Stock option grants for Mr. Bisignano in 2013 and for Ms. Armine-Klein and Mr. Das in May 2014 vest in equal annual installments 20% each year over a five year period, subject to continued employment on each applicable vesting date, except as noted below in the section entitled Termination and Change in Control Payments and Benefits.

- (2) All grants reflected in this column are awards of restricted stock made under the 2007 Equity Plan. All restricted shares granted in 2010 vest only upon the end of the lock-up period following a Qualified Public Offering, a Liquidity Event or a Change in Control. Restricted stock award vesting terms are described in footnote 1 of the Grants of Plan-Based Awards Table. Market value of the shares is based on the per share price of \$4.50 as of December 31, 2014, as determined by the Board of Directors for purposes of the 2007 Equity Plan.

#### **Option Exercises and Stock Vested in 2014**

During 2014, no NEOs exercised options or had any restricted stock units or restricted stock awards which vested.

#### **Pension Benefits**

During 2014, no NEOs participated in either a tax-qualified or non-qualified defined benefit plan sponsored by the Company.

---

**Table of Contents**

**Non-Qualified Deferred Compensation for 2014**

During 2014, no NEOs participated in a non-qualified deferred compensation plan sponsored by the Company.

**Severance and Change in Control Agreements**

We have adopted the First Data Corporation Severance/Change in Control Policy (the Policy ).

The Policy provides for certain payments, rights and benefits to executive officers, including our NEOs, other than Messrs. Bisignano and Plumeri, in connection with a termination of employment by the Company without Cause (other than due to death or Disability) or by the executive officer for Good Reason, in each case, with or without a Change in Control. Under the Policy, no payment, rights or benefits are provided based solely on a Change in Control (other than the Gross-Up Payment discussed below). The Policy provides for the following payments, rights and benefits:

- (1) For executive officers appointed on or prior to May 1, 2011, or appointed after May 1, 2011 and having 5 years or more service in such a position: total cash payments equal to two times the executive officer's base pay plus prior year's bonus;

For executive officers appointed after May 1, 2011 and having 2 or more but less than 5 years of service in such a position: total cash payments equal to 1.5 times the executive officer's base pay plus prior year's bonus; or

For executive officers appointed after May 1, 2011 and having less than 2 years of service in such a position: total cash payments equal to one times the executive officer's base pay;

- (2) A cash payment equal to the executive officer's prior year's bonus pro-rated for the year of termination;
- (3) Continuation of medical, dental and vision benefits coverage for one to two years depending on the severance multiplier, with a portion of the costs of the benefits paid by the executive officer;
- (4) continued vesting of outstanding cash incentive awards granted to the executive officer that vest and are payable solely contingent upon continued employment and the passage of time, notwithstanding the executive officer's earlier termination of employment; and
- (5) A Gross-Up Payment is made if it is determined that any Code Section 280G parachute payments provided by the Company to or, on behalf of, an eligible executive would be subject to the excise tax imposed by Code Section 4999. The Gross-Up Payment is an amount so that after payment of all taxes, the eligible executive retains an amount equal to the excise tax imposed by Code Section 4999. However, if it is determined that the executive officer is entitled to a Gross-Up Payment but the payments to the executive officer do not exceed 110% of the amount which is one dollar less than the smallest amount that would give rise to any excise tax, then no Gross-Up Payment will be made and the payments will be reduced so as to not give rise to the excise tax.

Executive officers are eligible for this payment regardless of whether their employment is terminated in connection with a Change in Control.

In addition, in the Committee's sole discretion, executive officers may also be eligible for outplacement services selected by the Company.

As a condition to receiving severance payments and benefits under the Policy, all employees are required to release the Company and its affiliates all claims they may have against them and agree to a number of restrictive covenants which are structured to protect the Company from potential loss of customers or employees

**Table of Contents**

and to prohibit the release of confidential company information. Severance payments under the Policy that are not subject to Code Section 409A may be paid in installments or a lump sum payment and severance payments that are subject to Code Section 409A are paid in installments.

The Company has reserved the right to amend or terminate the Policy at any time in its sole discretion, provided, however, that during the period commencing on the closing of the 2007 Merger and ending on the 36 month anniversary of a Change in Control (other than the 2007 Merger), the Company is not permitted to amend or terminate the Policy without the consent of each affected executive officer.

On November 12, 2014, the Committee adopted amendments to the plan which were effective commencing on January 1, 2015. Under the new terms, the cash severance payment for all eligible participants is equal to one year's base pay plus the prior year's cash bonus and a prorated portion of the prior year's cash bonus based on time worked during the year of termination and the continuation of medical, dental and vision benefits coverage is for one year.

**Table of Contents****Termination and Change in Control Payments and Benefits**

<b>Name</b>	<b>Cash Severance Payments (\$)(1)</b>	<b>Post- Termination Health &amp; Welfare Benefits (\$)(2)</b>	<b>Financial Planning (\$)(3)</b>	<b>Unvested Stock Options (\$)(4)</b>	<b>Unvested Restricted Stock (\$)(5)</b>	<b>Estimated 280G Tax Gross-Up (\$)(6)</b>	<b>(\$)Total</b>
<b><i>Frank J. Bisignano</i></b>							
Termination due to non-renewal by the Company of the Employment Term	10,640,000	267,500	40,000				10,947,500
Termination without Cause, for Good Reason or due to death or Disability	10,640,000	267,500	40,000	5,361,310	1,406,000		17,714,810
Termination without Good Reason		267,500					267,500
Change in Control				21,403,572	5,062,500		26,466,072
<b><i>Michael K. Neborak</i></b>							
Termination without Cause (other than due to death or Disability) or termination for Good Reason	600,000	9,474		45,834			655,308
Termination due to death or Disability				45,834			45,834
Change in Control				625,000			625,000
<b><i>Cynthia Armine-Klein</i></b>							
Termination without Cause (other than due to death or Disability) or termination for Good Reason	500,000	9,891		29,167			539,058
Termination due to death or Disability				29,167			29,167

Change in Control			250,000	3,375,000	3,625,000
<b>Sanjiv Das</b>					
Termination without Cause (other than due to death or Disability) or termination for Good Reason	750,000	5,779	58,333	437,500	1,251,612
Termination due to death or Disability			58,333	437,500	495,833
Change in Control			500,000	2,250,000	2,750,000
<b>Joseph J. Plumeri</b>					
Termination without Cause (other than due to death or Disability) or termination for Good Reason	1,740,000	9,249	250,000	937,500	2,936,749
Termination due to death or Disability			250,000	937,500	1,187,500
Change in Control			1,666,667	3,375,000	3,135,458
					8,177,125

(1) Upon termination of Mr. Bisignano's employment by the Company without cause (as defined in the Employment Agreement), by Mr. Bisignano for good reason (as defined in the Employment Agreement), due to Mr. Bisignano's death or disability (as defined in the Employment Agreement) or due to the Company's non-renewal of the employment term, conditioned upon the execution and effectiveness of a release of claims against the Company and its affiliates and in addition to certain accrued amounts, Mr. Bisignano will be entitled to receive (1) payment, in installments ratably over a 24 month period (the Severance Period), of an amount equal to the greater of (X) \$9.5 million or (Y) two times the sum of his base salary and the average of his annual incentive payments paid in respect of the two fiscal years prior to the date of his termination (provided, that if Mr. Bisignano's employment is terminated by him for good reason following a change of control (within the meaning of Section 409A of the Code) within two years following such change of control, the payment will be made in a lump sum cash payment) and (2) a pro rata portion of the annual incentive payment, if any, that would have otherwise been payable in respect of such year if he had remained employed through such year.

For all other NEOs, reflects cash severance payable under the Policy, assuming a termination date of December 31, 2014.

---

**Table of Contents**

(2) Upon termination of Mr. Bisignano's employment by the Company without cause, by Mr. Bisignano for good reason, due to Mr. Bisignano's death or disability or due to the Company's non-renewal of the employment term, Mr. Bisignano is entitled to receive health insurance, excess disability and life insurance coverage until his death, unless earlier terminated in accordance with the Employment Agreement (the Retiree Benefits). In addition, upon termination of Mr. Bisignano's employment with the Company by Mr. Bisignano without good reason, in addition to certain accrued amounts, Mr. Bisignano will be entitled to receive the Retiree Benefits. The Retiree Benefits in this table assumes Mr. Bisignano dies at age 80 and benefits are not terminated before then.

With respect to the other NEOs, represents the Company-paid portion of medical, dental and vision benefits for each executive for a period of one year under the Policy.

(3) Upon termination of Mr. Bisignano's employment by the Company without cause, by Mr. Bisignano for good reason, due to Mr. Bisignano's death or disability or due to the Company's non-renewal of the employment term, Mr. Bisignano is entitled to receive payment, in installments over the Severance Period of an amount equal to financial planning benefits for two years following his termination of employment.

(4) Mr. Bisignano's 2013 stock option agreement provides that, in the event of a termination of employment due to death or Disability, by him for Good Reason or by the Company without Cause, the unvested options that would have otherwise vested during the 12 month period following such termination will immediately vest and become exercisable.

Other than as specifically provided in Mr. Bisignano's 2013 stock option agreement, with respect to all other outstanding stock options held by the NEOs, in the event of a termination of an NEO's employment due to death or disability, by the NEO for good reason or by the Company without cause, the unvested options that would have vested on the next anniversary of the grant date will vest pro-rata as determined by multiplying the number of shares of common stock subject to the option that would have so vested by a fraction, the numerator of which corresponds to the number of completed months of employment since the anniversary of the grant date immediately preceding the date of the termination of employment and the denominator of which is 12.

In addition, in the event of a Change in Control, all unvested options become fully vested.

(5) The terms of restricted stock awards issued to NEOs (other than Ms. Armine-Klein) in 2014 provide that, if the NEO's employment terminates due to death or disability or is terminated by the Company without cause or by the NEO for good reason, awards will vest based on the number of full months completed since the grant date divided by 36 months.

With respect to Ms. Armine-Klein's restricted stock, her award agreement provides that if her employment terminates for any reason other than for cause prior to the vesting date, the restricted stock will vest 50% if her termination is 12-23 months after her commencement date or 100% if the termination is 24 months or more after her commencement date.

In addition, in the event of a Change in Control, all unvested shares of restricted stock will become fully vested.

(6)

Pursuant to the terms of Mr. Bisignano's Employment Agreement, the Company agreed that during the term of the Employment Agreement and for a period of two years thereafter, it would continue for his benefit the tax-gross up provided under the Policy as in effect as of the date of the Employment Agreement.

Pursuant to the terms of the Policy, a Gross-Up Payment is made if it is determined that any Code Section 280G parachute payments provided by the Company to or, on behalf of, an eligible executive would be subject to the excise tax imposed by Code Section 4999. The Gross-Up Payment is an amount so that after payment of all taxes, the eligible executive retains an amount equal to the excise tax imposed by Code Section 4999. However, if it is determined that the executive officer is entitled to a Gross-Up Payment but the payments to the executive officer do not exceed 110% of the amount which is one dollar less than the smallest amount that would give rise to any excise tax, then no Gross-Up Payment will be made and the payments will be reduced so as to not give rise to the excise tax. Executive officers are eligible for this payment regardless of whether their employment is terminated in connection with a Change in Control.

#### ***Separation Agreement with Mr. Winborne***

On August 5, 2014, the Company and Holdings entered into a separation agreement with Mr. Winborne. As part of the agreement, in exchange for a release of claims against the Company and its affiliates, Mr. Winborne received a pro rata bonus in respect of 2014 of \$600,000, is entitled to receive semi-monthly payments of \$61,458 which payments commenced in October 1, 2014 and continue until September 30, 2015, and is entitled to continue to receive coverage under the Company's medical, dental and vision plans until September 30, 2015. Holdings agreed to allow all of the options and restricted stock grants previously made by Holdings to continue to vest until December 31, 2015. As of such date, any yet unvested options and restricted stock will be forfeited on a pro-rated basis, based on full months elapsed since the grant date. In addition, if no Qualifying Public Offering is completed by that time, Holdings agreed to exercise its rights to purchase all of the equity then held by Mr. Winborne at the then-current fair market value. Under the terms of the Separation Agreement, Mr. Winborne was required to enter into a customary restrictive covenant agreement.



---

**Table of Contents****Equity Plan*****2007 Equity Plan***

Holdings Board initially adopted the 2007 Equity Plan on September 24, 2007 and it was approved by Holdings stockholders on January 16, 2008. In connection with the HoldCo Merger, we will assume Holdings' obligation under the 2007 Equity Plan. Following this offering, we do not intend to grant any additional awards under the 2007 Equity Plan; however, any outstanding stock options, restricted stock units, and restricted stock granted under the 2007 Equity Plan prior to the offering will remain outstanding in accordance with the terms of the 2007 Equity Plan.

*Purpose.* The principal purpose of the 2007 Equity Plan is to promote our long term financial interests and growth by attracting and retaining management and other personnel and key service providers, motivate management personnel by means of growth-related incentives to achieve long range goals and further the alignment of interests of participants with those of our stockholders.

*Types of Awards.* The 2007 Equity Plan provides for the grant of stock options, stock appreciation rights, other stock-based awards, and dividend equivalent rights to employees, non-employee members of our Board, consultants, and other persons having a service relationship with us.

*Share Reserve.* An aggregate of \_\_\_\_\_ shares of our Class B common stock have been reserved for issuance under our 2007 Equity Plan. As of March 31, 2015, options to purchase a total of \_\_\_\_\_ shares of our Class B common stock were issued and outstanding, no shares of our Class B common stock had been issued upon the exercise of options granted under the 2007 Equity Plan, \_\_\_\_\_ restricted shares of our Class B common stock were issued and outstanding, and \_\_\_\_\_ shares remained available for future awards under our 2007 Equity Plan.

*Administration.* The Committee administers our 2007 Equity Plan. The Committee has the power and authority to administer, construe and interpret our 2007 Equity Plan, to make rules for carrying it out and to make changes in such rules. The Committee may delegate to the Chief Executive Officer and to other senior officers (if any) duties under the 2007 Equity Plan, subject to applicable law and such conditions and limitations as the Committee prescribes, except that only the Committee may designate and make grants to our Chief Executive Officer and to other senior officers of the Company. Notwithstanding the foregoing, our Board retains all rights to take all actions as it may have also delegated under the terms of the 2007 Equity Plan.

*Awards.* Our 2007 Equity Plan provides that the Committee may grant or issue stock options, stock appreciation rights and other stock-based awards. Each award will be set forth in a separate agreement with the person receiving the award and will set forth the terms, conditions and limitations applicable to the award.

*Stock Options.* Stock options provide for the right to purchase shares of our common stock at a specified price, which may not be less than fair market value on the grant date, and usually will become exercisable (at the discretion of the Committee) in one or more installments after the grant date, subject to the participant's continued employment or service with us and/or subject to the satisfaction of corporate performance targets and individual performance targets established by the Committee. Stock options may be granted for any term specified by the Committee that does not exceed ten years from the grant date.

*Stock Appreciation Rights.* Stock Appreciation Rights may be granted independent of or in connection with the grant of a stock option. Each stock appreciation right granted independent of a stock option provides the right to receive upon exercise of such stock appreciation right an amount equal to the product of (1) the excess of the (x) fair market value on the exercise date of one share of common stock over (y) the exercise price per share of such stock appreciation right, and (2) the number of shares covered by the stock appreciation right.

---

**Table of Contents**

*Other Stock-Based Awards.* Other stock-based awards may include awards of shares, awards of restricted shares and/or awards that are valued by reference to, or otherwise based on the fair market value of, shares (including, without limitation, restricted stock units).

*Dividend Equivalent Rights.* Dividend equivalent rights, which may be granted alone or in connection with a stock option or stock appreciation right, are the right to receive a payment in respect of one share (whether or not subject to a stock option) equal to the amount of any dividend paid in respect of one share held by a shareholder of the Company.

*Payment.* The exercise price of stock options granted under our 2007 Equity Plan may be paid for in cash, with the consent of the Committee, in shares (any such shares valued at fair market value on the date of exercise) that the participant has held for at least six months (or such other period of time as may be required by the Company's accountants but only to the extent to avoid liability accounting under FAS 123(R) or any successor standard thereto), if the participant so elects, through the withholding of shares (any such shares valued at fair market value on the date of exercise) otherwise issuable upon the exercise of the stock option in a manner that is compliant with applicable law or in a combination of the foregoing, in each case, in accordance with the terms of our 2007 Equity Plan, the grant agreement and any applicable guidelines of the Committee then in effect.

*Transfer.* Other than as specifically provided for in the management stockholder's agreement, sale participation agreement or grant agreement, our 2007 Equity Plan does not allow for the transfer of awards other than by will or the laws of descent and distribution.

*Adjustments.* In the event of any stock split, spin-off, share combination, reclassification, recapitalization, liquidation, dissolution, reorganization, merger, change in control, payment of a dividend (other than a cash dividend paid as part of a regular dividend program) or other similar transaction or occurrence which affects our equity securities or the value thereof, the Committee will make appropriate adjustments to the number and kind of shares available under our 2007 Equity Plan, the share prices related to outstanding awards, and/or such other action as it deems necessary to address, on an equitable basis, the effect of the applicable corporate event on the 2007 Equity Plan and any outstanding awards.

*Change in Control.* In the event of a change in control (as defined in our 2007 Equity Plan), if determined by the Committee in the applicable grant agreement or otherwise determined by the Committee (in its sole discretion), any awards outstanding, unexercised or otherwise unvested or subject to lapse restrictions as of immediately prior to such change in control may automatically become fully exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be. In addition, the Committee (in its sole discretion) may provide prior to the occurrence of a change in control either (1) that the awards will be cancelled for fair value (as determined in the sole discretion of the Committee), which, in the case of stock options and stock appreciation rights, may equal the excess, if any, of the value of the consideration to be paid in the change in control transaction to holders of the same number of shares subject to such stock options or stock appreciation rights (or, if no consideration is paid in any such transaction, the fair market value of the shares subject to such stock options or stock appreciation rights) over the aggregate option price of such stock options or the aggregate exercise price of such stock appreciation rights, as the case may be, (2) for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards, or (3) that for a period of at least ten business days prior to the change in control, any stock options will be exercisable as to all shares subject thereto and that upon the occurrence of the change in control, such stock options or stock appreciation rights will terminate; provided that if the Committee take such action, participants will have the ability to pay for the shares with respect to which such stock options or stock appreciation rights are being exercised by electing to have the number of shares that would otherwise be issued to the participant reduced by a number of shares having an equivalent fair market value to the payment that would otherwise be made by the participant to the

Company in respect of such exercise and the minimum statutory withholding that would have otherwise had to have been paid to the Company in relation with such exercise.

---

**Table of Contents**

*Qualifying Termination.* With respect to all outstanding awards under our 2007 Equity Plan as of April 30, 2015, and to all awards made following such date and prior to this offering, our 2007 Equity Plan provides that a participant (other than a current or former Management Committee member, which includes our NEOs) may elect to have a qualifying termination. As a result of such termination, subject to the terms and conditions set forth in our 2007 Equity Plan, any awards other than stock options then held by the participant that would otherwise have been forfeited will continue to vest and be earned and any stock options then held by the participant will continue to vest and be exercisable in accordance with the vesting schedule and terms set forth in the applicable grant agreement as if the participant remained actively employed by us or one of our affiliates. Any shares received upon the lapse of restrictions or exercise of such awards (the QT Shares) will not be deemed earned, owned or freely exercisable by the participant unless and until the participant complies with all of the applicable restrictive covenants (as described below). If the participant fails to comply with or breaches of any such covenants, the participant will be required to repay any amounts that the participant received on the sale of such shares (net of the amount, if any, paid for the shares) and will immediately forfeit all such shares still held by the participant.

A qualifying termination means that an eligible participant voluntarily resigns at or after a time when the participant has attained a length of service with us or our affiliates of at least 10 years and a combined age and length of service with us or our affiliates of at least 70 years, no later than January 31, 2018, subject to the participant (1) providing notice of the participant's intent to separate from service under a qualifying termination and (2) executing a separation agreement and a general release of claims.

Following a participant's qualifying termination, in consideration for the continued vesting as described above, the participant is subject to the following restrictive covenants: (1) a covenant not to disclose confidential information at all times following termination of employment; (2) a covenant not to compete for a period of one year following the later of (A) the date of the participant's qualifying termination and (B) the latest possible date or event under any grant agreement applicable to the participant that the restrictions applicable to the participant's QT Shares could lapse (the Lapse Date); and (3) a covenant not to solicit clients, customers or employees at all times while employed and for a period of two years following the Lapse Date.

*Amendment; Termination.* The Committee has the authority to make such amendments to any terms and conditions applicable to outstanding awards as are consistent with our 2007 Equity Plan, provided that no such action will modify any awards in a manner that adversely impacts, other than in a de minimis manner, a participant with respect to any outstanding awards, other than as provided for under our 2007 Equity Plan, without the Participant's consent.

Our Board may amend, suspend or terminate our 2007 Equity Plan, but no amendment, suspension or termination may adversely impact, other than in a de minimis manner the rights of a holder of an outstanding award, other than as provided for under the 2007 Equity Plan, without the holder's consent. In addition, other than with respect to certain actions in connection with adjustments or a change in control, no such action may be taken which would, without approval of our stockholders, increase the aggregate number of shares reserved for issuance under our 2007 Equity Plan, decrease the price of outstanding awards, change the requirements relating to the Committee, or extend the term of our 2007 Equity Plan. Unless terminated sooner by our Board, our 2007 Equity Plan will terminate on September 24, 2017. No awards may be granted under our 2007 Equity Plan after it is terminated, but the terms of awards made on or before such termination will extend beyond such termination in accordance with their terms.

***United States federal income tax consequences relating to our 2007 Equity Plan***

The following is a general summary of certain material United States federal income tax consequences of the grant, vesting, settlement and exercise of certain awards under our 2007 Equity Plan and the disposition of shares acquired pursuant to the exercise of such awards. This summary is intended to reflect the current



---

**Table of Contents**

provisions of the Internal Revenue Code and the regulations thereunder and is neither intended to be a complete statement of applicable law, nor does it address foreign, state, local or payroll tax considerations. This summary assumes that all awards granted under our 2007 Equity Plan are exempt from, or comply with, the rules under Section 409A of the Code related to nonqualified deferred compensation. Moreover, the United States federal income tax consequences to any particular holder may differ from those described herein by reason of, among other things, the particular circumstances of such holder.

*Incentive Stock Options*

An option granted as an incentive stock option under Section 422 of the Code may qualify for special tax treatment. The Code requires that, for treatment of an option as an incentive stock option, common stock acquired through the exercise of the option cannot be disposed of before the later of: (1) two years from the date of grant of the option, or (2) one year from the date of exercise. Holders of incentive stock options will generally incur no federal income tax liability at the time of grant or upon exercise of those options. However, the option spread value at the time of exercise will be an item of tax preference, which may give rise to alternative minimum tax liability for the taxable year in which the exercise occurs. If the holder does not dispose of the shares before two years following the date of grant and one year following the date of exercise, the difference between the exercise price and the amount realized upon disposition of the shares will constitute long-term capital gain or loss, as applicable. Assuming both holding periods are satisfied, we will not be allowed a deduction for federal income tax purposes in connection with the grant or exercise of the incentive stock option. If, within two years following the date of grant or within one year following the date of exercise, the holder of shares acquired through the exercise of an incentive stock option disposes of those shares, with certain exceptions, the holder will generally realize ordinary income at the time of such disposition equal to the difference between the exercise price and the fair market value of a share on the date of exercise and that amount will generally be deductible by us for federal income tax purposes, subject to the possible limitations on deductibility under Sections 280G and 162(m) of the Code for compensation paid to executives designated in those Sections. Any additional gain or loss recognized upon a subsequent sale or exchange of the shares is treated as capital gain or loss, as applicable, for which we are not entitled to a deduction. Finally, if an otherwise qualified incentive stock option first becomes exercisable in any one year for shares having an aggregate value in excess of \$100,000 (based on the grant date value), the portion of the incentive stock option in respect of those excess shares will be treated as a non-qualified stock option for federal income tax purposes.

*Nonqualified Options*

In general, in the case of a nonqualified stock option, the holder has no federal income tax liability at the time of grant but realizes ordinary income upon exercise of the option in an amount equal to the excess, if any, of the fair market value of the shares acquired upon exercise over the exercise price. We will be able to deduct this same amount for federal income tax purposes, but such deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those Sections. Any gain or loss recognized upon a subsequent sale or exchange of the shares is treated as capital gain or loss, as applicable, for which we are not entitled to a deduction.

*Stock Appreciation Rights*

No federal income tax liability will be realized by a holder upon the grant of a stock appreciation right (SAR). Upon the exercise of a SAR, the holder will recognize ordinary income in an amount equal to the fair market value of the shares of stock or cash payment received in respect of the SAR. We will be able to deduct this same amount for federal income tax purposes, but such deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those Sections. Any gain or loss recognized upon a subsequent

sale or exchange of the shares is treated as capital gain or loss, as applicable, for which we are not entitled to a deduction.



---

**Table of Contents***Restricted Stock*

A holder will not have any federal income tax liability upon the grant of an award of restricted stock unless the holder otherwise elects to be taxed at the time of grant pursuant to Section 83(b) of the Code. On the date an award of restricted stock becomes transferable or is no longer subject to a substantial risk of forfeiture, the holder will have ordinary income equal to the difference between the fair market value of the shares on that date over the amount the holder paid for such shares, if any, unless the holder made an election under Section 83(b) of the Code to be taxed at the time of grant. If the holder makes an election under Section 83(b) of the Code, the holder will have ordinary income at the time of grant equal to the difference between the fair market value of the shares on the date of grant over the amount the holder paid for such shares, if any. Special rules apply to the receipt and disposition of restricted stock received by officers and directors who are subject to Section 16(b) of the Exchange Act. Any future appreciation in the common stock will be taxable to the holder at capital gains rates. However, if the restricted stock award is later forfeited, the holder will not be able to recover the tax previously paid pursuant to his Section 83(b) election. We will be able to deduct, at the same time as it is recognized by the holder, the amount of ordinary income to the holder for federal income tax purposes, but such deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those Sections.

*Restricted Stock Units*

A holder will not have any federal income tax liability at the time a restricted stock unit is granted. Rather, upon the delivery of shares (or cash) pursuant to a restricted stock unit award, the holder will have ordinary income equal to the fair market value of the number of shares (or the amount of cash) the holder actually receives with respect to the award. We will be able to deduct the amount of ordinary income to the holder for federal income tax purposes, but the deduction may be limited under Sections 280G and 162(m) of the Code for ordinary income paid to certain executives designated in those Sections. Any gain or loss recognized upon a subsequent sale or exchange of the stock (if settled in stock) is treated as capital gain or loss for which we are not entitled to a deduction.

*Other Stock-Based Awards*

A holder will have ordinary income equal to the difference between the fair market value of the shares on the date the common stock subject to an other stock-based award is transferred to the holder over the amount the holder paid for such shares, if any. We will be able to deduct, at the same time as it is recognized by the holder, the amount of ordinary income to the holder for federal income tax purposes, but such deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those Sections. Any gain or loss recognized upon a subsequent sale or exchange of the stock is treated as capital gain or loss for which we are not entitled to a deduction.

*Other Cash-Based Awards*

A holder will not have any federal income tax liability, and we will not be allowed a tax deduction, at the time an other cash-based award is granted. Upon receipt of cash in settlement of the award, the holder will recognize ordinary income equal to the cash received, and we will be allowed a corresponding federal income tax deduction at that time, but such deduction may be limited under Sections 280G and 162(m) of the Code for compensation paid to certain executives designated in those Sections.

*Section 162(m)*

In general, Section 162(m) of the Code denies a publicly held corporation a deduction for federal income tax purposes for compensation in excess of \$1 million per year per person to its principal executive officer, and the three other officers (other than the principal executive officer and principal financial officer) whose compensation is disclosed in its prospectus or proxy statement as a result of their total compensation,

**Table of Contents**

subject to certain exceptions. Finally, under a special Code Section 162(m) exception, any compensation paid pursuant to a compensation plan in existence before the effective date of this offering will not be subject to the \$1,000,000 limitation until the earliest of: (1) the expiration of the compensation plan, (2) a material modification of the compensation plan (as determined under Code Section 162(m)), (3) the issuance of all the employer stock and other compensation allocated under the compensation plan, or (4) the first meeting of stockholders at which directors are elected after the close of the third calendar year following the year in which the offering occurs.

**Compensation Arrangements to be Adopted in Connection with This Offering**

***First Data Corporation 2015 Omnibus Incentive Plan***

In connection with this offering, our Board expects to adopt a stock incentive plan (the 2015 Omnibus Incentive Plan ) to provide a method by which executive officers and other employees and directors may be awarded remuneration in the form of equity in a manner that increases their ownership interest, aligns their interests with those of stockholders and encourages them to remain in the employ of the Company.

**Table of Contents****PRINCIPAL STOCKHOLDERS**

The following table and accompanying footnotes set forth information with respect to the beneficial ownership of our common stock as of May 1, 2015, by (1) each individual or entity known by us to beneficially own more than 5% of our outstanding common stock, (2) each of our named executive officers, (3) each of our directors, and (4) all of our directors and our executive officers as a group.

A person is a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of the security, or investment power, which includes the power to dispose of or to direct the disposition of the security or has the right to acquire such powers within 60 days.

To our knowledge, unless otherwise noted in the footnotes to the following table, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to their beneficially owned common stock.

Securities subject to option grants that have vested or will vest within 60 days are deemed outstanding for calculating the percentage ownership of the person holding the options, but are not deemed outstanding for calculating the percentage ownership of any other person. Percentage computations are based on \_\_\_\_\_ shares of our Class B common stock that would have been beneficially owned as of May 1, 2015 after giving effect to the Reorganization. Purchasers of our common stock in this offering will only receive Class A common stock. Principal stockholders shown in the table below will only own shares of Class B Common Stock immediately following the offering.

Except as otherwise indicated in the footnotes below, the address of each beneficial owner is c/o First Data Corporation, 225 Liberty Street, 29th Floor, New York, New York 10281.

Name of Beneficial Owner <sup>(1)</sup>	Shares Beneficially Owned Prior to the Offering		Shares Beneficially Owned After the Offering			
	Number of Shares <sup>(2)(3)</sup>	Percentage of Total Common Stock <sup>(2)(3)</sup>	Assuming No Exercise of the Underwriters Option		Assuming Full Exercise of the Underwriters Option	
			Percentage of Total Common Stock	Percentage of Voting Power	Percentage of Total Common Stock	Percentage of Voting Power
New Omaha Holdings L.P. <sup>(4)</sup>		74%	74%			
Frank Bisignano		1%	1%			
Michael K. Neborak		*	*			
Ray E. Winborne		*	*			
Cynthia A. Armine-Klein		*	*			
Sanjiv Das		*	*			
Joseph J. Plumeri		*	*			
Joe W. Forehand		*	*			
Henry R. Kravis <sup>(4)(5)</sup>		*	*			
Heidi G. Miller		*	*			
James E. Nevels						
Scott C. Nuttall <sup>(5)</sup>						

Tagar C. Olson<sup>(5)</sup>

All directors and executive  
officers as a group (23 persons)

1%

1%

188

**Table of Contents**

\* Less than one percent.

- (1) Upon completion of this offering, no beneficial owner listed in this table will own any shares of our Class A common stock.
- (2) The number of shares reported includes shares covered by options that are exercisable and restricted stock that is vested and delivered within 60 days of May 1, 2015 as follows: Ms. Armine-Klein, ; Mr. Bisignano, ; Mr. Das, ; Mr. Forehand, ; Ms. Miller, ; Mr. Plumeri ; Mr. Winborne, ; and all directors and executive officers as a group, .
- (3) No shares are pledged as security.
- (4) KKR and its affiliates control New Omaha Holdings L.P. and hold approximately 52% of the economic interests in New Omaha Holdings L.P. Other co-investors own the remaining limited partner interests. New Omaha Holdings LLC is the general partner of New Omaha Holdings L.P. KKR 2006 Fund L.P. is the sole member of New Omaha Holdings LLC. KKR Associates 2006 L.P. is the general partner of KKR 2006 Fund L.P. KKR 2006 GP LLC is the general partner of KKR 2006 Associates L.P. KKR Fund Holdings L.P. is the designated member of KKR 2006 GP LLC. KKR Fund Holdings GP Limited is a general partner of KKR Fund Holdings L.P. KKR Group Holdings L.P. is a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited. KKR Group Limited is the sole general partner of KKR Group Holdings L.P. KKR & Co. L.P. is the sole shareholder of KKR Group Limited. KKR Management LLC is the sole general partner of KKR & Co. L.P. Henry R. Kravis and George R. Roberts are the designated members of KKR Management LLC. In addition, Messrs. Kravis and Roberts have been designated as managers of KKR 2006 GP LLC by KKR Fund Holdings L.P. In such capacities, each of the aforementioned entities and individuals may be deemed to have voting and dispositive power with respect to the shares held by New Omaha Holdings L.P. but each such entity and individual disclaims beneficial ownership of the shares held by New Omaha Holdings L.P. The address of each of the entities listed in this footnote is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, New York, New York 10019.
- (5) Each of Messrs. Kravis, Nuttall and Olson is a member of the Company's Board and serves as an executive of Kohlberg Kravis Roberts & Co. L.P. and/or one or more of its affiliates. Each of Messrs. Kravis, Nuttall and Olson disclaim beneficial ownership of the shares held by New Omaha Holdings L.P.

---

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

**Stockholders Agreement**

In connection with the Equity Recapitalization, Holdings entered into a stockholders agreement (the **Stockholders Agreement**) with New Omaha and other stockholders named therein. The Stockholders Agreement contains, among other things, the agreement among the stockholders to restrict their ability to transfer shares of common stock of Holdings, as well as rights of first offer, tag-along rights, drag-along rights and preemptive rights, all of which restrictions and rights will terminate upon consummation of this offering. Upon consummation of the HoldCo Merger, we expect to become a party to the Stockholders Agreement as a successor to Holdings.

**Registration Rights Agreement**

In connection with the 2007 Merger, Holdings entered into a registration rights agreement (the **Registration Rights Agreement**) with New Omaha, certain affiliates of KKR and other investors named therein. Subject to certain conditions, the Registration Rights Agreement provides such affiliates of KKR with an unlimited number of demand registrations, and all holders of registrable securities thereunder with customary piggyback registration rights. The Registration Rights Agreement also provides that we will pay certain expenses of these holders relating to such registrations and indemnify them against certain liabilities which may arise under the Securities Act. Upon consummation of the HoldCo Merger, we expect to become a party to the Registration Rights Agreement as a successor to Holdings.

**Management Stockholders Agreement**

In connection with the 2007 Merger, Holdings and New Omaha entered into management stockholders agreements (**Management Stockholders Agreements**) with certain of our senior executive officers and other employees who made an equity investment in Holdings.

The Management Stockholders Agreements provide that the shares of common stock of Holdings held by management stockholders are generally freely transferable subject to Holdings' right of first refusal. Upon the earlier of a change in control transaction or the consummation of this offering, a management stockholder is required to notify Holdings prior to any transfer of shares of common stock to a third party and to make an irrevocable offer to sell such shares to Holdings on substantially the same terms and conditions as the proposed transfer to the third party. If Holdings does not exercise its right of first refusal or arrange for the purchase of all shares of common stock proposed to be transferred, then the selling management stockholder may sell all shares of common stock to such third party on terms no less favorable than those offered to Holdings. The Management Stockholders Agreements also provide limited piggyback registration rights to certain members of our executive committee and contain certain lock-up provisions in the event that any shares are offered to the public pursuant to an effective registration statement under the Securities Act. Upon consummation of the HoldCo Merger, we expect to become a party to the Management Stockholders Agreements as a successor to Holdings. See **Registration Rights Agreement**.

**Management Agreement**

In connection with the 2007 Merger, we entered into a management agreement with KKR and one of its affiliates (the **Management Agreement**) pursuant to which KKR provides advisory services to us and receives fees and reimbursements of related out-of-pocket expenses. The Management Agreement terminates automatically upon the consummation of an initial public offering, including this offering, unless KKR determines otherwise, and in the event of such a termination we would be required to pay to KKR a termination fee based on the net present value of future

payment obligations under the Management Agreement. During 2012, 2013, 2014 and the six months ended June 30, 2015, we paid \$20 million, \$20 million, \$20 million and \$10 million, respectively, of management fees to KKR.



## **Table of Contents**

### **Relationship with KKR Capital Markets**

In 2012, KKR Capital Markets LLC, an affiliate of KKR, acted as an arranger and bookrunner for various financing transactions under the existing credit agreements, and as an initial purchaser of certain existing notes issued by the Company, and received underwriter and transaction fees totaling \$8 million.

In 2013, KKR Capital Markets LLC acted as an arranger and bookrunner for various financing transactions under the existing credit agreements, and as an initial purchaser of certain existing notes issued by the Company, and received underwriter and transaction fees totaling \$10 million.

In 2014, KKR Capital Markets LLC acted as an arranger and bookrunner for various financing transactions under the existing credit agreements, and received underwriter and transaction fees totaling \$4 million. KKR Capital Markets LLC also acted as a placement agent in the private placement of shares of Holdings' Class B common stock, and received \$41 million for such services.

In 2015, KKR Capital Markets LLC acted as an arranger and bookrunner for a financing transaction under the existing credit agreement, and received fees totaling \$1 million.

### **Relationship with KKR Credit**

Since 2012, investment funds or accounts managed or advised by the global credit business of KKR ( KKR Credit ) were participating lenders under the Company's existing credit agreements and as of June 30, 2015 had received in aggregate principal payments of \$89 million and interest and administrative fee payments of \$31 million. Since 2012, investment funds or accounts managed or advised by KKR Credit were also holders of notes issued by the Company and as of June 30, 2015 had received principal payments of \$121 million and interest (including accrued and unpaid interest) and administrative fee payments of \$21 million.

As of June 30, 2015, investment funds or accounts managed or advised by KKR Credit held a portion of the various existing term loans and notes issued by the Company.

### **Relationship with KKR Capstone**

We have historically utilized KKR Capstone, a consulting company that works exclusively with KKR's portfolio companies, for consulting services, and paid to KKR Capstone related fees and expenses. References to KKR Capstone are to KKR Capstone Americas LLC and their affiliates, which are owned and controlled by their senior management team. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the KKR name under license from KKR.

### **Related Persons Transaction Policy**

Our board of directors intends to adopt a written related person transaction policy, to be effective upon the consummation of this offering, to set forth the policies and procedures for the review and approval or ratification of related person transactions. This policy will cover, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, where the amount involved exceeds \$120,000 and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person.



---

**Table of Contents****DESCRIPTION OF INDEBTEDNESS****Senior Secured Credit Facilities***Overview*

In connection with the 2007 Merger, we entered into the senior secured credit facilities dated as of September 24, 2007, as amended and restated as of September 28, 2007, as further amended as of August 10, 2010, March 24, 2011, March 13, 2012, August 16, 2012, April 10, 2013 and April 15, 2013, as modified as of September 27, 2012 and February 13, 2013 and as amended and/or modified as of April 10, 2013, April 15, 2013, January 30, 2014, July 18, 2014, June 2, 2015 and July 10, 2015, respectively, with Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P., HSBC Securities (USA) Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and joint bookrunners and Credit Suisse, Cayman Islands Branch, as Administrative Agent, swingline lender and letter of credit issuer and Citibank, N.A., as syndication agent.

The senior secured credit facilities provide for the following senior secured financing:

\$9.6 billion senior secured term loan facilities, consisting of March 2017 Terms Loans with ultimate maturity of March 24, 2017, March 2018 Term Loans with an ultimate maturity of March 24, 2018, September 2018 Term Loans with ultimate maturity of September 24, 2018, March 2021 Term Loans with ultimate maturity of March 24, 2021 and July 2022 Term Loans with ultimate maturity of July 10, 2022. As of March 31, 2015, \$1.5 billion (net of unamortized discount of \$9 million) of March 2017 Term Loans were outstanding, \$4.9 billion (net of unamortized discount of \$41 million) of March 2018 Term Loans were outstanding, \$983 million (net of unamortized discount of \$25 million) of September 2018 Term Loans were outstanding and \$1.2 billion (net of unamortized discount of \$11 million) of March 2021 Term Loans were outstanding. The principal amount of the July 2022 term loans is \$725 million and 250 million.

A senior secured revolving credit facility. As of June 2, 2015, there were commitments from financial institutions to provide \$1.25 billion of credit under this facility, which matures on June 2, 2020, subject to certain earlier springing maturity in certain circumstances. A portion of the senior secured revolving credit facility is available for letters of credit, of which \$41 million was utilized as of June 2, 2015. Excluding letters of credit, there was \$340 million of borrowings outstanding under the senior secured revolving credit facility as of June 2, 2015.

The senior secured revolving credit facility includes borrowing capacity available for letters of credit and for borrowings on same-day notice referred to as the swingline loans.

*Interest Rate and Fees*

Borrowings under the senior secured credit facilities bear interest at a rate equal to, at our option, either (a) LIBOR for deposits in the applicable currency plus an applicable margin or (b) in the case of dollar denominated loans, the higher of (1) the prime rate of Credit Suisse and (2) the federal funds effective rate plus 0.50%, plus an applicable margin. The applicable margins for borrowings under the senior secured revolving credit facilities are LIBOR plus 3.5% (or in the case of dollar-denominated revolving loans, ABR plus 2.5%). The applicable margin for the March 2017 Term Loans is LIBOR plus 3.5% (or in the case of dollar-denominated 2017 Term Loans, ABR plus 2.5%). The applicable

margin for the March 2018 Term Loans is LIBOR plus 3.5% (or in the case of dollar-denominated March 2018 Term Loans, ABR plus 2.5%) . The applicable margin for the September 2018 Term Loans is LIBOR plus 3.5% (or in the case of dollar-denominated September 2018 Term Loans, ABR plus 2.5%). The applicable margin for the March 2021 Term Loans is LIBOR plus 4.0% (or in the case of dollar-denominated March 2021 Term Loans, ABR plus 3.0%). The applicable margin for the July 2022 Term Loans is LIBOR plus 3.75% (or in the case of dollar-denominated July 2022 Term Loans, ABR plus 2.75%).

## **Table of Contents**

In addition to paying interest on outstanding principal under the senior secured credit facilities, we are required to pay a commitment fee to the lenders under the senior secured revolving credit facilities in respect of the unutilized commitments thereunder at a rate equal to 0.50% per annum. The commitment fee rate in respect of the senior secured revolving credit facilities may be reduced to 0.375% per annum subject to our reducing our leverage to a specified ratio. We must also pay customary letter of credit fees.

### ***Prepayments***

The senior secured credit facilities require us to prepay outstanding term loans, subject to certain exceptions, with:

75% (which percentage will be reduced to 50% if our total leverage ratio is 7.0x or less, to 25% if our total leverage ratio is 6.0x or less and to 0% if our total leverage ratio is 5.5x or less) of our annual excess cash flow;

100% of the net cash proceeds of all non-ordinary course asset sales or other dispositions of property, if we do not reinvest or commit to reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 15 months as long as such reinvestment is completed within 180 days from the date of any such commitment to reinvest; and

100% of the net cash proceeds of any incurrence of debt, other than proceeds from the debt permitted under the senior secured credit facilities, except for a specified debt basket, which requires application of the proceeds to such prepayment.

We may voluntarily repay outstanding loans under the senior secured credit facilities without premium or penalty, provided that prepayments on all LIBOR loans will be subject to customary breakage costs.

We may prepay outstanding loans under the senior secured revolving credit facilities at any time.

### ***Amortization***

As a result of prior prepayments of our term loans, or as applicable pursuant to the agreements pursuant to which such term loans were borrowed, there are no quarterly principal payments related to the term loans, and the outstanding principal amount thereof is due and payable in full at maturity.

Principal amounts outstanding under the senior secured revolving credit facility are due and payable in full at maturity.

### ***Guarantee and Security***

All obligations under the senior secured credit facilities are unconditionally guaranteed by most existing and future, direct and indirect, wholly owned material domestic subsidiaries, subject to certain exceptions.

All obligations under the senior secured credit facilities, and the guarantees of such obligations, are secured, subject to permitted liens and other exceptions, by:

a first-priority lien on the capital stock owned by us or by any U.S. guarantor in each of their respective subsidiaries (limited, in the case of capital stock of foreign subsidiaries, to 65% of the voting stock of first tier foreign subsidiaries); and

a first-priority lien on substantially all of our present and future assets and those of each guarantor (other than (1) certain real property, (2) settlement assets and (3) deposit accounts, other bank or securities accounts, cash, excluded stock and stock equivalents, motor vehicles and other customary exceptions), including:

all accounts;

**Table of Contents**

all chattel paper;

all documents;

all equipment and fixtures;

all general intangibles;

all instruments;

all intellectual property;

all inventory;

all investment property;

all supporting obligations;

all collateral accounts;

all books and records pertaining to the collateral;

mortgages on certain real estate properties; and

to the extent not otherwise included, all proceeds and products of any and all of the foregoing.

***Certain Covenants and Events of Default***

The senior secured credit facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

incur additional indebtedness;

create liens;

enter into sale and leaseback transactions;

engage in mergers or consolidations;

sell or transfer assets;

pay dividends and distributions or repurchase our capital stock;

make investments, loans or advances;

prepay certain indebtedness;

make certain acquisitions;

engage in certain transactions with affiliates;

amend material agreements governing certain indebtedness; and

change our lines of business.

The senior secured credit facilities also prohibit us from exceeding a maximum senior secured leverage ratio and contain certain customary affirmative covenants and events of default, including a change of control.

### **7.375% Senior Secured First Lien Notes due 2019**

#### ***Overview***

On April 13, 2011, we issued and sold \$750 million aggregate principal amount of our 7.375% Notes. Proceeds from the offering were used to repay term loans under our senior secured credit facilities and to pay related transaction expenses. On March 23, 2012, we issued and sold an additional \$845 million aggregate



---

**Table of Contents**

principal amount of 7.375% Notes. The additional notes were issued at a discount of 99.5% of the par amount totaling \$4 million. The additional notes are treated as a single series with and have the same terms as the previously existing 7.375% notes. The additional notes and the previously existing 7.375% notes vote as one class under the related indenture. Proceeds from the offering of the additional 7.375% Notes were used to repay existing 2017 Term Loan debt under its senior secured credit facilities. On June 23, 2015 and June 25, 2015 we sent conditional notices of partial redemption to holders of the 7.375% Notes to redeem \$710 and \$245 million, respectively, of the 7.375% Notes, subject to closing our July 2022 Term Loans.

***Interest Rate***

The 7.375% Notes accrue interest at the rate of 7.375% per annum and mature on June 15, 2019. Interest on the 7.375% Notes is payable on June 15 and December 15 of each year.

***Ranking and Security***

The 7.375% Notes are senior secured obligations and (i) rank senior in right of payment to any existing and future subordinated indebtedness, including our existing senior subordinated notes, (ii) rank equally in right of payment with all of our existing and future senior indebtedness, (iii) are effectively senior in right of payment to indebtedness under our existing senior secured second lien notes and our existing senior unsecured notes to the extent of the value of the collateral, (iv) are effectively equal in right of payment with indebtedness under our senior secured credit facilities and other first lien obligations and (v) are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

***Prepayments and Redemptions***

We are required to make an offer to repurchase the 7.375% Notes with net proceeds from specified asset sales, subject to the right to repurchase other senior secured debt and certain other types of indebtedness or reinvest such proceeds in our business. In addition, we will be required to offer to repurchase the 7.375% Notes upon the occurrence of a change of control.

We were entitled to redeem our 7.375% Notes, in whole or in part, at any time prior to June 15, 2015 at a price equal to 100% of the principal amount of our 7.375% Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. In addition, on or prior to June 15, 2014, we were entitled to redeem up to 35% of our 7.375% Notes with the proceeds from certain equity offerings at established redemption prices. On or after June 15, 2015, we may redeem our 7.375% Notes, in whole or in part, at established redemption prices.

***Guarantee***

All obligations under the 7.375% Notes are guaranteed on a senior secured basis by each of our domestic subsidiaries that guarantees obligations under our senior secured credit facilities.

***Certain Covenants and Events of Default***

The indenture governing our 7.375% Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

**Table of Contents**

sell certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the indenture governing our 7.375% Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our 7.375% Notes also contains certain customary events of default.

**8.875% Senior Secured First Lien Notes due 2020**

***Overview***

On August 20, 2010, we issued and sold \$510 million aggregate principal amount of our 8.875% Notes. Proceeds from the offering were used to repay term loans under our senior secured credit facilities and to pay related transaction expenses.

***Interest Rate***

The 8.875% Notes accrue interest at the rate of 8.875% per annum and mature on August 15, 2020. Interest on the 8.875% Notes is payable on February 15 and August 15 of each year.

***Ranking and Security***

The 8.875% Notes are senior secured obligations and (i) rank senior in right of payment to any existing and future subordinated indebtedness, including our existing senior subordinated notes, (ii) rank equally in right of payment with all of our existing and future senior indebtedness, (iii) are effectively senior in right of payment to indebtedness under our existing senior secured second lien notes and our existing senior unsecured notes to the extent of the value of the collateral, (iv) are effectively equal in right of payment with indebtedness under our senior secured credit facilities and other first lien obligations and (v) are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

***Prepayments and Redemptions***

We are required to make an offer to repurchase the 8.875% Notes with net proceeds from specified asset sales, subject to the right to repurchase other senior secured debt and certain other types of indebtedness or reinvest such proceeds in our business. In addition, we will be required to offer to repurchase the 8.875% Notes upon the occurrence of a change of control.

We may redeem our 8.875% Notes, in whole or in part, at any time prior to August 15, 2015 at a price equal to 100% of the principal amount of our 8.875% Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. In addition, on or prior to August 15, 2013, we were entitled to redeem up to 35% of our 8.875% Notes with the proceeds from certain equity offerings at established redemption prices. On or after August 15, 2015, we may redeem our 8.875% Notes, in whole or in part, at established redemption prices.

***Guarantee***

All obligations under the 8.875% Notes are guaranteed on a senior secured basis by each of our domestic subsidiaries that guarantees obligations under our senior secured credit facilities.

**Table of Contents**

***Certain Covenants and Events of Default***

The indenture governing our 8.875% Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the indenture governing our 8.875% Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our 8.875% Notes also contains certain customary events of default.

**6.75% Senior Secured First Lien Notes due 2020**

***Overview***

On August 16, 2012, we issued \$1.3 billion aggregate principal amount of our Original 6.75% Notes. On September 27, 2012, we issued and sold an additional \$850 million aggregate principal amount of our Additional 6.75% Notes at an issue price of 100.750%, reflecting a \$6 million premium. Proceeds from the offering of the 6.75% Notes were used to repay existing 2014 Term Loan debt under the senior secured credit facilities. The Additional 6.75% Notes are treated as a single series with the Original 6.75% Notes under the indenture, and have identical terms and conditions, other than issue date and offering price, as the Original 6.75% Notes and vote together as a single class, with the same CUSIP numbers as, and be fungible with, the Original 6.75% Notes. Proceeds from the offering of the Additional 6.75% Notes were used to repay existing 2014 Term Loan debt under our senior secured credit facilities. On July 21, 2014, we redeemed \$753 million aggregate principal amount of the 6.75% Notes, leaving a remainder of \$1.4 billion aggregate principal amount of 6.75% Notes.

***Interest Rate***

The 6.75% Notes accrue interest at the rate of 6.75% per annum and mature on November 1, 2020. Interest on the 6.75% Notes is payable on May 1 and November 1 of each year.

***Ranking and Security***

The 6.75% Notes are senior secured obligations and (i) rank senior in right of payment to any existing and future subordinated indebtedness, including our existing senior subordinated notes, (ii) rank equally in right of payment with all of our existing and future senior indebtedness, (iii) are effectively senior in right of payment to indebtedness under our existing senior unsecured notes and our existing senior secured second lien notes to the extent of the value of the collateral securing the notes, (iv) are effectively equal in right of payment with indebtedness under our senior secured credit facilities and other first lien obligations; and (v) are effectively subordinated in right of payment to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

**Table of Contents**

***Prepayments and Redemptions***

We may redeem the 6.75% Notes, in whole or in part, at any time prior to November 1, 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, we may redeem our 6.75% Notes, in whole or in part, at established redemption prices. In addition, on or prior to November 1, 2015, we were entitled to redeem up to 35% of our 6.75% Notes with the proceeds from certain equity offerings at an established redemption price. On July 21, 2014, we exercised this option in full.

In addition, we will be required to offer to repurchase the 6.75% Notes upon the occurrence of a change of control.

***Guarantee***

All obligations under the 6.75% are guaranteed on a senior secured basis by each of our domestic subsidiaries that guarantees obligations under our senior secured credit facilities.

***Certain Covenants and Events of Default***

The indenture governing our 6.75% Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the indenture governing our 6.75% Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our 6.75% Notes also contains certain customary events of default.

**8.25% Senior Secured Second Lien Notes due 2021 and 8.75% Senior Secured Second Lien Notes due 2022**

***Overview***

On December 17, 2010, we completed our previously announced private exchange offers, in which we offered to exchange our 9.875% Notes and 10.55% PIK Notes for new securities, payable (i) 50% in 8.25% Notes or, at the election of each holder and subject to certain conditions, in 8.75% Notes and (ii) 50% in 12.625% Notes. As a result, we issued \$2.0 billion aggregate principal amount of 8.25% Notes, which mature on January 15, 2021 and \$1.0 billion aggregate principal amount of 8.75% Notes, which mature on January 15, 2022.

***Interest Rates***

Interest on the 8.25% Notes is payable in cash and accrues at the rate of 8.25% per annum. Interest on the 8.75% Notes is payable in cash and accrues at the rate of 8.75% per annum.



## **Table of Contents**

Interest on our existing senior secured second lien notes is payable semi-annual in arrears on January 15 and July 15, commencing on July 15, 2011.

### ***Ranking and Security***

Our existing senior secured second lien notes are senior secured second lien obligations and (i) rank senior in right of payment to any existing and future subordinated indebtedness, including our existing senior subordinated notes, (ii) rank equally in right of payment with all of our existing and future senior indebtedness, (iii) are effectively senior in right of payment to indebtedness under our existing senior unsecured notes to the extent of the value of the collateral, (iv) are effectively junior in right of payment with indebtedness under our senior secured credit facilities and other first lien obligations, including our 8.875% notes, to the extent of the value of the collateral and (v) are effectively subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

### ***Prepayments and Redemptions***

We are required to make an offer to repurchase our existing senior secured second lien notes with net proceeds from specified asset sales, subject to the right to repurchase other senior secured debt and certain other types of indebtedness or reinvest such proceeds in our business. In addition, we will be required to offer to repurchase our existing senior secured second lien notes upon the occurrence of a change of control.

We may redeem our existing senior secured second lien notes, in whole or in part, at any time prior to January 15, 2016, at a price equal to 100% of the principal amount of 8.25% Notes and/or 8.75% Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. In addition, on or prior to January 15, 2014, we were entitled to redeem up to 35% of the aggregate principal amount of 8.25% Notes and of the 8.75% Notes, respectively, with the net cash proceeds from certain equity offerings at an established redemption price. On or after January 15, 2016, we may redeem our existing senior secured second lien notes, in whole or in part, at established redemption prices.

### ***Guarantees***

All obligations under our existing senior secured second lien notes are guaranteed on a senior secured second lien basis by each of our domestic subsidiaries that guarantees obligations under our senior secured credit facilities.

### ***Certain Covenants and Events of Default***

The indenture governing our existing senior secured second lien notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

## **Table of Contents**

In addition, the indenture governing our existing senior secured second lien notes imposes certain requirements as to future subsidiary guarantors. The indenture governing our existing senior secured second lien notes also contains certain customary events of default.

### **12.625% Senior Unsecured Notes due 2021**

#### ***Overview***

On December 17, 2010, we completed our previously announced private exchange offers, in which we offered to exchange our 9.875% Notes and 10.55% PIK Notes for new securities, payable (i) 50% in 8.25% Notes or, at the election of each holder and subject to certain conditions, in 8.75% Notes and (ii) 50% in 12.625% Notes. As a result, we issued \$3.0 billion aggregate principal amount of 12.625% Notes, which mature on January 15, 2021.

#### ***Interest Rate***

Interest on the 12.625% Notes is payable in cash and accrues at the rate of 12.625% per annum. Interest on the 12.625% Notes is payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2011.

#### ***Ranking and Security***

The 12.625% Notes are senior unsecured obligations and (i) rank senior in right of payment to any existing and future subordinated indebtedness, including our existing senior subordinated notes, (ii) rank equally in right of payment with all of our existing and future senior indebtedness, (iii) are effectively junior in right of payment to all existing and future secured indebtedness, including our senior secured credit facilities, our existing senior secured notes to the extent of the value of the collateral and (iv) are effectively subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

#### ***Prepayments and Redemptions***

We are required to make an offer to repurchase the 12.625% Notes with net proceeds from specified asset sales, subject to the right to repurchase other senior secured debt and certain other types of indebtedness or reinvest such proceeds in our business. In addition, we will be required to offer to repurchase the 12.625% Notes upon the occurrence of a change of control.

We may redeem the 12.625% Notes, in whole or in part, at any time prior to January 15, 2016, at a price equal to 100% of the principal amount of the 12.625% Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. In addition, on or prior to January 15, 2014, we were entitled to redeem up to 35% of the aggregate principal amount of the 12.625% Notes with the net cash proceeds from certain equity offerings at an established redemption price. On or after January 15, 2016, we may redeem the 12.625% Notes, in whole or in part, at established redemption prices.

#### ***Guarantees***

All obligations under the 12.625% Notes are guaranteed on a senior unsecured basis by each of our domestic subsidiaries that guarantees obligations under our senior secured credit facilities.



**Table of Contents**

***Certain Covenants and Events of Default***

The indenture governing the 12.625% Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the indenture governing the 12.625% Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing the 12.625% Notes also contains certain customary events of default.

**11.25% Senior Unsecured Notes due 2021**

***Overview***

On February 13, 2013, we issued and sold \$785 million aggregate principal amount of our 11.25% Notes. Proceeds from the offering were used to repurchase our 10.55% PIK Notes and to pay related transaction expenses. On July 21, 2014, we redeemed \$275 million aggregate principal amount of the 11.25% Notes, leaving a remainder of \$510 million aggregate principal amount of the 11.25% Notes outstanding.

***Interest Rate***

Interest on the 11.25% Notes is payable in cash and accrues at the rate of 11.25% per annum. Interest on the 11.25% Notes is payable semi-annually in arrears on May 15 and November 15, commencing on November 15, 2013.

***Ranking and Security***

The 11.25% Notes are senior unsecured obligations and (i) rank senior in right of payment to any existing and future subordinated indebtedness, including our existing senior subordinated notes, (ii) rank equally in right of payment with all of our existing and future senior indebtedness, (iii) are effectively junior in right of payment to all existing and future secured indebtedness, including our senior secured credit facilities, our existing senior secured notes to the extent of the value of the collateral and (iv) are effectively subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

***Prepayments and Redemptions***

We are required to make an offer to repurchase the 11.25% Notes with net proceeds from specified asset sales, subject to the right to repurchase other senior secured debt and certain other types of indebtedness or reinvest such proceeds in our business. In addition, we will be required to offer to repurchase the 11.25% Notes upon the occurrence of a change of control.

## **Table of Contents**

We may redeem the 11.25% Notes, in whole or in part, at any time prior to January 15, 2016, at a price equal to 100% of the principal amount of the 11.25% Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, we may redeem the 11.25% Notes, in whole or in part, at established redemption prices. In addition, on or prior to January 15, 2016, we were entitled to redeem up to 35% of the aggregate principal amount of the 11.25% Notes with the net cash proceeds from certain equity offerings at an established redemption price. On July 21, 2014, we exercised this option in full.

### ***Guarantees***

All obligations under the 11.25% Notes are guaranteed on a senior unsecured basis by each of our domestic subsidiaries that guarantees obligations under our senior secured credit facilities.

### ***Certain Covenants and Events of Default***

The indenture governing the 11.25% Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the indenture governing the 11.25% Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing the 11.25% Notes also contains certain customary events of default.

## **10.625% Senior Unsecured Notes due 2021**

### ***Overview***

On April 10, 2013, we issued and sold \$815 million aggregate principal amount of our 10.625% Notes. Proceeds from the offering were used to repurchase our 9.875% Notes and to pay related transaction expenses. On July 21, 2014, we redeemed \$285 million aggregate principal amount of the 10.625% Notes, leaving a remainder of \$530 million aggregate principal amount of the 10.625% Notes.

***Interest Rate***

Interest on the 10.625% Notes is payable in cash and accrues at the rate of 10.625% per annum. Interest on the 10.625% Notes is payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2013.

***Ranking and Security***

The 10.625% Notes are senior unsecured obligations and (i) rank senior in right of payment to any existing and future subordinated indebtedness, including our existing senior subordinated notes, (ii) rank equally in right of payment with all of our existing and future senior indebtedness, (iii) are effectively junior in right of payment to all existing and future secured indebtedness, including our senior secured credit facilities, our existing senior secured notes



## **Table of Contents**

to the extent of the value of the collateral and (iv) are effectively subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

### ***Prepayments and Redemptions***

We are required to make an offer to repurchase the 10.625% Notes with net proceeds from specified asset sales, subject to the right to repurchase other senior secured debt and certain other types of indebtedness or reinvest such proceeds in our business. In addition, we will be required to offer to repurchase the 10.625% Notes upon the occurrence of a change of control.

We may redeem the 10.625% Notes, in whole or in part, at any time prior to April 15, 2016, at a price equal to 100% of the principal amount of the 10.625% Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, we may redeem the 10.625% Notes, in whole or in part, at established redemption prices. In addition, on or prior to April 15, 2016, we were entitled to redeem up to 35% of the aggregate principal amount of the 10.625% Notes with the net cash proceeds from certain equity offerings at an established redemption price. On July 21, 2014, we exercised this option in full.

### ***Guarantees***

All obligations under the 10.625% Notes are guaranteed on a senior unsecured basis by each of our domestic subsidiaries that guarantees obligations under our senior secured credit facilities.

### ***Certain Covenants and Events of Default***

The indenture governing the 10.625% Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the indenture governing the 10.625% Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing the 10.625% Notes also contains certain customary events of default.

### **11.75% Senior Subordinated Notes due 2021**

#### *Overview*

On May 30, 2013, we issued and sold \$750 million aggregate principal amount of our 11.75% Notes. On November 19, 2013, we issued and sold an additional \$1.0 billion aggregate principal amount of our 11.75% Notes. On January 6, 2014, we issued and sold an additional \$725 million aggregate principal amount of our 11.75% Notes at a premium of 103.5% of the face value, resulting in approximately \$750 million of gross proceeds.

## **Table of Contents**

The additional notes are treated as a single series with and have the same terms as the previously existing 11.75% Notes. The additional notes and the previously existing 11.75% Notes vote as one class under the related indenture. Proceeds from each offering of the 11.75% Notes were used to repay or redeem all of our 11.25% Senior Subordinated Notes due 2016. On July 11, 2014, we redeemed \$866 million aggregate principal amount of the 11.75% Notes, leaving a remainder of \$1.6 billion aggregate principal amount of the 11.25% Notes outstanding.

### ***Interest Rate***

The 11.75% Notes accrue interest at the rate of 11.75% per annum and mature on August 15, 2021. Interest on the 11.75% Notes is payable on February 15 and August 15 of each year.

### ***Ranking and Security***

The 11.75% Notes are senior unsecured subordinated obligations and (i) rank equally in right of payment with all of our existing and future senior subordinated debt, (ii) rank senior in right of payment to all future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the 11.75% Notes, (iii) are effectively subordinated in right of payment to all existing and future senior indebtedness, including our senior secured credit facilities, our existing senior secured notes, our existing senior unsecured notes and (iv) are effectively subordinated to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries (other than indebtedness and liabilities owed to us or one of our guarantor subsidiaries).

### ***Prepayments and Redemptions***

We are required to make an offer to repurchase the 11.75% Notes with net proceeds from specified asset sales, subject to the right to repurchase senior secured debt and certain other types of indebtedness or reinvest such proceeds in our business. In addition, we will be required to offer to repurchase the 11.75% Notes upon the occurrence of a change of control.

We may redeem the 11.75% Notes, in whole or in part, at any time prior to May 15, 2016, at a price equal to 100% of the principal amount of the 11.75% Notes redeemed plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, we may redeem the 11.75% Notes, in whole or in part, at established redemption prices. In addition, on or prior to May 15, 2016, we were entitled to redeem up to 35% of the aggregate principal amount of the 11.75% Notes with the net cash proceeds from certain equity offerings at an established redemption price. On July 11, 2014, we exercised this option in full.

### ***Guarantee***

All obligations under the 11.75% Notes are guaranteed on a senior subordinated basis by each of our domestic subsidiaries that guarantees obligations under our senior secured term loan facility.

### ***Certain Covenants and Events of Default***

The indenture governing the 11.75% Notes contains a number of covenants that, among other things, restricts, subject to certain exceptions, our ability to:

incur additional debt or issue certain preferred shares;

pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;

make certain investments;

sell certain assets;

**Table of Contents**

create liens on certain assets to secure debt;

consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;

enter into certain transactions with affiliates; and

designate our subsidiaries as unrestricted subsidiaries.

In addition, the indenture governing the 11.75% Notes imposes certain requirements as to future subsidiary guarantors. The indenture governing the 11.75% Notes also contains certain customary events of default.

**Foreign Lines of Credit**

As of March 31, 2015, we had outstanding borrowings of \$30 million under short-term lines of credit and other arrangements with foreign banks and alliance partners primarily to fund settlement activity. Certain of these arrangements are uncommitted of which we had \$27 million of borrowings outstanding against them as of March 31, 2015. 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. As of March 31, 2015, we had availability of approximately \$304 million (\$277 million of which was committed) under these short-term lines of credit and other arrangements.

**Table of Contents****DESCRIPTION OF CAPITAL STOCK**

The following is a description of the material terms of, and is qualified in its entirety by, our amended and restated certificate of incorporation and amended and restated bylaws, each of which will be in effect upon the consummation of this offering, the forms of which are filed as exhibits to the registration statement of which this prospectus is a part.

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Delaware General Corporation Law (the "DGCL"). Upon the consummation of this offering, our authorized capital stock will consist of \_\_\_\_\_ shares of Class A common stock, par value \$0.01 per share, \_\_\_\_\_ shares of Class B common stock, par value \$0.01 per share and \_\_\_\_\_ shares of preferred stock, par value \$0.01 per share. No shares of preferred stock will be issued or outstanding immediately after the public offering contemplated by this prospectus. Unless our Board determines otherwise, we will issue all shares of our capital stock in uncertificated form.

**Common Stock**

In connection with this offering, we will amend and restate our Certificate of Incorporation to effectuate the dual class common stock structure consisting of our Class A common stock and Class B common stock. The shares of Class A common stock and Class B common stock will be identical in all respects, except for voting rights, certain conversion rights and transfer restrictions in respect of the shares of Class B common stock, as described below.

*Voting Rights.* The holders of our Class A common stock will be entitled to one vote per share, and the holders of our Class B common stock will be entitled to ten votes per share. Holders of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by our amended and restated certificate of incorporation or amended and restated bylaws. For example, pursuant to the amended and restated certificate of incorporation, certain amendments thereto affecting the Class B common stock's voting power will require the affirmative vote (or written consent) of a majority of the holders of the then outstanding shares of Class B common stock, voting as a separate class. Furthermore, the DGCL requires holders of either our Class A common stock or Class B common stock, as the case may be, to vote separately as a single class if we were to seek to amend our Certificate of Incorporation:

to increase or decrease the par value of that class; or

in a manner that alters or changes the powers, preferences or special rights of that class of stock in a manner that would affect its holders adversely.

The holders of our common stock do not have cumulative voting rights in the election of directors.

*Dividend Rights.* Holders of Class A common stock and Class B common stock will be entitled to receive dividends at the same rate if, as and when declared by our Board, out of our legally available assets, in cash, property, shares of our common stock or other securities, after payments of dividends required to be paid on outstanding preferred stock, if any. See [Dividends](#).

If we pay a dividend or distribution on the Class A common stock, payable in shares of Class A common stock, we also will be required to pay a pro rata and simultaneous dividend or distribution on the Class B common stock, payable in shares of Class B common stock. Similarly, if we pay a dividend or distribution on the Class B common stock, payable in shares of Class B common stock, we also will be required to make a pro rata and simultaneous

dividend or distribution on the Class A common stock, payable in shares of Class A common stock.

Our senior secured credit facilities and the indentures governing our senior notes impose restrictions on our ability to declare dividends on our common stock. See Description of Indebtedness.

---

**Table of Contents**

*Distributions in Connection with Mergers or Other Business Combinations.* Upon a merger, consolidation or substantially similar transaction, holders of each class of common stock will be entitled to receive equal per share payments or distributions, except that (i) in any transaction in which shares of capital stock are distributed, such shares distributed to the holder of a share of Class B common stock may have ten times the voting power of any shares distributed to the holder of a share of Class A common stock and (ii) shares of one such class may receive disproportionate distributions or payments if such merger, consolidation or other transaction is approved by the affirmative vote (or written consent) of the holders of a majority of the outstanding shares of Class A common stock and Class B common stock, each voting separately as a class.

*Liquidation Rights.* Upon our liquidation, dissolution or winding up or a sale or disposition of all or substantially all of our assets, the assets legally available for distribution to our stockholders will be distributable ratably among the holders of the Class A common stock and Class B common stock treated as a single class, subject to prior satisfaction of all outstanding debts and other liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding preferred stock.

*Conversion and Restrictions on Transfer.* The Class A common stock will not be convertible into any other shares of our capital stock. The outstanding shares of Class B common stock will be convertible at any time as follows: (1) at the option of the holder, a share of Class B common stock may be converted into one share of Class A common stock or (2) upon the election of the holders of a majority of the then-outstanding shares of Class B common stock, all outstanding shares of Class B common stock may be converted into shares of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our amended and restated certificate of incorporation (i) to KKR and its affiliates or (ii) where such transfer has been consented to in writing in advance by the holders of a majority of the shares of Class B common stock held by KKR and its affiliates. Each share of Class B common stock will also automatically convert into one share of Class A common stock if, on the record date for any meeting of the stockholders, the number of shares of Class B common stock then outstanding is less than 10% of the aggregate number of shares of Class A common stock and Class B common stock then outstanding. Once converted into Class A common stock, Class B common stock will not be reissued.

*Protective Provision.* Our Certificate of Incorporation provides that we will not, whether by merger, consolidation or otherwise, amend, alter, repeal or waive certain provisions in our amended and restated certificate of incorporation (or adopt any provision inconsistent therewith), unless such action is first approved by the affirmative vote or written consent of the holders of a majority of the then outstanding shares of Class B common stock, voting as a separate class, and the holders of the Class A common stock will have no right to vote thereon. However, this provision is subject to any other vote required by applicable law, and under Section 242(b)(2) of the DGCL, holders of the Class A common stock would be entitled to vote as a class upon the proposed action, whether or not entitled to vote by our amended and restated certificate of incorporation, if the action would increase or decrease the par value of the shares of Class A common stock, or alter or change the powers, preferences or special rights of the shares of Class A common stock so as to affect them adversely.

*Other Matters.* Our Certificate of Incorporation will not entitle holders of our common stock to preemptive rights. No redemption or sinking fund provisions will be applicable to our common stock. Neither the Class A common stock nor the Class B common stock may be subdivided or combined in any manner unless the other class is subdivided or combined in the same proportion. All outstanding shares of our common stock are, and the shares of common stock offered in this offering will be, fully paid and non-assessable.

**Preferred Stock**



Our amended and restated certificate of incorporation authorizes our Board to establish one or more series of preferred stock (including convertible preferred stock). Unless required by law or by the applicable

**Table of Contents**

stock exchange, the authorized shares of preferred stock will be available for issuance without further action by you. Our Board is able to determine, with respect to any series of preferred stock, the terms and rights of that series, including:

the designation of the series;

the number of shares of the series, which our Board may, except where otherwise provided in the preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);

whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;

the dates at which dividends, if any, will be payable;

the redemption rights and price or prices, if any, for shares of the series;

the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;

the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of our Company;

whether the shares of the series will be convertible into shares of any other class or series, or any other security, of our Company or any other corporation, and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;

restrictions on the issuance of shares of the same series or of any other class or series; and

the voting rights, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of you might believe to be in your best interests or in which you might receive a premium for your Class A common stock over the market price of the Class A common stock. Additionally, the issuance of preferred stock may adversely affect the holders of our Class A common stock by restricting dividends on the Class A common stock, diluting the voting power of the Class A common stock or subordinating the liquidation rights of the Class A common stock. As a result of these or other factors, the issuance of preferred stock could have an adverse impact on the market price of our Class A common stock.

## **Dividends**

The DGCL permits a corporation to declare and pay dividends out of surplus or, if there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by the Board. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Declaration and payment of any dividend will be subject to the discretion of our Board. The time and amount of dividends will be dependent upon our financial condition, operations, cash requirements and availability, debt repayment obligations, capital expenditure needs and restrictions in our debt instruments, industry trends, the provisions of Delaware law affecting the payment of dividends to stockholders and any other factors our Board may consider relevant.

---

**Table of Contents****Anti-Takeover Effects of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law**

Our amended and restated certificate of incorporation, amended and restated bylaws and the DGCL, which are summarized in the following paragraphs, contain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our Board. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change of control and enhance the ability of our Board to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of our Company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider is in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of Class A common stock held by stockholders.

***Dual Class Structure***

As described above in **Common Stock Voting Rights**, our amended and restated certificate of incorporation will provide for a dual class common stock structure, under which each share of our Class A common stock will have one vote per share while each share of our Class B common stock will have ten votes per share. Because of this dual class structure, certain of our stockholders will be able to control all matters submitted to our stockholders for approval, even if they own significantly less than 50% of the shares of our outstanding common stock. This concentrated control could discourage others from initiating a potential merger, takeover or other change of control transaction that other stockholders may view as beneficial.

***Authorized but Unissued Capital Stock***

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of **NYSE**, which would apply if and so long as our Class A common stock remains listed on **NYSE**, require stockholder approval of certain issuances equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of Class A common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

Our Board may generally issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our Company or the removal of our management. Moreover, our authorized but unissued shares of preferred stock will be available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions and employee benefit plans.

One of the effects of the existence of unissued and unreserved Class A common stock or preferred stock may be to enable our Board to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our stockholders of opportunities to sell their shares of Class A common stock at prices higher than prevailing market prices.

***Classified Board***

Our amended and restated certificate of incorporation provides that our Board will be divided into three classes of directors, with the classes to be as nearly equal in number as possible, and with the directors serving three-year terms. As a result, approximately one-third of our Board will be elected each year. The classification of directors will have the effect of making it more difficult for stockholders to change the composition of our Board. Our amended and restated certificate of incorporation and amended and restated bylaws provide that, subject to any rights of holders of

preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by the Board.

---

**Table of Contents**

***Business Combinations***

We have opted out of Section 203 of the DGCL; however, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain business combinations with any interested stockholder for a three-year period following the time that the stockholder became an interested stockholder, unless:

prior to such time, our Board approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or

at or subsequent to that time, the business combination is approved by our Board and by the affirmative vote of holders of at least  $66\frac{2}{3}\%$  of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a business combination includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an interested stockholder is a person who, together with that person's affiliates and associates, owns, or within the previous three years owned, 15% or more of our voting stock. For purposes of this section only, voting stock has the meaning given to it in Section 203 of the DGCL.

Under certain circumstances, this provision will make it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a three-year period. This provision may encourage companies interested in acquiring our Company to negotiate in advance with our Board because the stockholder approval requirement would be avoided if our Board approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our Board and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Our restated certificate of incorporation provides that KKR and its affiliates and any of their respective direct or indirect transferees and any group as to which such persons are a party do not constitute interested stockholders for purposes of this provision.

***Removal of Directors; Vacancies***

Under the DGCL, unless otherwise provided in our amended and restated certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our amended and restated certificate of incorporation provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote thereon, voting together as a single class; provided, however, once no shares of Class B common stock remain outstanding, directors may only be removed for cause, and only by the affirmative vote of holders of at least  $66\frac{2}{3}\%$  in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class. In addition, our amended and restated certificate of incorporation also provides that, subject to the rights granted to one or more series of preferred stock then outstanding, any vacancies on our Board will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, by a sole remaining director or by the stockholders; provided, however, once no

shares of Class B common stock remain outstanding, any newly created directorship on the Board that results from an increase in the number of directors and any vacancy occurring on the Board may only be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director (and not by the stockholders).

---

**Table of Contents*****No Cumulative Voting***

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our amended and restated certificate of incorporation does not authorize cumulative voting. Therefore, stockholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors will be able to elect all our directors.

***Special Stockholder Meetings***

Our amended and restated certificate of incorporation provides that special meetings of our stockholders may be called at any time only by or at the direction of the Board or the chairman of the Board; provided, however, at any time when shares of our Class B common stock remain outstanding, special meetings of our stockholders shall also be called by the Board or the chairman of the Board at the request of KKR and its affiliates. Our amended and restated bylaws prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of our Company.

***Requirements for Advance Notification of Director Nominations and Stockholder Proposals***

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the Board or a committee of the Board. In order for any matter to be properly brought before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder's notice. Our amended and restated bylaws allow the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may also defer, delay or discourage a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to influence or obtain control of our Company.

***Stockholder Action by Written Consent***

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation will preclude stockholder action by written consent once no shares of our Class B common stock remain outstanding.

***Supermajority Provisions***

Our amended and restated certificate of incorporation and amended and restated bylaws will provide that the Board is expressly authorized to make, alter, amend, change, add to, rescind or repeal, in whole or in part, our amended and restated bylaws without a stockholder vote in any matter not inconsistent with the laws of the State of Delaware or our amended and restated certificate of incorporation. For as long as shares of our Class B common stock remain



outstanding, any amendment, alteration, rescission or repeal of our amended and restated bylaws by our stockholders will require the affirmative vote of a majority in voting power of the outstanding shares of our stock present in person or represented by proxy and entitled to vote on such amendment, alteration, rescission or repeal. Once no shares of our Class B common stock remain outstanding, any amendment, alteration, rescission or repeal of our amended and restated bylaws by our stockholders will

**Table of Contents**

require the affirmative vote of the holders of at least 66 <sup>2</sup>/<sub>3</sub>% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class.

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage.

Our amended and restated certificate of incorporation provides that once no shares of our Class B common stock remain outstanding, the following provisions in our amended and restated certificate of incorporation may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least 66 <sup>2</sup>/<sub>3</sub>% in voting power of all the then-outstanding shares of stock of the Company entitled to vote thereon, voting together as a single class:

the provision requiring a 66 <sup>2</sup>/<sub>3</sub>% supermajority vote for stockholders to amend our amended and restated bylaws;

the provisions providing for a classified Board (the election and term of our directors);

the provisions regarding resignation and removal of directors;

the provisions regarding competition and corporate opportunities;

the provisions regarding entering into business combinations with interested stockholders;

the provisions regarding stockholder action by written consent;

the provisions regarding calling special meetings of stockholders;

the provisions regarding filling vacancies on our Board and newly created directorships;

the provisions eliminating monetary damages for breaches of fiduciary duty by a director; and

the amendment provision requiring that the above provisions be amended only with a 66 <sup>2</sup>/<sub>3</sub>% supermajority vote.

The combination of the classification of our Board, the lack of cumulative voting and the supermajority voting requirements will make it more difficult for our existing stockholders to replace our Board as well as for another party to obtain control of us by replacing our Board. Because our Board has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in

management.

These provisions may have the effect of deterring hostile takeovers, delaying, or preventing changes in control of our management or our Company, such as a merger, reorganization or tender offer. These provisions are intended to enhance the likelihood of continued stability in the composition of our Board and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions are also intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such provisions may also have the effect of preventing changes in management.

#### **Dissenters Rights of Appraisal and Payment**

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation of us. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

---

**Table of Contents**

**Stockholders Derivative Actions**

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

**Exclusive Forum**

Our amended and restated certificate of incorporation will provide, subject to limited exception, that unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of our Company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee or stockholder of our Company to the Company or the Company's stockholders, creditors or other constituents, (iii) action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine, in each such case subject to said Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of our company shall be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation. However, the enforceability of similar forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be unenforceable.

**Conflicts of Interest**

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Our amended and restated certificate of incorporation will, to the maximum extent permitted from time to time by Delaware law, renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to our officers, directors or stockholders or their respective affiliates, other than those officers, directors, stockholders or affiliates who are our or our subsidiaries' employees. Our amended and restated certificate of incorporation will provide that, to the fullest extent permitted by law, each of KKR or any of its affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates will have no duty to refrain from (i) engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage or (ii) otherwise competing with us or our affiliates. In addition, to the fullest extent permitted by law, in the event that KKR or any non-employee director acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself or its or his affiliates or for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and they may take any such opportunity for themselves or offer it to another person or entity. Our amended and restated certificate of incorporation will not renounce our interest in any business opportunity that is expressly offered to a non-employee director solely in his or her capacity as a director or officer of the Company. To the fullest extent permitted by law, no business opportunity will be deemed to be a potential corporate opportunity for us unless we would be permitted to undertake the opportunity under our amended and restated certificate of incorporation, we have sufficient financial resources to undertake the opportunity and the opportunity would be in line with our business.

**Limitations on Liability and Indemnification of Officers and Directors**

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to

**Table of Contents**

certain exceptions. Our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

Our amended and restated bylaws provide that we must generally indemnify, and advance expenses to, our directors and officers to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability, indemnification and advancement provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is \_\_\_\_\_.

**Listing**

We intend to apply to list our Class A common stock on \_\_\_\_\_ under the symbol \_\_\_\_\_. Our Class B common stock is not anticipated to be listed on any stock market or exchange.

**Table of Contents****SHARES ELIGIBLE FOR FUTURE SALE****General**

Prior to this offering, there has not been a public market for our Class A common stock, and we cannot predict what effect, if any, market sales of shares of Class A common stock or the availability of shares of Class A common stock for sale will have on the market price of our Class A common stock prevailing from time to time. Nevertheless, sales of substantial amounts of common stock, including shares issued upon the exercise of outstanding options and upon the vesting of outstanding restricted stock units, in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of our Class A common stock and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate. See Risk Factors Risks Related to this Offering and Ownership of Our Class A common stock Future sales, or the perception of future sales, by us or our existing stockholders in the public market following this offering could cause the market price for our Class A common stock to decline.

Upon consummation of this offering, we will have outstanding a total of \_\_\_\_\_ shares of Class A common stock and \_\_\_\_\_ shares of Class B common stock that are convertible by the holders thereof at any time into an equal number of shares of Class A common stock. Of the outstanding shares, the \_\_\_\_\_ shares of Class A common stock sold in this offering (or shares if the underwriters exercise in full their option to purchase additional shares) will be freely tradable without registration under the Securities Act and without restriction by persons other than our affiliates (as defined under Rule 144). In addition, options to purchase an aggregate of approximately \_\_\_\_\_ shares of our Class B common stock and \_\_\_\_\_ restricted stock units subject to vesting conditions will be outstanding as of the closing of this offering. Of these options and restricted stock units, \_\_\_\_\_ will have vested at or prior to the closing of this offering and \_\_\_\_\_ will vest over the next \_\_\_\_\_ years. The \_\_\_\_\_ shares of Class B common stock held by KKR and its affiliates, certain of our directors and officers and other existing stockholders after this offering, which generally convert into an equal number of shares of Class A common stock upon sale or transfer, will be restricted securities under the meaning of Rule 144 and may not be sold in the absence of registration under the Securities Act, unless an exemption from registration is available, including the exemptions pursuant to Rule 144 and Rule 701 under the Securities Act. In addition, \_\_\_\_\_ shares of Class A common stock will be authorized and reserved for issuance in relation to potential future awards under the 2015 Omnibus Incentive Plan to be adopted in connection with this offering.

The restricted shares held by our affiliates will be available for sale in the public market as follows:

\_\_\_\_\_ shares will be eligible for sale at various times after the date of this prospectus pursuant to Rule 144; and

\_\_\_\_\_ shares subject to the lock-up agreements described below will be eligible for sale at various times beginning 180 days after the date of this prospectus pursuant to Rule 144.

**Rule 144**

In general, under Rule 144, as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person (or persons whose shares are aggregated) who is not deemed to be or have been one of our affiliates for purposes of the Securities Act at any time during 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior

owner other than an affiliate, is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of a prior owner other than an affiliate, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.



**Table of Contents**

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates, who have met the six month holding period for beneficial ownership of restricted shares of our common stock, are entitled to sell upon the expiration of the lock-up agreements described below, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

1% of the number of shares of our Class A common stock then outstanding, which will equal approximately \_\_\_\_\_ shares immediately after this offering (or \_\_\_\_\_ shares if the underwriters exercise in full their option to purchase additional shares); or

the average reported weekly trading volume of our Class A common stock on the \_\_\_\_\_ during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. The sale of these shares, or the perception that sales will be made, could adversely affect the price of our Class A common stock after this offering because a great supply of shares would be, or would be perceived to be, available for sale in the public market.

**Rule 701**

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who received shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering are entitled to sell such shares 90 days after the effective date of this offering in reliance on Rule 144, in the case of affiliates, without having to comply with the holding period requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, holding period, volume limitation or notice filing requirements of Rule 144.

**Lock-Up Agreements**

In connection with this offering, we, our executive officers and directors, and the holders of \_\_\_\_\_ % of our common stock prior to this offering have agreed with the underwriters, subject to certain exceptions, not to sell, dispose of or hedge any of our common stock or securities convertible into or exchangeable for shares of common stock during the period ending \_\_\_\_\_ days after the date of this prospectus, except with the prior written consent of \_\_\_\_\_.

The \_\_\_\_\_-day restricted period described in the preceding paragraph will be automatically extended if:

\_\_\_\_\_ during the last 17 days of the \_\_\_\_\_-day restricted period we issue an earnings release or announce material news or a material event; or

\_\_\_\_\_ prior to the expiration of the \_\_\_\_\_-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the \_\_\_\_\_-day period, in which case the restrictions described in this paragraph will continue to apply until the expiration of the 18-day period beginning on (and including) the issuance of the earnings release or the announcement of the material news or

material event. See Underwriting.

### **Registration Rights**

Upon completion of this offering, the holders of \_\_\_\_\_ shares of our Class B common stock (representing approximately \_\_\_\_\_ % of our total common stock outstanding immediately after this offering), or their transferees will be entitled to various rights with respect to the registration of these shares under the Securities

**Table of Contents**

Act. These shares would become fully tradable without restriction under the Securities Act immediately after they are sold under an effective registration statement, except for shares held by affiliates of the Company which may be subject to resale under Rule 144. See Description of Capital Stock Registration Rights for additional information. Shares covered by a registration statement will be eligible for sales in the public market upon the expiration or release from the terms of the Stockholders Agreement or the lock-up agreements, as applicable.

Pursuant to a Registration Rights Agreement, we have granted certain affiliates of KKR the right to cause us, in certain instances, at our expense, to file registration statements under the Securities Act covering resales of our common stock held by them. Following completion of this offering, the shares covered by registration rights would represent approximately % of our outstanding common stock (or %, if the underwriters exercise in full their option to purchase additional shares). These shares also may be sold under Rule 144 under the Securities Act, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates.

For a description of rights some holders of common stock have to require us to register the shares of common stock they own, see Certain Relationships and Related Party Transactions Registration Rights Agreement.

**Registration Statement on Form S-8**

We intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of common stock issued or reserved for issuance under the 2015 Omnibus Incentive Plan and the 2007 Equity Plan. We expect to file this registration statement as promptly as possible after the completion of this offering. Shares covered by this registration statement will be eligible for sale in the public market, upon the expiration or release from the terms of the lock-up agreements or other substantially similar contractual restrictions, as applicable, and subject to the Rule 144 limitations applicable to affiliates and vesting of such shares, as applicable.

---

**Table of Contents**

**CERTAIN UNITED STATES FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS**

The following is a summary of certain United States federal income and estate tax consequences to a non-U.S. holder (as defined below) of the purchase, ownership and disposition of our Class A common stock issued pursuant to this offering as of the date hereof. Except where noted, this summary deals only with Class A common stock that is held as a capital asset within the meaning of Section 1221 of the Code.

A non-U.S. holder means a beneficial owner of our Class A common stock (other than an entity treated as a partnership for United States federal income tax purposes) that is not for United States federal income tax purposes any of the following:

an individual citizen or resident of the United States;

a corporation (or any other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate the income of which is subject to United States federal income taxation regardless of its source; or

a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This summary is based upon provisions of the Code and regulations, rulings and judicial decisions, in each case in effect as of the date hereof. Those authorities may be changed or be subject to differing interpretations, perhaps retroactively, so as to result in United States federal income and estate tax consequences different from those summarized below and which may adversely affect a non-U.S. holder of our Class A common stock. This summary does not address all aspects of United States federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances (including the Medicare contribution tax on net investment income). In addition, it does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws (including if you are a United States expatriate, controlled foreign corporation, passive foreign investment company, or a partnership or other pass-through entity for United States federal income tax purposes). We cannot assure you that a change in law will not alter significantly the tax considerations that we describe in this summary.

If an entity treated as a partnership for United States federal income tax purposes holds our Class A common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our Class A common stock, you should consult your tax advisors.

**If you are considering the purchase of our Class A common stock, you should consult your own tax advisors concerning the particular United States federal income and estate tax consequences to you of the ownership of the Class A common stock, as well as the consequences to you arising under the laws of any other taxing jurisdiction.**



---

**Table of Contents****Dividends**

Dividends paid to a non-U.S. holder of our Class A common stock generally will be subject to withholding of United States federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a United States permanent establishment or fixed base maintained by the non-U.S. holder) are not subject to the withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to United States federal income tax on a net income basis generally in the same manner as if the non-U.S. holder were a United States person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our Class A common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to complete an Internal Revenue Service (IRS) Form W-8BEN or W-8BEN-E, as applicable, and certify under penalty of perjury that such holder is not a United States person as defined under the Code and is eligible for treaty benefits or (b) if our Class A common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable United States Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder of our Class A common stock eligible for a reduced rate of United States withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

**Gain on Disposition of Class A Common Stock**

Any gain realized on the taxable disposition of our Class A common stock generally will not be subject to United States federal income tax unless:

the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment or fixed base maintained by the non-U.S. holder);

the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

we are or have been a United States real property holding corporation for United States federal income tax purposes.

An individual non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the disposition under regular graduated United States federal income tax rates. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the disposition, which may be offset by United States source capital losses, even though the individual is not considered a resident of the

United States. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it will be subject to tax on its net gain generally in the same manner as if it were a United States person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% (or such lower rate as may be specified by an applicable income tax treaty) of its effectively connected earnings and profits, subject to adjustments.

We believe we are not and do not anticipate becoming a United States real property holding corporation for United States federal income tax purposes.

## **Table of Contents**

### **Federal Estate Tax**

Class A common stock held by an individual non-U.S. holder at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

### **Information Reporting and Backup Withholding**

Information reporting generally will apply to the dividends paid to a non-U.S. holder, and the tax withheld, if any, with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will be subject to backup withholding for dividends paid to such holder unless such holder certifies, on an applicable IRS Form W-8, under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a United States person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale of our Class A common stock within the United States or conducted through certain United States-related financial intermediaries, unless the beneficial owner certifies, on an applicable IRS Form W-8, under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a United States person as defined under the Code), or such owner otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's United States federal income tax liability provided the required information is timely furnished to the IRS.

### **Additional Withholding Requirements**

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as FATCA), a 30% United States federal withholding tax may apply to any dividends paid on our Class A common stock, and, for a disposition of our Class A common stock occurring after December 31, 2016, the gross proceeds from such disposition, in each case paid to (i) a foreign financial institution (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner that avoids withholding, or (ii) a non-financial foreign entity (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial United States beneficial owners of such entity (if any). If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under Dividends, the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your own tax advisor regarding these requirements and whether they may be relevant to your ownership and disposition of our Class A common stock.



**Table of Contents****UNDERWRITING**

Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of Class A common stock set forth opposite its name below.

<b>Underwriter</b>	<b>Number of Shares</b>
<b>Total</b>	

Subject to the terms and conditions set forth in the underwriting agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commissions and Discounts**

The representatives have advised us that the underwriters propose initially to offer the shares to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of \$            per share. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the initial public offering price, underwriting discounts and commissions, and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their option to purchase additional shares.

	<b>Per Share</b>	<b>Without Option</b>	<b>With Option</b>
Initial public offering price	\$	\$	\$
Underwriting discounts and commissions	\$	\$	\$

Proceeds, before expenses, to us	\$	\$	\$
----------------------------------	----	----	----

The expenses of the offering, not including the underwriting discounts, are estimated at \$ and are payable by us. We have agreed to reimburse the underwriters for expenses relating to clearing of this offering with the Financial Regulatory Authority in an amount up to \$ .

## **Table of Contents**

### **Option to Purchase Additional Shares**

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to \_\_\_\_\_ additional shares at the public offering price, less the underwriting discount. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

### **No Sales of Similar Securities**

We, our executive officers and directors and the holders of \_\_\_\_\_ % of our common stock prior to this offering, have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for \_\_\_\_\_ days after the date of this prospectus without first obtaining the written consent of \_\_\_\_\_. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

offer, pledge, sell or contract to sell any common stock;

sell any option or contract to purchase any common stock;

purchase any option or contract to sell any common stock;

grant any option, right or warrant for the sale of any common stock;

lend or otherwise dispose of or transfer any common stock;

request or demand that we file a registration statement related to the common stock; or

enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of the lock-up period referred to above, we issue an earnings release or announce material news or a material event or (y) prior to the expiration of the lock-up period, we announce that we will release earnings results during the 16-day period beginning on the last day of the lock-up period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on (and including) the issuance of the earnings release or the announcement of the material news or material event.

## **Listing**

We intend to apply to list our Class A common stock on \_\_\_\_\_ under the symbol \_\_\_\_\_. In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

the valuation multiples of publicly traded companies that the representatives believe to be comparable to us;

our financial information;

the history of, and the prospects for, our Company and the industry in which we compete;

## **Table of Contents**

an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;

the present state of our development; and

the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

## **Price Stabilization, Short Positions and Penalty Bids**

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional shares described above. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. Naked short sales are sales in excess of such option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the , in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor

any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

**Electronic Distribution**

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail.

---

**Table of Contents****Other Relationships**

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financial and brokerage activities. Some of the underwriters and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State ), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date ), no offer of shares may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives;  
or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of shares shall require us or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive, and (B) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors as defined in the Prospectus Directive, or in circumstances in which the prior consent of the representatives have been given to the offer or resale. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined

or in circumstances in which the prior consent of the representatives have been obtained to each such proposed offer or resale.

We, our representatives and their affiliates will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.



---

**Table of Contents**

This prospectus has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make an offer in that Relevant Member State of shares which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares in circumstances in which an obligation arises for us or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

**Notice to Prospective Investors in the United Kingdom**

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

**Notice to Prospective Investors in Switzerland**

The shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (SIX) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us or the shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (CISA). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.



**Table of Contents**

**Notice to Prospective Investors in the Dubai International Financial Centre**

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

**Table of Contents**

**LEGAL MATTERS**

The validity of the shares of Class A common stock offered by this prospectus will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. Certain legal matters in connection with the offering will be passed upon for underwriters by Davis Polk & Wardwell LLP, New York, New York. Certain partners of Simpson Thacher & Bartlett LLP, members of their respective families, related persons, and others have an indirect interest, through limited partnerships that are investors in funds affiliated with KKR, in less than 1% of our common stock.

**EXPERTS**

The consolidated financial statements of First Data Corporation at December 31, 2014 and 2013, and for each of the three years in the period ended December 31, 2014 and the effectiveness of First Data Corporation's internal control over financial reporting as of December 31, 2014 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon included herein. Such consolidated financial statements have been included given on the authority of such firm as experts in accounting and auditing.

The financial statements of Wells Fargo Merchant Services, LLC as of December 31, 2014 and 2013, and for each of the years in the two-year period ended December 31, 2014, have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the Class A common stock offered by this prospectus. This prospectus is a part of the registration statement and does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our Class A common stock, you should refer to the registration statement and its exhibits and schedules. Statements in this prospectus about the contents of any contract, agreement or other document are not necessarily complete and in each instance that a copy of such contract, agreement or document has been filed as an exhibit to the registration statement, we refer you to the copy that we have filed as an exhibit.

We file annual, quarterly and special reports and other information with the SEC. Our filings with the SEC are available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov). Those filings are also available to the public on, or accessible through, our corporate web site at [www.firstdata.com](http://www.firstdata.com). The information we file with the SEC or contained on or accessible through our corporate web site or any other web site that we may maintain is not part of this prospectus or the registration statement of which this prospectus is a part. You may also read and copy, at SEC prescribed rates, any document we file with the SEC, including the registration statement (and its exhibits) of which this prospectus is a part, at the SEC's Public Reference Room located at 100 F Street, N.E., Washington D.C. 20549. You can call the SEC at 1-800-SEC-0330 to obtain information on the operation of the Public Reference Room.

We intend to make available to our Class A common stockholders annual reports containing consolidated financial statements audited by an independent registered public accounting firm.

**Table of Contents****INDEX TO FINANCIAL STATEMENTS**

	Page
<b>First Data Corporation and Subsidiaries:</b>	
<b>Audited Consolidated Financial Statements:</b>	
<u>Reports of Ernst &amp; Young LLP, Independent Registered Public Accounting Firm</u>	F-2
<u>Management's Report on Internal Controls over Financial Reporting</u>	F-4
<u>Consolidated Statements of Operations for the years ended December 31, 2014, 2013, and 2012</u>	F-6
<u>Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2014, 2013, and 2012</u>	F-7
<u>Consolidated Balance Sheets as of December 31, 2014 and 2013</u>	F-8
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012</u>	F-9
<u>Consolidated Statements of Equity for the years ended December 31, 2014, 2013, and 2012</u>	F-10
<u>Notes to the Consolidated Financial Statements</u>	F-11
Schedules:	
<u>Schedule II Valuation and Qualifying Accounts</u>	F-73
<b>Unaudited Consolidated Financial Statements:</b>	
<u>Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014</u>	F-74
<u>Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2015 and 2014</u>	F-75
<u>Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014</u>	F-76
<u>Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014</u>	F-77
<u>Consolidated Statements of Equity for the three months ended March 31, 2015 and 2014</u>	F-78
<u>Notes to the Unaudited Consolidated Financial Statements</u>	F-79
<b>Wells Fargo Merchant Services, LLC (A Joint Venture) Audited Financial Statements for the years ended December 31, 2014 and 2013:</b>	
<u>Independent Auditors' Report</u>	F-102
<u>Balance Sheets</u>	F-104
<u>Statements of Revenues and Expenses</u>	F-105
<u>Statements of Members' Equity</u>	F-106
<u>Statements of Cash Flows</u>	F-107
<u>Notes to Financial Statements</u>	F-108

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholder of First Data Corporation

We have audited the accompanying consolidated balance sheets of First Data Corporation as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), cash flows and equity for each of the three years in the period ended December 31, 2014. Our audits also include the financial statement schedule listed in the Index at Item 16(b). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Data Corporation at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), First Data Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2015 expressed an unqualified opinion thereon.

Ernst & Young LLP

Atlanta, Georgia

February 27, 2015, except as to Note 13 and Note 18, as to which the date is August 11, 2015

The foregoing report is in the form that will be signed upon the completion of the segment realignment described in Note 18 to the consolidated financial statements.

/s/ Ernst & Young LLP

Atlanta, Georgia

July 20, 2015



---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholder of First Data Corporation

We have audited First Data Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). First Data Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Data Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of First Data Corporation as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and equity for each of the three years in the period ended December 31, 2014 of First Data Corporation and our report dated February 27, 2015, except as to Note 13 and Note 18, as to which the date is August 11, 2015 expressed an unqualified opinion thereon.

Ernst & Young LLP

Atlanta, Georgia



February 27, 2015

The foregoing report is in the form that will be signed upon the completion of the segment realignment described in Note 18 to the consolidated financial statements.

/s/ Ernst & Young LLP

Atlanta, Georgia

July 20, 2015

F-3

**Table of Contents**

**Management's Report on Internal Control over Financial Reporting**

**Report of Management**

Management is responsible for the preparation and fair presentation of the financial statements included in this annual report. The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and reflect management's judgments and estimates concerning effects of events and transactions that are accounted for or disclosed.

**Internal Control over Financial Reporting**

Management is also responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Management had previously concluded that it did not design and maintain effective controls relating to the accounting and reporting for income taxes and also concluded that this was a material weakness in internal control over financial reporting. Specifically, the controls in place relating to the establishment and measurement of valuation allowances against deferred tax assets were not properly designed to provide reasonable assurance that our income tax benefit and deferred tax assets and liabilities would be properly recorded and disclosed in the financial statements. This material weakness was initially identified in 2012. At the time, we had an insufficient number of personnel with appropriate knowledge, experience or training in accounting for income taxes. Additionally, the organizational structure resulted in incomplete or inadequate oversight and review of complex issues, calculations and disclosures. Management concluded that this material weakness was remediated at December 31, 2014 based on the following actions:

Our Tax Department was restructured, key resources were refocused on the most critical areas and additional technical resources were added, including regional tax controllers;

Processes, procedures and controls over income tax accounting were reviewed and modified to ensure greater oversight and transparency; and

Implemented standardized tax software platform.

In order to ensure that the Company's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently as of December 31, 2014. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, management believes the Company maintained effective internal control over financial reporting as of December 31, 2014.

F-4

**Table of Contents**

Ernst & Young LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting which is contained herein.

FRANK BISIGNANO

Chief Executive Officer and Director

MICHAEL K. NEBORAK

Executive Vice President, Director of Finance

MATTHEW CAGWIN

Vice President, Corporate Controller and Chief Accounting Officer

F-5

**Table of Contents**

**FIRST DATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share and share amounts)	Year ended December 31,		
	2014	2013	2012
<b>Revenues:</b>			
Transaction and processing service fees (a)	\$ 6,510	\$ 6,345	\$ 6,330
Product sales and other (a)	1,038	957	988
Total revenues (excluding reimbursable items)	7,548	7,302	7,318
Reimbursable debit network fees, postage, and other	3,604	3,507	3,362
Total revenues	11,152	10,809	10,680
<b>Expenses:</b>			
Cost of services (exclusive of items shown below)	2,668	2,723	2,781
Cost of products sold	330	328	330
Selling, general, and administrative	2,043	1,980	1,913
Depreciation and amortization	1,056	1,091	1,192
Other operating expenses:			
Restructuring, net	13	48	23
Impairments			5
Litigation and regulatory settlements		8	
Total expenses (excluding reimbursable items)	6,110	6,178	6,244
Reimbursable debit network fees, postage, and other	3,604	3,507	3,362
Total expenses	9,714	9,685	9,606
Operating profit	1,438	1,124	1,074
Interest income	11	11	9
Interest expense	(1,753)	(1,881)	(1,898)
Loss on debt extinguishment	(260)		
Other income (expense)	161	(47)	(94)
	(1,841)	(1,917)	(1,983)
Loss before income taxes and equity earnings in affiliates	(403)	(793)	(909)
Income tax expense (benefit)	82	87	(224)
Equity earnings in affiliates	220	188	158
Net loss	(265)	(692)	(527)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	193	177	174

Net loss attributable to First Data Corporation	\$ (458)	\$ (869)	\$ (701)
Net loss per share, basic and diluted	\$ (458,000)	\$ (869,000)	\$ (701,000)
Weighted-average shares used to compute basic and diluted net loss per share	1,000	1,000	1,000

- (a) Includes processing fees, administrative service fees, and other fees charged to merchant alliances accounted for under the equity method of \$181 million, \$164 million, and \$160 million for the years ended December 31, 2014, 2013, and 2012, respectively.

See Notes to consolidated financial statements.

Table of Contents**FIRST DATA CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<b>(in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net loss	\$ (265)	\$ (692)	\$ (527)
Other comprehensive income (loss), net of tax:			
Unrealized gains on securities	(7)	1	
Unrealized gains on hedging activities			72
Pension liability adjustments	(36)	40	(39)
Foreign currency translation adjustment	(308)	(77)	16
Total other comprehensive income (loss), net of tax	(351)	(36)	49
Comprehensive loss	(616)	(728)	(478)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest	182	178	177
Comprehensive loss attributable to First Data Corporation	\$ (798)	\$ (906)	\$ (655)

See Notes to consolidated financial statements.

**Table of Contents**

**FIRST DATA CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(in millions, except common stock share amounts)	As of December 31,	
	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 358	\$ 425
Accounts receivable, net of allowance for doubtful accounts of \$51 and \$32	1,752	1,764
Settlement assets	7,555	7,542
Other current assets	289	345
<b>Total current assets</b>	<b>9,954</b>	<b>10,076</b>
Property and equipment, net of accumulated depreciation of \$1,233 and \$1,150	930	849
Goodwill	17,017	17,248
Customer relationships, net of accumulated amortization of \$4,871 and \$4,418	2,604	3,162
Other intangibles, net of accumulated amortization of \$1,965 and \$1,743	1,745	1,720
Investment in affiliates	1,101	1,334
Long-term settlement assets	3	15
Other long-term assets	915	836
<b>Total assets</b>	<b>\$ 34,269</b>	<b>\$ 35,240</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 280	\$ 288
Short-term and current portion of long-term borrowings	161	146
Settlement obligations	7,557	7,553
Other current liabilities	1,533	1,631
<b>Total current liabilities</b>	<b>9,531</b>	<b>9,618</b>
Long-term borrowings	20,711	22,557
Long-term deferred tax liabilities	521	553
Other long-term liabilities	788	750
<b>Total liabilities</b>	<b>31,551</b>	<b>33,478</b>
Commitments and contingencies (See Note 9)		
Redeemable noncontrolling interest	70	69
First Data Corporation stockholder's deficit:		
Common stock, \$0.01 par value; 1,000 shares authorized and issued (2014 and 2013)		
Additional paid-in capital	9,906	7,384



Paid-in capital	9,906	7,384
Accumulated loss	(9,429)	(8,285)
Accumulated other comprehensive loss	(929)	(589)
<b>Total First Data Corporation stockholder s deficit</b>	<b>(452)</b>	<b>(1,490)</b>
Noncontrolling interests	3,100	3,183
<b>Total equity</b>	<b>2,648</b>	<b>1,693</b>
<b>Total liabilities and equity</b>	<b>\$ 34,269</b>	<b>\$ 35,240</b>

See Notes to consolidated financial statements.

**Table of Contents**

**FIRST DATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Year ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (265)	\$ (692)	\$ (527)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	1,163	1,212	1,331
Charges related to other operating expenses and other income	112	103	122
Other non-cash and non-operating items, net	3	(9)	(40)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:			
Accounts receivable, current and long-term	(61)	63	(50)
Other assets, current and long-term	63	3	260
Accounts payable and other liabilities, current and long-term	12	(1)	(35)
Income tax accounts	(14)	(6)	(294)
Net cash provided by operating activities	1,013	673	767
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from dispositions, net of expenses paid	270	18	
Additions to property and equipment	(308)	(194)	(193)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(259)	(185)	(177)
Acquisitions, net of cash acquired	(31)	(12)	(33)
Proceeds from sale of property and equipment	3	12	8
Contributions to equity method investments			(8)
Other investing activities	(4)	8	6
Net cash used in investing activities	(329)	(353)	(397)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Short-term borrowings, net	12	(109)	99
Proceeds from issuance of long-term debt	350		
Debt modification (payments) proceeds and related financing costs	(343)	(10)	17
Principal payments on long-term debt	(2,261)	(93)	(84)

Edgar Filing: FIRST DATA CORP - Form S-1

Proceeds from sale-leaseback transactions			14
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest	(266)	(224)	(262)
Purchase of noncontrolling interest	(1)	(24)	(25)
Capital transactions with parent, net	1,788	(30)	(8)
Net cash used in financing activities	(721)	(490)	(249)
Effect of exchange rate changes on cash and cash equivalents	(30)	(13)	1
Change in cash and cash equivalents	(67)	(183)	122
Cash and cash equivalents at beginning of period	425	608	486
Cash and cash equivalents at end of period	\$ 358	\$ 425	\$ 608

SUPPLEMENTAL CASH FLOW INFORMATION:

Income tax payments, net of refunds received	\$ 96	\$ 93	\$ 70
Interest paid	1,701	1,802	1,794
Distributions received from equity method investments	278	261	245

NON-CASH TRANSACTIONS:

Capital leases, net of trade-ins	\$ 128	\$ 112	\$ 55
----------------------------------	--------	--------	-------

See Notes to consolidated financial statements.

Table of Contents

**FIRST DATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF EQUITY**

(in millions, except common stock share amounts)	First Data Corporation Shareholder Accumulated Other					
	Common Shares	Accumulated Loss	Comprehensive Income (Loss)	Paid-In Capital	Noncontrolling Interests	Total
Balance, December 31, 2011	1,000	\$ (6,680)	\$ (598)	\$ 7,375	\$ 3,311	\$ 3,408
Distributions and dividends paid to noncontrolling interests					(225)	(225)
Net (loss) income (a)		(701)			138	(563)
Other comprehensive income			46		3	49
Stock compensation expense and other				12		12
Cash dividends paid by First Data Corporation to Parent		(7)				(7)
Purchase of noncontrolling interest				(46)	(2)	(48)
Balance, December 31, 2012	1,000	(7,388)	(552)	7,341	3,225	2,626
Distributions and dividends paid to noncontrolling interests					(189)	(189)
Net (loss) income (a)		(869)			143	(726)
Other comprehensive (loss) income			(37)		1	(36)
Adjustments to redemption value of redeemable noncontrolling interest				(2)		(2)
Stock compensation expense and other				32		32
Capital contributed by Parent				7		7
Cash dividends paid by First Data Corporation to Parent		(28)				(28)
Purchase of noncontrolling interest				6	3	9
Balance, December 31, 2013	1,000	(8,285)	(589)	7,384	3,183	1,693
Distributions and dividends paid to noncontrolling interests					(231)	(231)
Net (loss) income (a)		(458)			159	(299)
Other comprehensive loss			(340)		(11)	(351)
Adjustment to redemption value of redeemable noncontrolling interest				(2)		(2)
Stock compensation expense and other				43		43
Capital contributed by Parent				2,482		2,482
Cash dividends paid by First Data Corporation to Parent		(686)				(686)
Purchase of noncontrolling interest				(1)		(1)

Balance, December 31, 2014	1,000	\$	(9,429)	\$	(929)	\$	9,906	\$	3,100	\$	2,648
----------------------------	-------	----	---------	----	-------	----	-------	----	-------	----	-------

- (a) The total net loss presented in the Consolidated Statements of Equity for the twelve months ended December 31, 2014, 2013, and 2012 is \$34 million, \$34 million, and \$36 million, respectively, greater than the amount presented on the Consolidated Statements of Operations due to the net income attributable to the redeemable noncontrolling interest not included in equity.

See Notes to consolidated financial statements.

F-10

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****Note 1: Summary of Significant Accounting Policies****Business Description**

First Data Corporation (FDC or the Company) is a global provider of electronic commerce and payment solutions for merchants, financial institutions, and card issuers. The services the Company provides include merchant transaction processing and acquiring; credit, retail, and debit card issuing and processing; prepaid services; and check verification, settlement and guarantee services.

**Consolidation**

The accompanying consolidated financial statements of FDC include the accounts of FDC and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in unconsolidated affiliated companies are accounted for under the equity method and are included in Investment in affiliates in the accompanying Consolidated Balance Sheets. The Company generally utilizes the equity method of accounting when it has an ownership interest of between 20% and 50% in an entity, provided the Company is able to exercise significant influence over the investee's operations.

The Company consolidates an entity's financial statements when the Company has a controlling financial interest in the entity. Control is normally established when ownership interests exceed 50% in an entity; however, when the Company does not exercise control over a majority-owned entity as a result of other investors having rights over the management and operations of the entity, the Company accounts for the entity under the equity method. As of December 31, 2014 and 2013, there were no greater-than-50%-owned affiliates whose financial statements were not consolidated.

**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 those 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:

(in millions)	Year ended December 31,		
	2014	2013	2012
Amortization of initial payments for new contracts	\$ 45	\$ 42	\$ 44

Amortization related to equity method investments	62	79	95
---	----	----	----

**Reclassifications**

Certain reclassifications have been made to the consolidated financial statements of prior periods to conform to the current period presentation. The reclassifications had no impact on net loss, equity, or cash flows as previously reported.

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Revenue Recognition**

The majority of the Company's revenues are comprised of: 1) transaction-based fees, which typically constitute a percentage of dollar volume processed; 2) fees per transaction processed; 3) fees per account on file during the period; or 4) some combination thereof.

In multiple-element transactions, revenue is allocated to the separate units of accounting provided each element has stand-alone value to the customer. Stand-alone value is based on the relative selling price of any undelivered items for which delivery is probable and substantially within the Company's control.

In the case of merchant contracts that the Company owns and manages, revenue is comprised of fees charged to the merchant, net of interchange and assessments charged by the credit card associations, and is recognized at the time the merchant accepts a point of sale transaction. The fees charged to the merchant are a percentage of the credit card and signature based debit card transaction's dollar value, a fixed amount or a combination of the two. Personal identification number based debit (PIN-debit) network fees are recognized in Reimbursable debit network fees, postage, and other revenues and expenses in the Consolidated Statements of Operations. *STAR Network* access fees charged to merchants are assessed on a per transaction basis. Interchange fees and assessments charged by credit card associations to the Company's consolidated subsidiaries and network fees related to PIN-debit transactions charged by debit networks are as follows:

(in millions)	Year ended December 31,		
	2014	2013	2012
Interchange fees and assessments	\$ 20,406	\$ 19,368	\$ 18,373
Debit network fees	2,965	2,915	2,786

The Company charges processing fees to its merchant alliances. In situations where an alliance is accounted for under the equity method, the Company's consolidated revenues include the processing fees charged to the alliance, as presented on the face of the Consolidated Statements of Operations.

Revenue from check verification, settlement, and guarantee services is recognized at the time of sale less the fair value of the guarantee. The fair value of the guarantee is deferred and recognized at the later of the Company being called upon to honor the guarantee or the expiration of the guarantee. Check verification fees generally are a fixed amount per transaction while check guarantee fees generally are a percentage of the check amount.

The purchase and sale of merchant contracts is an ordinary element of the Company's businesses, and therefore, the gains from selling these revenue-generating assets are included within the Product sales and other component of revenues.

Fees based on cardholder accounts on file, both active and inactive, are recognized after the requisite services or period has occurred. Fees for PIN-debit transactions where the Company is the debit card processor for the financial institution are recognized on a per transaction basis. Revenues for output services are derived primarily on a per piece



basis and consist of fees for the production, materials, and postage related to mailing finished products and recognized as the services are provided.

The sale and leasing of point-of-sale (POS) devices (terminals) are also reported in Product sales and other . Revenue for terminals sold or sold under a sales-type lease transaction is recognized when the following four criteria are met: evidence of an agreement exists, delivery has occurred, the selling price or minimum lease payments are fixed or determinable, and collection of the selling price or minimum lease payments is reasonably assured. Revenue for operating leases is recognized on a straight-line basis over the lease term.

---

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Services not specifically described above are generally transaction based fees that are recognized at the time the transactions are processed or programming services that are recorded as work is performed.

**Stock-Based Compensation**

Stock-based compensation to employees is measured at the grant date fair values of the respective stock options and restricted stock awards. For awards without certain liquidity or employment triggers, expense is recognized over the requisite service periods and for awards with certain liquidity or employment triggers, expense is recognized upon the occurrence of such events. An estimate of forfeitures is applied when calculating compensation expense. The Company recognizes compensation cost on awards with graded vesting on a straight-line basis over the requisite service period for the entire award. Refer to Note 11 Stock Compensation Plans of these consolidated financial statements for details regarding the Company's stock-based compensation plan.

**Foreign Currency Translation**

The U.S. dollar is the functional currency for most of the Company's U.S.-based businesses and certain foreign-based businesses. Significant operations with a local currency as their functional currency include operations in the United Kingdom, Australia, Germany, Ireland, Greece, and Argentina. Foreign currency-denominated assets and liabilities for these units and other less significant operations are translated into U.S. dollars based on exchange rates prevailing at the end of the period, and revenues and expenses are translated at average exchange rates during each monthly period. The effects of foreign exchange gains and losses arising from the translation of assets and liabilities of those entities where the functional currency is not the U.S. dollar are included as a component of Other Comprehensive Income (OCI). Intercompany loans are generally not considered invested on a long-term basis and such foreign currency gains and losses are recorded in income. Transaction gains and losses related to operating assets and liabilities are included in the Cost of services and Selling, general, and administrative lines of the Consolidated Statements of Operations and were immaterial. Non-operating transaction gains and losses derived from non-operating assets and liabilities are included in the Other income (expense) line of the Consolidated Statements of Operations and are separately disclosed in Note 7 Supplemental Financial Information of these consolidated financial statements.

**Derivative Financial Instruments**

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 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 maintain a desired ratio of fixed rate and floating rate debt, and (iii) to protect the net investment in certain foreign subsidiaries and/or affiliates with respect to changes in foreign currency exchange rates. The Company's objective is to engage in risk management strategies that provide adequate downside protection.

Derivative instruments are entered into for periods consistent with related underlying 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 most of the Company's derivatives either do not qualify or are not designated for hedge accounting, they are maintained for economic hedge purposes and are not considered

speculative.

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 have been designated as cash flow hedges to forecasted

F-13

---

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

transactions and net investment hedges to the underlying investment in a foreign subsidiary or affiliate. For designated hedges, 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 discontinues hedge accounting prospectively for such derivative.

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, Australian dollars, British pounds, and Canadian dollars), so there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

The Company recognizes all derivative financial instruments in the Consolidated Balance Sheets as assets or liabilities at fair value. Such amounts are recorded in Other current assets, Other long-term assets, Other current liabilities or Other long-term liabilities in the Consolidated Balance Sheets. The Company's policy is to present all derivative balances on a gross basis, without regard to counterparty master netting agreements or similar arrangements. Changes in fair value of derivative instruments are recognized immediately in earnings unless the derivative is designated and qualifies as a hedge of future cash flows or a hedge of a net investment in a foreign operation. For derivatives that qualify as hedges of future cash flows, the effective portion of changes in fair value is recorded temporarily in equity as a component of OCI and then recognized in earnings in the same period or periods during which the hedged item affects earnings. For derivatives that qualify as a hedge of a net investment in a foreign operation, the gain or loss is reported in OCI as part of the cumulative translation adjustment to the extent the hedge is effective. Any ineffective portions of cash flow hedges and net investment hedges are recognized in the Other income (expense) line in the Consolidated Statements of Operations during the period of change. Additional discussion of derivative instruments is provided in Note 5 Derivative Financial Instruments of these consolidated financial statements.

**Noncontrolling and Redeemable Noncontrolling Interests**

Noncontrolling interests represent the minority shareholders' share of the net income or loss and equity in consolidated subsidiaries. Substantially all of the Company's noncontrolling interests are presented pretax in the Consolidated Statements of Operations as Net income attributable to noncontrolling interests and redeemable noncontrolling interest because the majority of the Company's non-wholly owned consolidated subsidiaries are flow through entities for tax purposes. Noncontrolling interests are presented as a component of equity in the Consolidated Balance Sheets and reflect the original investments by these noncontrolling shareholders in the consolidated subsidiaries, along with their proportionate share of the earnings or losses of the subsidiaries, net of dividends or distributions. Noncontrolling interests that are redeemable at the option of the holder are presented outside of equity and are carried at their estimated redemption value. A noncontrolling interest is recorded on the date of acquisition based on the total fair value of the acquired entity and the noncontrolling interest's share of that value.

**Reserve for Merchant Credit Losses and Check Guarantees**

With respect to the merchant acquiring business, the Company's merchant customers (or those of its unconsolidated alliances) have the liability for any charges properly reversed by the cardholder. In the event,

F-14

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

however, that the Company is not able to collect such amounts from the merchants due to merchant fraud, insolvency, bankruptcy or another reason, the Company may be liable for any such reversed charges. The Company's risk in this area primarily relates to situations where the cardholder has purchased goods or services to be delivered in the future such as airline tickets.

The Company's obligation to stand ready to perform is minimal in relation to the total dollar volume processed. The Company requires cash deposits, guarantees, letters of credit or other types of collateral from certain merchants to minimize this obligation. Collateral held by the Company is classified within Settlement assets and the obligation to repay the collateral if it is not needed is classified within Settlement obligations on the Company's Consolidated Balance Sheets. The Company also utilizes a number of systems and procedures to manage merchant risk. Despite these efforts, the Company historically has experienced some level of losses due to merchant defaults.

The Company's contingent obligation relates to imprecision in its estimates of required collateral. A provision for this obligation is recorded based primarily on historical experience of credit losses and other relevant factors such as economic downturns or increases in merchant fraud. Merchant credit losses are included in Cost of services in the Company's Consolidated Statements of Operations. The amount of the reserves attributable to entities consolidated by the Company was \$20 million and \$24 million as of December 31, 2014 and 2013, respectively.

The majority of the TeleCheck Services, Inc. (TeleCheck) business involves the guarantee of checks received by merchants. If the check is returned, TeleCheck is required to purchase the check from the merchant at its face value and pursue collection from the check writer. A provision for estimated check returns, net of anticipated recoveries, is recorded at the transaction inception based on recent history. The following table presents the accrued warranty and recovery balances:

(in millions)	As of December 31,	
	2014	2013
Accrued warranty balances	\$ 9	\$ 9
Accrued recovery balances	25	27

Accrued warranties are included in Other current liabilities and accrued recoveries are included in Accounts receivable in the Consolidated Balance Sheets. The maximum potential future payments under the guarantees were estimated by the Company to be approximately \$1.2 billion as of December 31, 2014 which represented an estimate of the total uncleared checks at that time.

**Income Taxes**

The Company and its domestic subsidiaries file a consolidated U.S. income tax return with their parent, First Data Holdings, Inc. (FDH). The Company's foreign operations file income tax returns in their local jurisdictions. Income taxes are computed in accordance with current accounting guidance and reflect the net tax effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and the corresponding income tax amounts. The Company has deferred tax assets and liabilities and maintains valuation allowances where it is more

likely than not that all or a portion of deferred tax assets will not be realized. To the extent the Company determines that it will not realize the benefit of some or all of its deferred tax assets, then these deferred tax assets will be adjusted through the Company's provision for income taxes in the period in which this determination is made.

F-15

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company recognizes the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position, that the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the consolidated financial statements from such a position are measured as the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

**Cash and Cash Equivalents**

Investments (other than those included in settlement assets) with original maturities of three months or less (that are readily convertible to cash) are considered to be cash equivalents and are stated at cost, which approximates market value. Cash and cash equivalents that were restricted from use due to regulatory requirements are included in Other long-term assets in the Consolidated Balance Sheets and were immaterial as of December 31, 2014 and 2013.

**Accounts Receivable and Leasing Receivables**

Accounts receivable balances are stated net of allowance for doubtful accounts. Historically, the Company has infrequently incurred significant write-offs. The Company records allowances for doubtful accounts when it is probable that the accounts receivable balance will not be collected. Long-term accounts receivable balances are included in Other long-term assets in the Consolidated Balance Sheets.

The Company has receivables associated with its POS terminal leasing businesses. Leasing receivables are included in Accounts receivable and Other long-term assets in the Consolidated Balance Sheets. The Company recognizes interest income on its leasing receivables using the effective interest method. Interest income from leasing receivables is included in Product sales and other in the Consolidated Statements of Operations. For direct financing leases, the interest rate used incorporates initial direct costs included in the net investment in the lease. For sales type leases, initial direct costs are expensed as incurred.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation expense is computed using the straight-line method over the lesser of the estimated useful life of the related assets (generally three to 10 years for equipment, furniture, and leasehold improvements, and 30 years for buildings) or the lease term. Maintenance and repairs which do not extend the useful life of the respective assets are charged to expense as incurred. The following table presents the amounts charged to expense for the depreciation and amortization of property and equipment, including equipment under capital lease:

<b>Year ended December 31, (in millions)</b>	<b>Amount</b>
2014	\$ 286
2013	288



**Goodwill and Other Intangibles**

Goodwill represents the excess of purchase price over tangible and intangible assets acquired less liabilities assumed arising from business combinations. Goodwill is generally allocated to reporting units based upon relative fair value (taking into consideration other factors such as synergies) when an acquired business is integrated into multiple reporting units. The Company's reporting units are at the operating segment level or

F-16

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

businesses one level below the operating segment level for which discrete financial information is prepared and regularly reviewed by management. When a business within a reporting unit is disposed of, goodwill is allocated to the disposed business using the relative fair value method. Relative fair value is estimated using a discounted cash flow analysis.

The Company tests goodwill annually for impairment, as well as upon an indicator of impairment, using a fair value approach at the reporting unit level. The Company estimates the fair value of each reporting unit using a discounted cash flow analysis. The Company performed its annual goodwill impairment test in the fourth quarters of 2014 and 2013. As of October 1, 2014, the most recent impairment analysis date, the fair value of each reporting unit exceeded its carrying value. The Company did not record any goodwill impairment charges in 2014 or 2013.

The following table presents changes to goodwill for the years ended December 31, 2013 and 2014:

(in millions)	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Divested Operations	Totals
Balance as of January 1, 2013					
Goodwill	\$ 15,909	\$ 2,228	\$ 2,205	\$ 181	\$ 20,523
Accumulated impairment losses	(1,363)	(683)	(1,013)	(181)	(3,240)
	14,546	1,545	1,192		17,283
Acquisitions	24				24
Other adjustments (primarily foreign currency)	(41)	(18)			(59)
Balance as of December 31, 2013					
Goodwill	15,892	2,210	2,205	181	20,488
Accumulated impairment losses	(1,363)	(683)	(1,013)	(181)	(3,240)
	14,529	1,527	1,192		17,248
Acquisitions			33		33
Other adjustments (primarily foreign currency)	(180)	(84)			(264)
Balance as of December 31, 2014					
Goodwill	15,712	2,126	2,238	181	20,257
Accumulated impairment losses	(1,363)	(683)	(1,013)	(181)	(3,240)
	\$ 14,349	\$ 1,443	\$ 1,225	\$	\$ 17,017

Customer relationships represent the estimated value of the Company's relationships with customers, primarily merchants and financial institutions, to which it provides services. Customer relationships are amortized based on the pattern of undiscounted cash flows for the period as a percentage of total projected undiscounted cash flows. The Company selected this amortization method for these customer relationships based on a conclusion that the projected undiscounted cash flows could be reliably determined.

The Company capitalizes initial payments for new contracts, contract renewals, and conversion costs associated with customer processing relationships to the extent recoverable through future operations, contractual minimums, and/or penalties in the case of early termination. The Company's accounting policy is to limit the amount of capitalized costs for a given contract to the lesser of the estimated ongoing future cash flows from the contract or the termination fees the Company would receive in the event of early termination of the contract by the customer. The initial payments for new contracts and contract renewals are amortized over the term of the

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

contract as a reduction of the associated revenue (transaction and processing service fees). Conversion costs are also amortized over the term of the contract but are recorded as an expense in Depreciation and amortization in the Consolidated Statements of Operations.

The Company develops software that is used in providing processing services to customers. To a lesser extent, the Company also develops software to be sold or licensed to customers. Costs incurred during the preliminary project stage are expensed as incurred. Capitalization of costs begins when the preliminary project stage is completed and management, with the relevant authority, authorizes and commits to funding the project and it is probable that the project will be completed and the software will be used to perform the function intended. Capitalization of costs ceases when the software is substantially complete and ready for its intended use. Software development costs are amortized using the straight-line method over the estimated useful life of the software, which is generally five years. Software acquired in connection with business combinations is amortized using the straight-line method over the estimated useful life of the software which generally ranges from three to 10 years.

In addition to capitalized contract and software development costs, other intangibles include copyrights, patents, purchased software, trademarks, and non-compete agreements acquired in business combinations. Other intangibles, except for the First Data trade name discussed below, are amortized on a straight-line basis over the length of the contract or benefit period, which generally ranges from three to 25 years. The intangible amortization expense associated with customer relationships and other intangibles, including amortization associated with investments in affiliates, was as follows:

<b>Year ended December 31, (in millions)</b>	<b>Amount</b>
2014	\$ 877
2013	924
2012	1,046

The carrying value of the First Data trade name is \$604 million as of December 31, 2014 and 2013. Upon consideration of many factors, including the determination that there are no legal, regulatory or contractual provisions that limit the useful life of the First Data trade name, the Company determined that the First Data trade name had an indefinite useful life. The Company also considered the effects of obsolescence, demand, competition, other economic factors, and ability to maintain and protect the trade name without significant expenditures. The First Data trade name is expected to contribute directly or indirectly to the future cash flows of the Company for an indefinite period. As an indefinite lived asset, the First Data trade name is not amortized but is reviewed annually for impairment until such time as it is determined to have a finite life. The First Data trade name was not impaired as of December 31, 2014 or 2013.

The following table provides the components of other intangibles:

As of December 31,

(in millions)	2014				2013		
	Cost	Accumulated Amortization	Net of Accumulated Amortization	Cost	Accumulated Amortization	Net of Accumulated Amortization	
Customer relationships	\$ 7,475	\$ (4,871)	\$ 2,604	\$ 7,580	\$ (4,418)	\$ 3,162	
Other intangibles:							
Conversion costs	\$ 205	\$ (89)	\$ 116	\$ 167	\$ (71)	\$ 96	
Contract costs	235	(131)	104	218	(111)	107	
Software	1,856	(1,415)	441	1,649	(1,264)	385	
Other, including trade names	1,414	(330)	1,084	1,429	(297)	1,132	
Total other intangibles	\$ 3,710	\$ (1,965)	\$ 1,745	\$ 3,463	\$ (1,743)	\$ 1,720	

F-18

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The estimated future aggregate amortization expense for the next five years is as follows:

<b>Year ended December 31, (in millions)</b>	<b>Amount</b>
2015	\$ 751
2016	588
2017	486
2018	419
2019	365

The Company tests contract and conversion costs for recoverability on an annual basis by comparing the remaining expected undiscounted cash flows under the contract to the net book value. Any assets that are determined to be unrecoverable are written down to their fair value. In addition to this annual test, these assets and all other long lived assets are tested for impairment upon an indicator of potential impairment.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

Fair value is defined by accounting guidance as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses the hierarchy prescribed in the accounting guidance for fair value measurements, based upon the available inputs to the valuation and the degree to which they are observable or not observable in the market. The Company maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The three levels in the hierarchy are as follows:

**Level 1 Inputs** Quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible as of the measurement date.

**Level 2 Inputs** Inputs other than quoted prices within Level 1 that are observable either directly or indirectly, including but not limited to quoted prices in markets that are not active, quoted prices in active markets for similar assets or liabilities, and observable inputs other than quoted prices such as interest rates or yield curves.

**Level 3 Inputs** Unobservable inputs reflecting the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

**Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis**

During the years ended December 31, 2014 and 2013, the Company did not record any adjustments over \$5 million to the carrying value of existing assets based on non-recurring fair value measurements.

### **Net Loss Per Share**

Basic net loss per share is calculated by dividing net loss by the weighted-average shares outstanding during the period, without consideration for any potential dilutive shares. Dilutive loss per share is the same as basic loss per share for all periods presented because there are no dilutive or potentially dilutive securities.

### **New Accounting Guidance**

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance that requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in an exchange for those goods or services. It

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

also requires enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively, and improves guidance for multiple-element arrangements. The guidance applies to any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance is effective for public companies for annual periods beginning after December 15, 2016 as well as interim periods within those annual periods using either the full retrospective approach or modified retrospective approach. Early adoption is not permitted. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements.

**Note 2: Restructuring**

During the years ended December 31, 2014, 2013, and 2012, the Company recorded restructuring charges in connection with management's alignment of the business with strategic objectives and cost savings initiatives as well as refinements of estimates. During 2014 and 2013, the Company also recorded restructuring charges in connection with the departure of certain executive officers. Additionally in 2014 and 2012, the Company recorded restructuring charges related to certain relocation efforts in the U.S. and Germany, respectively.

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

(in millions)	Pretax Benefit (Charge)				Totals
	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	
<b><u>Year ended December 31, 2014</u></b>					
Restructuring charges	\$ (1)	\$	\$ (2)	\$ (14)	\$ (17)
Restructuring accrual reversals	1	1		2	4
Restructuring, net	\$	\$ 1	\$ (2)	\$ (12)	\$ (13)
<b><u>Year ended December 31, 2013</u></b>					
Restructuring charges	\$ (16)	\$ (6)	\$ (6)	\$ (26)	\$ (54)
Restructuring accrual reversals	2	2		2	6
Restructuring, net	\$ (14)	\$ (4)	\$ (6)	\$ (24)	\$ (48)
<b><u>Year ended December 31, 2012</u></b>					
Restructuring charges	\$ (16)	\$ (10)	\$	\$ (2)	\$ (28)
Restructuring accrual reversals	2	2	1		5



Restructuring, net	\$ (14)	\$ (8)	\$ 1	\$ (2)	\$ (23)
--------------------	---------	--------	------	--------	---------

F-20

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the Company's utilization of restructuring accruals for the years ended December 31, 2013 and 2014:

(in millions)	Employee Severance	Facility Closure and Other
Remaining accrual as of January 1, 2013	\$ 13	\$
Expense provision	54	
Cash payments and other	(40)	
Changes in estimates	(6)	
Remaining accrual as of December 31, 2013	21	
Expense provision	16	1
Cash payments and other	(21)	
Changes in estimates	(4)	
Remaining accrual as of December 31, 2014	\$ 12	\$ 1

**Note 3: Acquisitions and Dispositions****2014 Acquisitions**

In August 2014, the Company acquired Gyft, Inc., a leading digital platform that enables consumers to buy, send, manage, and redeem gift cards using mobile devices. The final purchase consideration will vary based on contingent consideration which will be determined based on sales for the next three years. The acquisition is reported as part of the Network & Security Solutions segment. Refer to Note 9 Commitments and Contingencies of these consolidated financial statements for additional information regarding the liability for contingent consideration.

**2014 Dispositions**

On May 29, 2014, the Company completed the sale of its 30% minority interest in a transportation payments business, Electronic Funds Source LLC (EFS), which was reported as part of the Network & Security Solutions segment. The Company recognized a gain on sale of \$98 million recorded in Other income (expense) in the Consolidated Statements of Operations, comprised of \$264 million in cash reduced by its investment and associated deal costs of \$166 million, and recorded an income tax provision of \$7 million as a result of the final settlement of the sale.

**2013 Acquisitions**

In October 2013, the Company acquired Perka Inc., a provider of a mobile marketing and consumer loyalty solution. The acquisition is reported as part of the Global Business Solutions segment. Refer to Note 9 Commitments and Contingencies of these consolidated financial statements for additional information regarding the liability for

contingent consideration.

**2012 Acquisitions**

In April 2012, the Company acquired the remaining 30% noncontrolling interest in Omnipay, which was paid for in approximately two equal installments during April 2012 and April 2013. The acquisition is reported as part of the Global Business Solutions segment.

F-21

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In December 2012, the Company acquired 100% of Clover Network, Inc., a provider of payment network services for total consideration of \$54 million, net of cash acquired. The transaction consisted of net cash consideration of \$34 million as well as a series of contingent payments based on the achievement of specified sales targets. These contingent payments are classified as purchase consideration if made to outside investors and compensation if made to current and future employees. As part of the purchase price, the Company recorded a \$20 million liability for the contingent consideration due to outside investors based upon the net present value of the Company's estimate of the future payments. The acquisition is reported as part of the Global Business Solutions segment. Refer to Note 9

Commitments and Contingencies of these consolidated financial statements for additional information regarding the liability for contingent consideration.

**Note 4: Settlement Assets and Obligations**

Settlement assets and obligations result from the Company's processing services and associated settlement activities, including settlement of payment transactions. Settlement assets are generated principally from merchant services transactions. Certain merchant settlement assets that relate to settlement obligations accrued by the Company are held by partner banks to which the Company does not have legal ownership but has the right to use to satisfy the related settlement obligation. The Company records corresponding settlement obligations for amounts payable to merchants and for payment instruments not yet presented for settlement. The difference in the aggregate amount of such assets and liabilities is primarily due to unrealized net investment gains and losses, which are reported as OCI in equity.

The principal components of the Company's settlement assets and obligations are as follows:

(in millions)	As of December 31,	
	2014	2013
<b>Settlement assets:</b>		
<b>Current settlement assets:</b>		
Cash and cash equivalents	\$ 1,419	\$ 1,577
Investment securities	17	71
Due from card associations and bank partners	5,220	5,103
Due from merchants	899	791
	7,555	7,542
<b>Long-term settlement assets:</b>		
Investment securities	3	15
	\$ 7,558	\$ 7,557
<b>Settlement obligations:</b>		
<b>Current settlement obligations:</b>		
Payment instruments outstanding	\$ 82	\$ 164

Edgar Filing: FIRST DATA CORP - Form S-1

Card settlements due to merchants	7,475	7,389
	\$ 7,557	\$ 7,553

The changes in settlement assets and obligations are presented on a net basis within operating activities in the Consolidated Statements of Cash Flows. However, because the changes in the settlement assets balance exactly offset changes in settlement obligations, the activity nets to zero.

F-22

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 5: Derivative Financial Instruments**

The Company enters into the following types of derivatives:

Interest rate contracts:

Interest rate swaps: The Company uses interest rate swaps to mitigate the exposure to interest rate fluctuations on interest payments related to variable rate debt. The Company uses these contracts in non-qualifying hedging relationships.

Fixed to floating interest rate swaps: The Company uses fixed to floating interest rate swaps to maintain a desired ratio of fixed rate and floating rate debt. The Company uses these contracts in non-qualifying hedging relationships.

Foreign exchange contracts: The Company uses cross-currency swaps to protect the net investment in certain foreign subsidiaries and/or affiliates with respect to changes in foreign currency exchange rates. The Company uses these contracts in both qualifying and non-qualifying hedging relationships.

The Company held the following derivative instruments as of the dates indicated:

(in millions)	As of December 31,							
	2014				2013			
	Notional Currency	Notional Value	Assets (a)	Liabilities (a)	Notional Currency	Notional Value	Assets (a)	Liabilities (a)
<b>Derivatives designated as hedges of net investments in foreign operations:</b>								
Foreign exchange contracts	AUD	260	\$ 41	\$	AUD	215	\$ 15	\$ (16)
Foreign exchange contracts	EUR	200	27		EUR	200		(6)
Foreign exchange contracts	GBP	250	18		GBP	100		(8)
Foreign exchange contracts	CAD	110	9		CAD	75	2	
			95				17	(30)
<b>Derivatives not designated as hedging instruments:</b>								
Interest rate contracts	USD	5,750	47	(105)	USD	5,750	47	(120)
Foreign exchange contracts	EUR	22	1		EUR	22		(3)

48 (105) 47 (123)

\$ 143 \$ (105) \$ 64 \$ (153)

- (a) Of the balances included in the table above, in aggregate, \$142 million of assets and \$96 million of liabilities, net \$46 million, as of December 31, 2014 and \$64 million of assets and \$125 million of liabilities, net \$61 million, as of December 31, 2013 are subject to master netting agreements to the extent that the swaps are with the same counterparty. The terms of those agreements require that the Company net settle the outstanding positions at the option of the counterparty upon certain events of default.

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments is through January 2018.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Fair Value Measurement**

The carrying amounts for the Company's Derivative financial instruments are the estimated fair value of the financial instruments. The Company's derivatives are not exchange listed and therefore the fair value is estimated under an income approach using Bloomberg analytics models that are based on readily observable market inputs. These models reflect the contractual terms of the derivatives, such as notional value and expiration date, as well as market-based observables including interest and foreign currency exchange rates, yield curves, and the credit quality of the counterparties. The models also incorporate the Company's creditworthiness in order to appropriately reflect non-performance risk. Inputs to the derivative pricing models are generally observable and do not contain a high level of subjectivity and, accordingly, the Company's derivatives were classified within Level 2 of the fair value hierarchy. While the Company believes its estimates result in a reasonable reflection of the fair value of these instruments, the estimated values may not be representative of actual values that could have been realized or that will be realized in the near future.

**Effect of Derivative Instruments on the Consolidated Statements of Operations**

Derivative gains and (losses) were as follows for the periods indicated:

	Year ended December 31,					
	2014		2013		2012	
(in millions, pretax)	Interest Rate Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Foreign Exchange Contracts
<b>Derivatives in cash flow hedging relationships (a):</b>						
Gain (loss) reclassified from accumulated OCI into Interest expense in the Consolidated Statements of Operations	\$	\$	\$	\$	\$ (115)	\$
<b>Derivatives in net investment hedging relationships:</b>						
Gain (loss) recognized in OCI (effective portion)	\$	\$ 80	\$	\$ 14	\$	\$ (9)
<b>Derivatives not designated as hedging instruments</b>						
Gain (loss) recognized in Other income (expense) in the Consolidated Statements of Operations	\$ (3)	\$ 4	\$ (23)	\$ (2)	\$ (90)	\$ (2)

(a) No gain (loss) recognized in Consolidated Statements of Operations due to ineffectiveness.





Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Accumulated Derivative Gains and Losses**

The following table summarizes activity in other comprehensive income for the years ended December 31, 2014, 2013, and 2012 related to derivative instruments classified as cash flow hedges and a net investment hedge held by the Company:

<b>(in millions, after tax)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Accumulated loss included in other comprehensive income (loss) at beginning of the period	\$ (12)	\$ (21)	\$ (87)
Less: Reclassifications into earnings from other comprehensive income (loss), net of tax			72
	(12)	(21)	(15)
Increase (decrease) in fair value of derivatives that qualify for hedge accounting (a)	49	9	(6)
Accumulated gain (loss) included in other comprehensive income (loss) at end of the period	\$ 37	\$ (12)	\$ (21)

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

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 6: Borrowings**

(in millions)	As of December 31,	
	2014	2013
<b>Short-term borrowings</b>		
Foreign lines of credit and other arrangements	\$ 68	\$ 68
Senior secured revolving credit facility	10	
Total Short-term borrowings	78	68
<b>Current portion of long-term borrowings:</b>		
4.85% Unsecured notes due 2014, net of unamortized discount of \$0		4
4.95% Unsecured notes due 2015, net of unamortized discount of \$0	10	
Capital lease obligations	73	74
Total Current portion of long-term borrowings	83	78
Total Short-term and current portion of long-term borrowings	161	146
<b>Long-term borrowings:</b>		
Senior secured term loan facility due March 2017, net of unamortized discount of \$10 and \$23	1,451	2,658
Senior secured term loan facility due March 2018 (a), net of unamortized discount of \$45 and \$22	4,932	4,656
Senior secured term loan facility due September 2018 (a), net of unamortized discount of \$27 and \$27	981	981
Senior secured term loan facility due March 2021, net of unamortized discount of \$11	1,180	
7.375% Senior secured first lien notes due 2019, net of unamortized discount of \$19 and \$23	1,576	1,572
8.875% Senior secured first lien notes due 2020, net of unamortized discount of \$10 and \$12	500	498
6.75% Senior secured first lien notes due 2020 (b), net of unamortized discount of \$14 and \$25	1,383	2,124
8.25% Senior secured second lien notes due 2021, net of unamortized discount of \$11 and \$13	1,989	1,987
8.75% Senior secured second lien notes due 2022, net of unamortized discount of \$6 and \$6	994	994
12.625% Senior unsecured notes due 2021, net of unamortized discount of \$16 and \$19	2,984	2,981
10.625% Senior unsecured notes due 2021 (b), net of unamortized discount of \$16 and \$27	514	788
11.25% Senior unsecured notes due 2021 (b), net of unamortized discount of \$15 and \$27	495	758
11.25% Senior unsecured subordinated notes due 2016		750
11.75% Senior unsecured subordinated notes due 2021 (b), net of unamortized discount of \$11 and \$38	1,598	1,712

4.95% Unsecured notes due 2015, net of unamortized discount of \$1		9
Capital lease obligations	134	89
Total Long-term borrowings	20,711	22,557
Total Borrowings	\$ 20,872	\$ 22,703

- (a) Repriced and amended on July 18, 2014. See Senior Secured Term Loan Facility below for additional information.
- (b) Partially redeemed with proceeds of private placement on July 11, 2014 and July 21, 2014. See Debt Repurchase below for additional information.

---

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Foreign Lines of Credit and Other Arrangements**

FDC had approximately \$349 million and \$265 million available under short-term lines of credit and other arrangements with foreign banks and alliance partners primarily to fund settlement activity, as of December 31, 2014 and 2013, respectively. As of December 31, 2014, the Company had a \$150 million committed line of credit for one of its U.S. alliances and the remainder of these arrangements is 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. Of the amounts outstanding as of December 31, 2014 and 2013, \$67 million and \$68 million were uncommitted. The weighted average interest rate associated with these arrangements was 3.2% and 3.8% for the years ended December 31, 2014 and 2013, respectively. Commitment fees for the committed lines of credit range from 0.16% to 0.8%.

**Senior Secured Revolving Credit Facility**

As of December 31, 2014, FDC's senior secured revolving credit facility had commitments from financial institutions to provide approximately \$1.0 billion of credit. The revolving credit facility matures on September 24, 2016. FDC had \$10 million and \$0 million outstanding against this facility as of December 31, 2014 and 2013, respectively. Up to \$500 million of the senior secured revolving credit facility is available for letters of credit of which \$43 million and \$46 million of letters of credit were issued under the facility as of December 31, 2014 and 2013, respectively. As of December 31, 2014, \$964 million remained available.

Interest is payable at a rate equal to, at FDC's option, either (a) London Interbank Offered Rate (LIBOR) for deposits in the applicable currency plus an applicable margin or (b) the higher of (1) the prime rate of Credit Suisse and (2) the federal funds effective rate plus 0.50%, plus an applicable margin. The weighted-average interest rate was 5.14% and 5.25% for the years ended December 31, 2014 and 2013, respectively. The commitment fee rate for the unused portion of this facility is 0.75% per year.

**Senior Secured Term Loan Facility**

The Company has amounts outstanding under its senior secured term loan facility under separate tranches as described below. A portion of each tranche is denominated in euro with the exception of the September 2018 term loan. Interest is payable based upon LIBOR or euro LIBOR plus an applicable margin.

As of December 31, 2014, FDC held interest rate swaps to mitigate exposure to variability in interest payments on the outstanding variable rate senior secured term loan. Refer to Note 5 Derivative Financial Instruments of these consolidated financial statements for a discussion of the Company's derivatives.

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 debt modifications and amendments over the last several years, proceeds from the issuance of the notes were used to prepay portions of the principal balances of FDC's senior secured term loans which satisfied the future quarterly principal payments. Therefore, the Company made no scheduled principal payments during 2014 or 2013.

The senior secured term loan facility also requires mandatory prepayments based on a percentage of excess cash flow generated by FDC. All obligations under the senior secured loan facility are fully and unconditionally guaranteed by most of the domestic, wholly owned material subsidiaries of FDC, subject to certain exceptions.

---

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Senior Secured Term Loan Facility Due March 2017** On January 30, 2014, the Company amended its senior secured term loan facility (2017 Old Term Loan). Under the amendment, the Company extended the maturity of approximately \$941 million of its existing U.S. dollar-denominated term loans and approximately 154 million of its existing euro-denominated term loans, in each case, from March 24, 2017 to March 24, 2021. See the Senior Secured Term Loan Facility Due March 2021 (2021 Term Loan) section below.

The Company also incurred an aggregate principal amount of approximately \$1.4 billion in new U.S. dollar-denominated term loans and approximately 25 million in new euro-denominated term loans maturing on March 24, 2017 (2017 New Term Loan). The interest rate applicable to the 2017 New Term Loan is a rate equal to, at the Company's option, either (a) LIBOR for deposits in the applicable currency plus 350 basis points or (b) solely with respect to term loans denominated in U.S. dollars, a base rate plus 250 basis points. The Company used the proceeds from the incurrence of the 2017 New Term Loan to repay an equal amount outstanding on the 2017 Old Term Loan. The interest rate on the 2017 Old Term Loan was a rate per annum equal to, at the Company's option, LIBOR plus 400 basis points or a base rate plus 300 basis points.

Additionally, the Company incurred an aggregate principal amount of approximately \$63 million under the 2021 Term Loan and used the proceeds to repay an equal amount outstanding on the 2017 Old Term Loan.

**Senior Secured Term Loan Facility Due March 2018** On July 18, 2014, the Company incurred an aggregate principal amount of approximately \$4.6 billion in new U.S. dollar-denominated loans and approximately 311 million in new euro-denominated loans maturing on March 24, 2018 (March 2018 New Term Loan). The interest rate applicable to the March 2018 New Term Loan is a rate equal to, at the Company's option, either (a) LIBOR for deposits in the applicable currency plus 350 basis points or (b) solely with respect to term loans denominated in U.S. dollars, a base rate plus 250 basis points. The Company used a portion of the proceeds from the incurrence of the March 2018 New Term Loan to repay its outstanding term loans borrowings maturing on March 24, 2018 (March 2018 Old Term Loan), with approximately \$350 million in remaining aggregate principal amount of 2018 March New Term Loan to be used for general corporate purposes. The interest rate on the March 2018 Old Term Loan was a rate per annum equal to, at the Company's option, LIBOR plus 400 basis points or a base rate plus 300 basis points.

**Senior Secured Term Loan Facility Due September 2018** On July 18, 2014, the Company incurred an aggregate principal amount of approximately \$1.0 billion in new U.S. dollar-denominated term loans maturing on September 24, 2018 (September 2018 New Term Loan). The interest rate applicable to the September 2018 New Term Loan is a rate equal to, at the Company's option, either (a) LIBOR for the deposits in U.S. dollars plus 350 basis points or (b) a base rate plus 250 basis points. The Company used the proceeds from the incurrence of the September 2018 New Term Loan to repay outstanding U.S. dollar-denominated term loan borrowings maturing on September 24, 2018 (September 2018 Old Term Loan). The interest rate on the September 2018 Old Term Loan was a rate per annum equal to, at the Company's option, LIBOR plus 400 basis points or a base rate plus 300 basis points.

**Senior Secured Term Loan Facility Due March 2021** As discussed above, on January 30, 2014, the Company amended its 2017 Old Term Loan. Under the amendment, the Company extended the maturity of approximately \$941 million of its existing U.S. dollar-denominated term loans and approximately 154 million of its existing euro-denominated term loans, in each case, from March 24, 2017 to March 24, 2021.

The Company also incurred an aggregate principal amount of approximately \$63 million in new U.S. dollar-denominated term loans maturing on March 24, 2021 and used the proceeds to repay an equal amount outstanding on the 2017 Old Term Loan.



---

**Table of Contents**

**FIRST DATA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The interest rate applicable to the 2021 Term Loan is a rate equal to, at the Company's option, either (a) LIBOR for deposits in the applicable currency plus 400 basis points or (b) solely with respect to term loans denominated in U.S. dollars, a base rate plus 300 basis points.

**7.375% Senior Secured First Lien Notes**

FDC's 7.375% senior secured notes due June 15, 2019 require the payment of interest semi-annually on June 15 and December 15 of each year.

FDC may redeem these notes, in whole or in part, at any time prior to 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.

**8.875% Senior Secured First Lien Notes**

FDC's 8.875% senior secured notes due August 15, 2020 require the payment of interest semi-annually on February 15 and August 15 of each year.

FDC may redeem the notes, in whole or in part, at any time prior to August 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 an additional premium as defined. Thereafter, FDC may redeem the notes, in whole or in part, at established redemption prices, plus accrued and unpaid interest to the redemption date.

**6.75% Senior Secured First Lien Notes**

On July 21, 2014, the Company redeemed \$753 million aggregate principal of its 6.75% senior secured first lien notes due 2020, plus accrued and unpaid interest. Refer to "Debt Repurchase" below for additional information.

FDC's 6.75% senior secured notes due November 1, 2020 require the payment of interest semi-annually on May 1 and November 1 of each year.

FDC may redeem the notes, in whole or in part, at any time prior to November 1, 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.

**Senior Secured Second Lien Notes**

Interest on the 8.25% cash-pay notes is payable in cash and is payable semi-annually in arrears on January 15 and July 15. The 8.25% cash-pay notes mature on January 15, 2021.

Interest on the 8.75% senior secured second lien notes is payable in cash and is payable semi-annually in arrears on January 15 and July 15. The 8.75% senior secured second lien notes mature on January 15, 2022.

FDC may redeem the second lien notes, in whole or in part, at any time prior to January 15, 2016, at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, FDC may redeem the second lien notes, in whole or in part, at established redemption prices.

---

**Table of Contents**

**FIRST DATA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**12.625% Senior Unsecured Notes**

Interest on the 12.625% senior notes is payable in cash and is payable semi-annually in arrears on January 15 and July 15. The 12.625% senior notes mature on January 15, 2021.

FDC may redeem the senior unsecured notes, in whole or in part, at any time prior to January 15, 2016, at a price equal to 100% of the principal amount of the notes plus accrued and unpaid interest to the redemption date and a make-whole premium. Thereafter, FDC may redeem the senior notes, in whole or in part, at established redemption prices.

**10.625% Senior Unsecured Notes Due 2021**

On March 14, 2014, the Company completed an offer to exchange all of its 10.625% senior unsecured notes due 2021 for publicly tradable notes having substantially identical terms and guarantees, except that the exchange notes are freely tradable. There was no expenditure or receipt of cash associated with this exchange, other than the professional fees incurred in connection with the registration statement itself.

On July 21, 2014, the Company redeemed \$285 million aggregate principal of its 10.625% senior unsecured notes due 2021, plus accrued and unpaid interest. Refer to Debt Repurchase below for additional information.

Interest on the 10.625% senior notes is payable in cash and is payable semi-annually on February 15 and August 15. The 10.625% senior notes mature on June 15, 2021.

FDC may redeem the notes, in whole or in part, at any time prior to April 15, 2016, 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.

**11.25% Senior Unsecured Notes Due 2021**

On March 14, 2014, the Company completed an offer to exchange all of its 11.25% senior unsecured notes due 2021 for publicly tradable notes having substantially identical terms and guarantees, except that the exchange notes are freely tradable. There was no expenditure or receipt of cash associated with this exchange, other than the professional fees incurred in connection with the registration statement itself.

On July 21, 2014, the Company redeemed \$275 million aggregate principal of its 11.25% senior unsecured notes due 2021, plus accrued and unpaid interest. Refer to Debt Repurchase below for additional information.

Interest on the 11.25% senior notes is payable in cash and is payable semi-annually on May 15 and November 15. The 11.25% senior notes mature on January 15, 2021.

FDC may redeem the notes, in whole or in part, at any time prior to January 15, 2016, 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.

F-30

---

**Table of Contents**

**FIRST DATA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**11.25% Senior Unsecured Subordinated Notes Due 2016**

On January 6, 2014, the Company used proceeds from the issuance of its 11.75% senior unsecured subordinated notes due 2021, described below, together with cash on hand, to purchase for cash any and all outstanding 11.25% senior unsecured subordinated notes due 2016.

**11.75% Senior Unsecured Subordinated Notes Due 2021**

On January 6, 2014, FDC issued \$725 million aggregate principal amount of 11.75% senior unsecured subordinated notes due August 15, 2021. The notes were issued at 103.5% of par for a premium of \$25 million. The additional notes were treated as a single series with the existing 11.75% notes and will have the same terms as those of the existing 11.75% notes. The additional notes and the existing 11.75% notes will vote as one class under the indenture. FDC used the proceeds from the issue and sale of the additional notes, together with cash on hand, to redeem all of its outstanding 11.25% senior subordinated notes due 2016 and to pay related fees and expenses.

On March 14, 2014, the Company completed an offer to exchange all of its 11.75% senior unsecured notes due 2021 for publicly tradable notes having substantially identical terms and guarantees, except that the exchange notes are freely tradable. There was no expenditure or receipt of cash associated with this exchange, other than the professional fees incurred in connection with the registration statement itself.

On July 11, 2014, the Company redeemed \$866 million aggregate principal of its 11.75% senior unsecured subordinated notes due 2021, plus accrued and unpaid interest. Refer to [Debt Repurchase](#) below for additional information.

Interest on the 11.75% senior notes is payable in cash and is payable semi-annually on February 15 and August 15. The 11.75% senior notes mature on August 15, 2021.

FDC may redeem the notes, in whole or in part, at any time prior to May 15, 2016, 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.

**Other**

In October 2014, FDC paid off its 4.85% notes due 2014 for \$4 million.

**Related Financing Costs**

In connection with the January 2014 debt offering and repurchase and the January 2014 and July 2014 modifications to the senior secured term loan facility, the Company incurred lender fees and other expenses of approximately \$19 million.

**Debt Repurchase**

On July 11, 2014, First Data Holdings Inc., the direct parent company of the Company, completed a \$3.5 billion issuance of its common equity in a private placement. \$2.5 billion of the net proceeds were contributed to the Company as a capital contribution and the funds were used to repurchase a portion of the Company's outstanding 11.75% senior unsecured subordinated notes due 2021, 6.75% senior secured first lien notes due 2020, 10.625% senior unsecured notes due 2021, and 11.25% senior unsecured notes due 2021.

In connection with these transactions, the Company incurred debt extinguishment costs of \$260 million.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Maturities**

The following table presents the future aggregate annual maturities of long-term debt excluding unamortized discounts:

<b>Year ended December 31,</b>	<b>Par Amount</b>
<b>(in millions)</b>	
2015	\$ 83
2016	66
2017	1,512
2018	5,992
2019	1,597
Thereafter	11,755
<b>Total</b>	<b>\$ 21,005</b>

**Deferred Financing Costs**

Deferred financing costs were capitalized in conjunction with certain of FDC's debt issuances and totaled \$132 million and \$177 million, as of December 31, 2014 and 2013, respectively. Deferred financing costs are reported in the "Other long-term assets" line of the Consolidated Balance Sheets and are being amortized on a straight-line basis, which approximates the interest method, over the remaining term of the respective debt, with a weighted-average period of six years. In addition, lender fees associated with debt modifications and amendments were capitalized as discounts on the debt and are similarly being amortized on a straight-line basis, which approximates the effective interest method, over the remaining term of the respective debt.

**Guarantees and Covenants**

All obligations under the senior secured revolving credit facility and senior secured term loan facility are unconditionally guaranteed by most of the existing and future, direct and indirect, wholly owned, material domestic subsidiaries of FDC. The senior secured facilities contain a number of covenants that, among other things, restrict FDC's ability to incur additional indebtedness; create liens; enter into sale and leaseback transactions; engage in mergers or consolidations; sell or transfer assets; pay dividends and distributions or repurchase FDC's or its parent company's capital stock; make investments, loans or advances; prepay certain indebtedness; make certain acquisitions; engage in certain transactions with affiliates; amend material agreements governing certain indebtedness; and change its lines of business. The senior secured facilities also require FDC to not exceed a maximum senior secured leverage ratio and contain certain customary affirmative covenants and events of default, including a change of control. The senior secured term loan facility also requires mandatory prepayments based on a percentage of excess cash flow generated by FDC. FDC is in compliance with all applicable covenants.

All senior secured notes are guaranteed on a senior secured basis by each of FDC's existing and future direct and indirect wholly owned domestic subsidiaries that guarantees FDC's senior secured credit facilities. Each of the guarantees of the notes is a general senior obligation of each guarantor and rank senior in right of payment to all existing and future subordinated indebtedness of the guarantor subsidiary, including FDC's existing senior subordinated notes. The notes rank equal in right of payment with all existing and future senior indebtedness of the guarantor subsidiary but are effectively senior to the guarantees of FDC's existing senior unsecured notes and FDC's existing senior secured second lien notes to the extent of FDC's and the guarantor subsidiary's value of the collateral securing the notes. The 7.375% Senior Secured First Lien Notes, 8.875% Senior Secured First Lien Notes, and 6.75% Senior Secured First Lien Notes are effectively equal in right of



**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

payment with each other and the guarantees of FDC's senior secured credit facilities. Each series of notes are effectively subordinated to any obligations secured by liens permitted under the indenture for the particular series of notes and structurally subordinated to any existing and future indebtedness and other liabilities of any subsidiary of a guarantor that is not also a guarantor of the notes.

All senior unsecured notes (i) rank senior in right of payment to all of FDC's existing and future subordinated indebtedness, (ii) rank equally in right of payment to all of the existing and future senior indebtedness, (iii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt, and (iv) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior notes.

The senior subordinated notes are unsecured and (i) rank equally in right of payment with all of the existing and future senior subordinated debt; (ii) rank senior in right of payment to all future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the senior subordinated notes; (iii) are effectively subordinated in right of payment to all existing and future secured debt to the extent of the value of the assets securing such debt; (iv) are subordinated in right of payment to all existing and future senior indebtedness; and (v) are structurally subordinated to all obligations of each subsidiary that is not a guarantor of the senior subordinated notes.

The notes are similarly guaranteed in accordance with their terms by each of FDC's domestic subsidiaries that guarantee obligations under FDC's senior secured term loan facility described in more detail in Note 17 Supplemental Guarantor Condensed Consolidating Financial Statements of these consolidated financial statements.

All obligations under the senior secured notes, senior secured second lien notes, senior unsecured notes, and senior unsecured subordinated notes also contain a number of covenants similar to those described for the senior secured obligations noted above. FDC is in compliance with all applicable covenants.

**Fair Value Measurement**

As of December 31, 2014 and 2013, the fair value of the Company's long-term borrowings was \$22.1 billion and \$24.0 billion, respectively. The estimated fair value of the Company's long-term borrowings was primarily based on market trading prices and is considered to be a Level 2 measurement.

**Note 7: Supplemental Financial Information****Supplemental Consolidated Statements of Operations Information**

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

(in millions)	Year ended December 31,		
	2014	2013	2012

Edgar Filing: FIRST DATA CORP - Form S-1

Investment gains and (losses)	\$ 100	\$ 2	\$ (8)
Derivative financial instruments gains and (losses)		(24)	(91)
Divestitures, net	2	(5)	
Non-operating foreign currency gains and (losses)	59	(20)	5
Other income (expense)	\$ 161	\$ (47)	\$ (94)

F-33

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Supplemental Consolidated Balance Sheet Information**

(in millions)	As of December 31,	
	2014	2013
<b>Other current assets:</b>		
Prepaid expenses	\$ 75	\$ 142
Inventory	90	87
Other	124	116
<b>Total Other current assets</b>	<b>\$ 289</b>	<b>\$ 345</b>
<b>Property and equipment:</b>		
Land	\$ 83	\$ 85
Buildings	342	326
Leasehold improvements	55	54
Equipment and furniture	1,290	1,164
Equipment under capital lease	393	370
<b>Property and equipment</b>	<b>2,163</b>	<b>1,999</b>
<b>Less: Accumulated depreciation</b>	<b>(1,233)</b>	<b>(1,150)</b>
<b>Total Property and equipment, net of accumulated depreciation</b>	<b>\$ 930</b>	<b>\$ 849</b>
<b>Other current liabilities:</b>		
Accrued interest expense	\$ 443	\$ 539
Other accrued expenses	559	529
Other	531	563
<b>Total Other current liabilities</b>	<b>\$ 1,533</b>	<b>\$ 1,631</b>

**Note 8: Related Party Transactions****Merchant Alliances**

A substantial portion of the Company's business within the Global Business Solutions segment is conducted through merchant alliances. Merchant alliances are alliances between the Company and financial institutions. If the Company has majority ownership and management control over an alliance, then the alliance's financial statements are consolidated with those of the Company and the related processing fees are treated as an intercompany transaction and eliminated upon consolidation. If the Company does not have a controlling ownership interest in an alliance, it uses the equity method of accounting to account for its investment in the alliance. As a result, the Company's consolidated

revenues include processing fees charged to alliances accounted for under the equity method. No directors or officers of the Company have ownership interests in any of the alliances. The formation of each of these alliances generally involves the Company and the bank contributing contractual merchant relationships to the alliance and a cash payment from one owner to the other to achieve the desired ownership percentage for each. The Company and the bank enter into a long-term processing service agreement as part of the negotiation process. This agreement governs the Company's provision of transaction processing services to the alliance.

### **Management Agreement**

In connection with the acquisition of the Company by affiliates of Kohlberg Kravis Roberts & Co. L.P. (KKR), First Data entered into a management agreement with KKR and one of its affiliates (the Management Agreement) pursuant to which KKR provides advisory services to the Company and receives fees and

**Table of Contents**

**FIRST DATA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

reimbursements of related out-of-pocket expenses. The Management Agreement terminates automatically upon the consummation of an initial public offering, including this offering, unless KKR determines otherwise, and in the event of such a termination the Company would be required to pay to KKR a termination fee based on the net present value of future payment obligations under the Management Agreement. During each of 2014, 2013, and 2012, the Company paid \$20 million of management fees to KKR.

**Relationship with KKR Capital Markets**

In 2014, 2013, and 2012, KKR Capital Markets LLC, an affiliate of KKR, acted as an arranger and bookrunner for various financing transactions under the existing credit agreements, and as an initial purchaser of certain existing notes issued by the Company, and received underwriter and transaction fees totaling \$4 million, \$10 million, and \$8 million, respectively.

In 2014, KKR Capital Markets LLC also acted as a placement agent in the private placement of shares of Holdings Class B common stock and received \$41 million for such services.

**Relationship with KKR Credit**

Since 2012, investment funds or accounts managed or advised by the global credit business of KKR (KKR Credit) were participating lenders under the Company's existing credit agreements. For the year ended December 31, 2014, the Company made aggregate principal payments of \$36 million and interest and administrative fee payments of \$27 million. Since 2012, investment funds or accounts managed or advised by KKR Credit were also holders of notes issued by the Company and as of December 31, 2014, the Company had paid principal payments of \$109 million and interest (including accrued and unpaid interest) and administrative fee payments of \$20 million.

As of December 31, 2014, investment funds or accounts managed or advised by KKR Credit held a portion of the various existing term loans and notes issued by the Company.

**Relationship with KKR Capstone**

First Data has historically utilized KKR Capstone, a consulting company that works exclusively with KKR's portfolio companies, for consulting services, and paid to KKR Capstone related fees and expenses. References to "KKR Capstone" are to KKR Capstone Americas LLC and their affiliates, which are owned and controlled by their senior management team. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the "KKR" name under license from KKR.

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 9: Commitments and Contingencies****Operating Leases**

The Company leases certain of its facilities and equipment under operating lease agreements, substantially all of which contain renewal options and escalation provisions. The following table presents the amounts associated with total rent expense for operating leases:

**Year ended December 31,**

<b>(in millions)</b>	<b>Amount</b>
2014	\$ 77
2013	76
2012	72

Future minimum aggregate rental commitments as of December 31, 2014 under all noncancelable operating leases, net of sublease income are due in the following years:

**Year ended December 31,**

<b>(in millions)</b>	<b>Amount</b>
2015	\$ 60
2016	54
2017	43
2018	37
2019	32
Thereafter	77
<b>Total</b>	<b>\$ 303</b>

Sublease income is earned from leased space and leased equipment which FDC concurrently subleases to third parties with comparable time periods. As of December 31, 2014, sublease amounts totaled \$5 million in FDC obligations. In addition, the Company has certain guarantees imbedded in leases and other agreements wherein the Company is required to relieve the counterparty in the event of changes in the tax code or rates. The Company believes the fair value of such guarantees is insignificant due to the likelihood and extent of the potential changes.

**Letters of Credit**

The Company has \$43 million in outstanding letters of credit as of December 31, 2014, all of which were issued under the Company's senior secured revolving credit facility and expire prior to December 10, 2015 with a one-year renewal option. The letters of credit are held in connection with lease arrangements, bankcard association agreements, and other security agreements. The Company expects to renew most of the letters of credit prior to expiration.

### **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.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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 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 \$30 million for patent infringement, \$0 to \$60 million for merchant customer matters and \$0 to \$5 million for other matters, resulting in a total estimated range of possible losses of \$0 to \$95 million for all of the matters described above.

The estimated range of reasonably possible losses is based on information currently available and involves elements of judgment and significant uncertainties. As additional information becomes available and the resolution of the uncertainties becomes 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.

**Contingent Consideration**

Over the past three years, the Company completed three acquisitions in which contingent consideration was recorded. The transactions called for cash consideration as well as contingent payments for achievement of certain milestones. As part of the purchase price, the Company recorded a \$29 million liability for the contingent consideration. This fair value measurement represents a Level 3 measurement as it is based on significant inputs not observable in the market. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date. The primary assumption is the estimated number of merchant locations that will be using the software or technology in the next three years. Refer to Note 3 Acquisitions and Dispositions of these consolidated financial statements for additional information regarding these acquisitions.

The following table provides the roll forward of contingent consideration measured at Level 3:

(in millions)	<b>Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Contingent consideration</b>	
Beginning balance as of January 1, 2013	\$	26



Initial estimate of contingent consideration		
Contingent consideration payments		
Change in fair value of contingent consideration		
Ending balance as of December 31, 2013		26
Initial estimate of contingent consideration		3
Contingent consideration payments		
Change in fair value of contingent consideration		
Ending balance as of December 31, 2014	\$	29

F-37

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 10: First Data Corporation Stockholder's Equity and Redeemable Noncontrolling Interest****Dividends**

The Company's senior secured revolving credit facility, senior secured term loan facility, and the indentures governing the senior secured notes, senior unsecured notes, and senior subordinated notes limit the Company's ability to pay dividends. The restrictions are subject to numerous qualifications and exceptions, including an exception that allows the Company to pay a dividend to repurchase, under certain circumstances, the equity of Parent held by employees, officers and directors that were obtained in connection with the stock compensation plan. The Company paid cash dividends to its parent, FDH, totaling \$686 million during 2014, \$28 million during 2013, and \$7 million during 2012.

**Other Comprehensive Income**

The income tax effects allocated to and the cumulative balance of each component of OCI are as follows:

(in millions)	Beginning Balance	Pretax Gain (Loss) Amount	Tax (Benefit) Expense	Net-of- Tax Amount	Ending Balance
<b><u>As of December 31, 2014</u></b>					
Unrealized gains (losses) on securities	\$ 2	\$ (7)	\$	\$ (7)	\$ (5)
Foreign currency translation adjustment (a)	(504)	(298)	(1)	(297)	(801)
Pension liability adjustments	(87)	(35)	1	(36)	(123)
	\$ (589)	\$ (340)	\$	\$ (340)	\$ (929)
<b><u>As of December 31, 2013</u></b>					
Unrealized gains on securities	\$ 1	\$ 2	\$ 1	\$ 1	\$ 2
Foreign currency translation adjustment (a)	(426)	(103)	(25)	(78)	(504)
Pension liability adjustments	(127)	64	24	40	(87)
	\$ (552)	\$ (37)	\$	\$ (37)	\$ (589)
<b><u>As of December 31, 2012</u></b>					
Unrealized gains on securities	\$ 1	\$	\$	\$	\$ 1
Unrealized gains (losses) on hedging activities	(72)	115	43	72	
Foreign currency translation adjustment (a)	(439)	29	16	13	(426)
Pension liability adjustments	(88)	(62)	(23)	(39)	(127)
	\$ (598)	\$ 82	\$ 36	\$ 46	\$ (552)

- (a) Net-of-tax Foreign currency translation adjustment for the years ended December 31, 2014, 2013, and 2012 is different than the amount presented on the Consolidated Statements of Comprehensive Income (Loss) by \$(11) million, \$1 million, and \$3 million, respectively, due to the foreign currency translation adjustment related to noncontrolling interests not included above.

F-38

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Redeemable Noncontrolling Interest**

The following table presents a summary of the redeemable noncontrolling interest activity in 2014 and 2013:

<b>(in millions)</b>	<b>Redeemable Noncontrolling Interest</b>
Balance as of January 1, 2013	\$ 68
Distributions	(35)
Share of income	34
Adjustment to redemption value of redeemable noncontrolling interest	2
Balance as of December 31, 2013	69
Distributions	(35)
Share of income	34
Adjustment to redemption value of redeemable noncontrolling interest	2
Balance as of December 31, 2014	\$ 70

**Note 11: Stock Compensation Plans**

The Company's parent, FDH, has a stock incentive plan for employees of FDC and its affiliates (stock plan). The stock plan provides the opportunity for certain employees to purchase shares in FDH and then receive a number of options or restricted stock based on a multiple of their investment in such shares. The plan also allows for the Company to award shares and options to employees. The participants of the stock plan enter into a management stockholders agreement. Principal terms of the management stockholders agreement include restrictions on transfers, lock ups, right of first refusal, registration rights, and a confidentiality, non-solicitation and non-compete covenant. The expense associated with this plan is recorded by FDC. The number of shares authorized under the stock plan was 180 million as of December 31, 2014.

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

The Company defers recognition of substantially all of the stock-based compensation expense related to stock options and non-vested restricted stock awards and units. Due to the nature of call rights associated with stock options, the Company will recognize expense related to most options only upon certain liquidity or employment termination events. The nature of the call rights associated with stock options creates a performance condition that is not considered probable until the occurrence of one of the events described above. The call rights create a performance

condition as they allow FDH to repurchase options at the lesser of the fair value or the exercise price upon an option holder's voluntary termination.

Stock-based compensation expense will be recognized related to certain restricted stock awards and units only upon a liquidity or employment termination event which triggers vesting. For the remaining awards that vest based solely on service conditions, expense is recognized over the requisite service period.

Under certain circumstances, the Company may redeem common stock held by its employees on behalf of its parent company, FDH.

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Total stock-based compensation expense recognized in the Selling, general, and administrative line item of the Consolidated Statements of Operations resulting from stock options, non-vested restricted stock awards, and non-vested restricted stock units was as follows:

**Year ended December 31,**

<b>(in millions)</b>	<b>Amount</b>
2014	\$ 51
2013	39
2012	12

During 2014, approximately \$37 million of stock-based compensation expense was recognized as a result of the departure of certain executive officers. During 2013, approximately \$20 million of stock-based compensation expense was recognized as a result of granting an executive officer shares of common stock of FDH and fully vested restricted stock units.

The Company has a deferred compensation plan for non-employee directors that allows each of these directors to defer their annual compensation. The plan is unfunded. For purposes of determining the investment return on the deferred compensation, each director's account is treated as if credited with a number of shares of FDH stock determined by dividing the deferred compensation amount by the first Board approved fair value of the stock during the year. The account balance will be paid in cash upon termination of Board service, certain liquidity events or other certain events at the fair value of the stock at the time of settlement. Due to the cash settlement provisions, the account balances are recorded as a liability and are adjusted to fair value quarterly. As of December 31, 2014 and 2013, the balance of this liability was \$1 million.

**Stock Options**

During the years ended December 31, 2014, 2013, and 2012, time-based options were granted under the stock plan. The time-based options have a contractual term of 10 years. Time-based options vest equally over a three to five year period from the date of issuance. The outstanding time-based options also have certain accelerated vesting provisions that become effective upon a change in control, a qualified public offering, or certain termination events.

As of December 31, 2014, there was approximately \$154 million of total unrecognized compensation expense related to non-vested stock options that will only be recognized upon a qualified public offering or certain liquidity or employment termination events.

During 2014, 2013, and 2012, FDH paid \$15 million, \$22 million, and \$3 million, respectively, to repurchase shares from employees that terminated employment with the Company.

The fair value of FDH stock options granted for the years ended December 31, 2014, 2013, and 2012 were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Risk-free interest rate	2.24%	1.40%	1.45%
Dividend yield			
Volatility	50.45%	56.61%	51.77%
Expected term (in years)	7	7	7
Fair value of stock	\$ 4.00	\$ 3.50	\$ 3.00
Fair value of options	\$ 2.14	\$ 1.99	\$ 1.60

F-40

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

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

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

*Fair value of stock* The Company determined the fair value based on discounted cash flows and comparison to a group of guideline companies.

A summary of FDH stock option activity for the year ended December 31, 2014 is as follows:

<b>(options in millions)</b>	<b>Options</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Term</b>
Outstanding as of January 1, 2014	91	\$ 3.28	
Granted	16	\$ 4.00	
Exercised	(2)	\$ 3.03	
Cancelled / Forfeited	(2)	\$ 3.24	
Outstanding as of December 31, 2014	103	\$ 3.40	7 years
Options exercisable as of December 31, 2014	45	\$ 3.13	6 years

The total intrinsic value and amount paid related to stock options exercised during the twelve months ended December 31, 2014, 2013, and 2012 was \$2 million, \$3 million, and \$0 million, respectively.

**Restricted Stock Awards and Restricted Stock Units**

In the first quarter of 2014, FDH expanded participation in the plan by granting 31 million restricted stock awards to substantially all of the Company's employees. The restrictions on a majority of these awards will lapse upon the later of three years or following an initial public offering or upon certain employment termination events. For the



remainder of these awards, the restrictions will lapse following an initial public offering or upon certain employment termination events.

Restricted stock awards and units were granted under the stock plan during 2014, 2013, and 2012. Grants were made as incentive awards. The restrictions on the awards granted will lapse upon a qualified public offering, a change in control or certain employment termination or liquidity events. As of December 31, 2014 there was approximately \$172 million of total unrecognized compensation expense related to restricted stock. Approximately \$3 million will be recognized over a period of approximately one year with the remainder recognized upon the occurrence of certain liquidity or employment termination events.

During 2014, 2013, and 2012, the Company paid \$5 million, \$6 million, and \$2 million, respectively, to repurchase stock awards from employees that terminated employment with the Company.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of FDH restricted stock award and restricted stock unit activity for the year ended December 31, 2014 is as follows:

(awards/units in millions)	Awards/Units	Weighted-Average Grant-Date Fair Value
Non-vested as of January 1, 2014	17	\$ 3.18
Granted	37	\$ 4.00
Vested	(4)	\$ 3.18
Cancelled / Forfeited	(4)	\$ 3.81
Non-vested as of December 31, 2014	46	\$ 3.79

The total fair value of shares vested (measured as of the date of vesting) during the twelve months ended December 31, 2014, 2013, and 2012 was \$15 million, \$18 million, and \$3 million, respectively.

**Note 12: Employee Benefit Plans****Defined Contribution Plans**

FDC maintains defined contribution savings plans covering virtually all of the Company's U.S. employees and defined contribution pension plans for international employees primarily in the United Kingdom and Australia. The plans provide tax-deferred amounts for each participant, consisting of employee elective contributions, Company matching and discretionary Company contributions. As of January 1, 2014, the Company suspended matching contributions for all U.S. participants. As a result, the U.S. Plan is no longer a safe harbor plan.

The following table presents the aggregate amounts charged to expense in connection with these plans:

**Year ended December 31,**

(in millions)	Amount
2014	\$ 15
2013	46
2012	45

**Defined Benefit Plans**

The Company has defined benefit pension plans which are frozen and covers certain full-time employees in the United Kingdom and the U.S. The Company also has separate plans covering certain employees located primarily in Germany, Greece, and Austria.

The Company uses December 31 as the measurement date for its plans.

F-42

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table provides a reconciliation of the changes in the plans' projected benefit obligations and fair value of assets for the years ended December 31, 2014 and 2013, as well as a statement of the funded status as of the respective period ends.

<b>(in millions)</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>
Change in benefit obligation		
Benefit obligation at beginning of period	\$ 909	\$ 909
Service costs	5	3
Interest costs	41	37
U.K. plan benefit curtailment gain		(11)
Actuarial loss (gain)	142	(10)
Benefits paid	(33)	(31)
Foreign currency translation	(44)	12
Benefit obligation at end of period	1,020	909
Change in plan assets		
Fair value of plan assets at the beginning of period	910	806
Actual return on plan assets	153	82
Company contributions	15	37
Benefits paid	(33)	(30)
Foreign currency translation	(46)	15
Fair value of plan assets at end of period	999	910
Funded status of the plans	\$ (21)	\$ 1

<b>(in millions)</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>
U.K. plan:		
Plan benefit obligations	\$ (755)	\$ (682)
Fair value of plan assets	836	756
Net pension assets (a)	81	74
U.S. and other foreign plans:		
Plan benefit obligations	(265)	(227)
Fair value of plan assets	163	154

Net pension liabilities (b)	(102)	(73)
Funded status of the plans	\$ (21)	\$ 1

(a) Pension assets are included in Other long-term assets of the Consolidated Balance Sheets.

(b) Pension liabilities are included in Other long-term liabilities of the Consolidated Balance Sheets.

The accumulated benefit obligation for all defined benefit pension plans was \$1.0 billion and \$909 million as of December 31, 2014 and 2013, respectively.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the activity in other comprehensive income, net of tax:

<b>(in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total unrecognized loss included in accumulated other comprehensive income at the beginning of period	\$ (87)	\$ (127)	\$ (88)
Unrecognized (loss) gain arising during the period	(38)	31	(40)
U.K. plan curtailment gain		7	
Amortization of deferred losses to net periodic benefit expense (a)	2	2	1
Total unrecognized loss included in accumulated other comprehensive income at end of period	\$ (123)	\$ (87)	\$ (127)

(a) Expected amortization of deferred losses to net periodic benefit expense in 2015 is \$3 million pretax. Amounts recorded in other comprehensive income represent unrecognized net actuarial gains and losses. The Company does not have net transition assets or obligations.

The following table provides the components of net periodic benefit cost for the plans:

<b>(in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Service costs	\$ 5	\$ 3	\$ 5
Interest costs	41	37	38
Expected return on plan assets	(50)	(44)	(45)
Amortization	2	4	2
Net periodic benefit expense	\$ (2)	\$	\$

**Assumptions** The weighted-average rate assumptions used in the measurement of the Company's benefit obligations are as follows:

	<b>As of December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Discount rate	3.67%	4.56%	4.29%

Rate of compensation increase (a) 1.89% 1.70% 3.95%

(a) The rate of compensation increases generally apply to active plans.

The weighted-average rate assumptions used in the measurement of the Company's net cost were as follows:

	Year ended December 31,		
	2014	2013	2012
Discount rate	4.27%	4.06%	4.71%
Expected long-term return on plan assets	5.47%	5.55%	6.11%
Rate of compensation increase (a)	2.08%	1.96%	3.60%

(a) The rate of compensation increases generally apply to active plans.

---

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company employs a building block approach in determining the long-term rate of return for plan assets with proper consideration of diversification and re-balancing. Historical markets are studied and long-term historical relationships between equities and fixed-income securities are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are reviewed to check for reasonableness and appropriateness. All assumptions are the responsibility of management.

**Plan assets** The Company employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities and plan funded status. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S. and global equity investments. In addition, private equity securities comprise a very small part of the equity allocation. The fixed income allocation is a combination of fixed income investment strategies designed to contribute to the total rate of return of all plan assets while minimizing risk and supporting the duration of plan liabilities. The Company's pension plan target allocation for the U.S. plans based on the investment policy as of December 31, 2014 was 40% equity securities and 60% debt securities.

Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews, annual liability measurements, and periodic asset and liability studies. The general philosophy of the Benefit Committee in setting the allocation percentages for the domestic plan is to adhere to the appropriate allocation mix necessary to support the underlying plan liabilities as influenced significantly by the demographics of the participants and the frozen nature of the plan.

The goal of the Board of Trustees of the United Kingdom plan is the acquisition of secure assets of appropriate liquidity, which are expected to generate income and capital growth to meet, together with new contributions from the Company, the cost of current and future benefits, as set out in the Trust Deed and Rules. The Trustees, together with the plan's consultants and actuaries, further design the asset allocation to limit the risk of the assets failing to meet the liabilities over the long term. The Trustees approach to the investment strategy is to allocate the assets into two pools: 1) Off-risk assets whereby the focus is risk management, protection, and insurance relative to the liability target invested in, but not limited to, debt, United Kingdom government bonds, and United Kingdom government index-linked bonds; and 2) On-risk assets whereby the focus is on return generation and taking risk in a controlled manner. Such assets could include equities, government bonds, high-yield bonds, property, commodities, or hedge funds. The target allocation for this plan is 40% off-risk assets and 60% on-risk assets.



Table of Contents

## FIRST DATA CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**Fair value measurements** Financial instruments included in plan assets carried and measured at fair value on a recurring basis are classified in the table below:

(in millions)	As of December 31, 2014			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments:				
Cash and cash equivalents	\$ 9	\$	\$	\$ 9
Registered investment companies:				
Cash management fund	1			1
Equity funds	65			65
Fixed income funds		266		266
Fixed income securities		48		48
Private investment funds redeemable (a)	165	441		606
Insurance annuity contracts			4	4
Total investments at fair value	\$ 240	\$ 755	\$ 4	\$ 999

(a) 39% of portfolio is invested in equity index funds, 44% in fixed income investments, 6% in cash and cash equivalents, and 11% in other investments.

(in millions)	As of December 31, 2013			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments:				
Cash and cash equivalents	\$ 1	\$	\$	\$ 1
Registered investment companies:				
Cash management fund	3			3
Equity funds	69			69
Fixed income securities		40		40
Private investment funds redeemable (a)		793		793

Insurance annuity contracts				4	4
Total investments at fair value	\$ 73	\$ 833	\$ 4	\$ 910	

F-46

Table of Contents

## FIRST DATA CORPORATION

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (a) 35% of portfolio is invested in equity index funds, 61% in fixed income investments, 3% in cash and cash equivalents, and 1% in other investments.

(in millions)	<b>Fair Value Measurement Using Significant Unobservable Inputs (Level 3) Insurance annuity contracts</b>	
Beginning balance as of January 1, 2013	\$	3
Actual return on plan assets		1
Settlements		
Ending balance as of December 31, 2013		4
Actual return on plan assets		
Settlements		
Ending balance as of December 31, 2014	\$	4

**Registered investment companies** The Company's domestic and United Kingdom plans have investments in shares of mutual funds, primarily large cap, international, and global equity funds, that are registered with the Securities and Exchange Commission. Prices of these funds are based on Net Asset Values (NAV) calculated by the funds and are publicly reported on national exchanges. The plan measures fair value of these investments using the NAV provided by the fund managers.

**Fixed income securities** The Company's domestic plan has investments in several fixed income securities, primarily corporate bonds. The bonds were valued under a market approach using observable inputs including reported trades, benchmark yields, broker/dealer quotes, issuer spreads, and other standard inputs.

**Private investment funds redeemable** The Company's domestic and United Kingdom plans are invested in shares or units of several private investment funds, not the underlying assets. Redeemable private investment funds include collective trusts, comingled funds, pooled funds, limited partnerships, and limited liability corporations. The funds calculate NAV on a periodic basis and are available only from the fund managers. Private investment funds are redeemable at the NAV.

**Insurance annuity contracts** The Company's United Kingdom Plan is invested in several insurance annuity contracts. The value of these contracts is calculated by estimating future payments and discounting them to present value. As a result, there is no market for the Plan to exit these investments.

**Contributions** Contributions to the plans in 2015 are expected to be approximately \$14 million.

The estimated future benefit payments, which reflect expected future service, are expected to be as follows:

**Year ended December 31,**

<b>(in millions)</b>	<b>Amount</b>
2015	\$ 29
2016	30
2017	31
2018	33
2019	34
2020-2024	186

F-47

**Table of Contents**

**FIRST DATA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company's post-retirement health care and other insurance benefits for retired employees are limited and immaterial.

**Note 13: Segment Information**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by a company's chief operating decision maker (CODM), or decision-making group, in deciding how to allocate resources and in assessing performance. First Data's CODM is its Chief Executive Officer. The Company is organized into three segments: Global Business Solutions, Global Financial Solutions, and Network & Security Solutions.

The presentation of the 2014, 2013 and 2012 consolidated statements of operations and have been revised to correctly classify \$88 million, \$91 million, and \$81 million of Independent Sales Organization (ISO) commissions expenses, respectively, as Selling, general and administrative expense. Previously, these costs were included in Cost of services and Cost of products sold. The impact of these revisions was not considered to be material to previously issued consolidated financial statements and had no effect on net loss, equity, or cash flows in any previously issued consolidated financial statements.

The business segment measurements provided to and evaluated by the CODM are computed in accordance with the principles listed below.

The accounting policies of the operating segments are the same as those described in Note 1 Summary of Significant Accounting Policies.

Intersegment revenues are eliminated in the segment that sells directly to the end market.

Segment revenue excludes reimbursable debit network fees, postage, and other revenue.

Segment earnings before net interest expense, income taxes, depreciation and amortization (EBITDA) includes equity earnings in affiliates and excludes depreciation and amortization expense, net income attributable to noncontrolling interests, other operating expenses, and other income (expense). Additionally, segment EBITDA is adjusted for items similar to certain of those used in calculating the Company's compliance with debt covenants. The additional items that are adjusted to determine segment EBITDA are:

stock based compensation and related expense is excluded;

official check and money order businesses EBITDA are excluded as these are winding down;

certain costs directly associated with the termination of the Chase Paymentech Solutions alliance, and expenses related to the conversion of certain BAMS alliance merchant clients onto the Company's platforms (excludes costs accrued in purchase accounting). Effective October 1, 2011, First Data and Bank of America N.A. (the Bank) jointly decided to have First Data operate the Bank's legacy settlement platform. Transition costs associated with the revised strategy are also excluded from segment EBITDA;

debt issuance costs are excluded and represent costs associated with issuing debt and modifying the Company's debt structure; and

KKR related items include annual sponsor and other fees for management, consulting, financial, and other advisory services are excluded.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For significant affiliates, segment revenue and EBITDA are reflected based on the Company's proportionate share of the results of its investments in businesses accounted for under the equity method and consolidated subsidiaries with noncontrolling ownership interests. For other affiliates, the Company includes equity earnings in affiliates, excluding amortization expense, in segment revenue and EBITDA. In addition, the Company's Global Business Solutions segment measures reflect revenue-based commission payments to ISOs and sales channels which are treated as an expense in the Consolidated Statements of Operations, as contra revenue to be consistent with revenue share arrangements with other ISOs and sales channels that are recorded as contra revenue.

Corporate operations include corporate-wide governance functions such as our executive management team, aviation, tax, treasury, internal audit and corporate strategy and certain accounting, human resources and legal costs related to supporting the corporate function. Costs incurred by Corporate that are attributable to a segment are allocated to the respective segment.

The following tables present the Company's operating segment results for the years ended December 31, 2014, 2013, and 2012:

(in millions)	Year ended December 31, 2014				Totals
	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	
<b>Revenues:</b>					
Transaction and processing service fees	\$ 3,250	\$ 1,313	\$ 1,277	\$	\$ 5,840
Product sales and other	766	176	92		1,034
Equity earnings in affiliates	30				30
<b>Total segment revenues</b>	<b>\$ 4,046</b>	<b>\$ 1,489</b>	<b>\$ 1,369</b>	<b>\$</b>	<b>\$ 6,904</b>
Depreciation and amortization	\$ 518	\$ 401	\$ 90	\$ 23	\$ 1,032
<b>Segment EBITDA</b>	<b>1,687</b>	<b>529</b>	<b>608</b>	<b>(161)</b>	<b>2,663</b>
Other operating expenses and other income (expense) excluding divestitures	38	(3)	96	15	146
Equity earnings in affiliates	216		4		220

(in millions)	Year ended December 31, 2013				Totals
	Global Business	Global Financial	Network & Security	Corporate	

Edgar Filing: FIRST DATA CORP - Form S-1

	<b>Solutions</b>	<b>Solutions</b>	<b>Solutions</b>		
<b>Revenues:</b>					
Transaction and processing service fees	\$ 3,197	\$ 1,217	\$ 1,284	\$	\$ 5,698
Product sales and other	709	167	78		954
Equity earnings in affiliates	32				32
<b>Total segment revenues</b>	<b>\$ 3,938</b>	<b>\$ 1,384</b>	<b>\$ 1,362</b>	<b>\$</b>	<b>\$ 6,684</b>
Depreciation and amortization	\$ 543	\$ 424	\$ 107	\$ 17	\$ 1,091
Segment EBITDA	1,644	404	549	(148)	2,449
Other operating expenses and other income (expense) excluding divestitures	36	(10)	(5)	(118)	(97)
Equity earnings in affiliates	185		3		188

F-49



**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	Year ended December 31, 2012				Totals
	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	
<b>Revenues:</b>					
Transaction and processing service fees	\$ 3,090	\$ 1,220	\$ 1,341	\$	\$ 5,651
Product sales and other	744	186	65		995
Equity earnings in affiliates	36				36
<b>Total segment revenues</b>	<b>\$ 3,870</b>	<b>\$ 1,406</b>	<b>\$ 1,406</b>	<b>\$</b>	<b>\$ 6,682</b>
Depreciation and amortization	\$ 626	\$ 449	\$ 89	\$ 21	\$ 1,185
<b>Segment EBITDA</b>	<b>1,606</b>	<b>370</b>	<b>585</b>	<b>(125)</b>	<b>2,436</b>
Other operating expenses and other income (expense) excluding divestitures	(43)	(15)	1	(65)	(122)
Equity earnings in affiliates	153		5		158

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

(in millions)	Year ended December 31,		
	2014	2013	2012
<b>Total segment revenues</b>	<b>\$ 6,904</b>	<b>\$ 6,684</b>	<b>\$ 6,682</b>
<b>Adjustments to reconcile to consolidated revenues:</b>			
Adjustments for non-wholly owned entities (a)	57	39	73
ISO commission expense	587	579	563
Reimbursable debit network fees, postage, and other	3,604	3,507	3,362
<b>Consolidated revenues</b>	<b>\$ 11,152</b>	<b>\$ 10,809</b>	<b>\$ 10,680</b>
<b>Segment EBITDA:</b>			
Global Business Solutions	\$ 1,687	\$ 1,644	\$ 1,606
Global Financial Solutions	529	404	370
Network & Security Solutions	608	549	585
<b>Total reported segments</b>	<b>2,824</b>	<b>2,597</b>	<b>2,561</b>
Corporate	(161)	(148)	(125)
<b>Adjusted EBITDA</b>	<b>2,663</b>	<b>2,449</b>	<b>2,436</b>
<b>Adjustments to reconcile to Net loss attributable to First Data Corporation:</b>			
Adjustments for non-wholly owned entities (a)	24	2	7

Edgar Filing: FIRST DATA CORP - Form S-1

Depreciation and amortization	(1,056)	(1,091)	(1,192)
Interest expense	(1,753)	(1,881)	(1,898)
Interest income	11	11	9
Loss on debt extinguishment	(260)		
Other items (b)	95	(129)	(150)
Income tax (expense) benefit	(82)	(87)	224
Stock based compensation	(50)	(38)	(12)
Costs of alliance conversions	(20)	(68)	(77)
KKR related items	(27)	(32)	(34)
Debt issuance costs	(3)	(5)	(14)
Net loss attributable to First Data Corporation	\$ (458)	\$ (869)	\$ (701)

F-50

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (a) Net adjustment to reflect First Data's proportionate share of alliance revenue and EBITDA and amortization related to equity method investments not included in segment EBITDA.
- (b) Includes adjustments to exclude the official check and money order businesses due to the Company's wind down of these businesses, restructuring, certain retention bonuses, litigation and regulatory settlements, and Other income (expense) as presented in the Consolidated Statements of Operations, which includes divestitures, impairments, derivative gains and (losses), and non-operating foreign currency gains and (losses).

Total segment assets, capital expenditures, and investment in unconsolidated affiliates are not disclosed as the CODM, does not utilize such information when allocating resources to the segment or when assessing the segments' performance.

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:

<b>(in millions)</b>	<b>Year ended December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Segment depreciation and amortization	\$ 1,032	\$ 1,091	\$ 1,185
Adjustments for non-wholly owned entities	86	79	102
Amortization of initial payments for new contracts	45	42	44
Total consolidated depreciation and amortization per Consolidated Statements of Cash Flows	1,163	1,212	1,331
Less: Amortization of equity method investment	(62)	(79)	(95)
Less: Amortization of initial payments for new contracts	(45)	(42)	(44)
Total consolidated depreciation and amortization per Consolidated Statements of Operations	\$ 1,056	\$ 1,091	\$ 1,192

Information concerning principal geographic areas was as follows:

<b>(in millions)</b>	<b>United States</b>	<b>International</b>	<b>Total</b>
Revenues:			
2014	\$ 9,428	\$ 1,724	\$ 11,152
2013	9,145	1,664	10,809
2012	9,046	1,634	10,680
Long-Lived Assets:			
2014	\$ 19,708	\$ 2,588	\$ 22,296

Edgar Filing: FIRST DATA CORP - Form S-1

2013	20,020	2,959	22,979
2012	20,595	3,128	23,723

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.

F-51

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 14: Quarterly Financial Results (Unaudited)**

Summarized quarterly results for the two years ended December 31, 2014 and 2013, respectively, are as follows:

(in millions, except per share amounts)	2014			
	First	Second	Third	Fourth
Revenues	\$ 2,640	\$ 2,837	\$ 2,792	\$ 2,883
Expenses	2,355	2,455	2,439	2,465
Operating profit	285	382	353	418
Interest income	3	4	2	2
Interest expense	(467)	(463)	(418)	(405)
Loss on debt extinguishment			(260)	
Other income	1	82	57	21
(Loss) income before income taxes and equity earnings in affiliates	(178)	5	(266)	36
Income tax expense (benefit)	37	40	(23)	28
Equity earnings in affiliates	50	58	55	57
Net (loss) income	(165)	23	(188)	65
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	36	57	47	53
Net (loss) income attributable to First Data Corporation	\$ (201)	\$ (34)	\$ (235)	\$ 12
Net (loss) income per share, basic and diluted	\$ (201,000)	\$ (34,000)	\$ (235,000)	\$ 12,000

(in millions, except per share amounts)	2013			
	First	Second	Third	Fourth
Revenues	\$ 2,591	\$ 2,709	\$ 2,712	\$ 2,797
Expenses	2,400	2,438	2,408	2,439
Operating profit	191	271	304	358
Interest income	2	3	3	3
Interest expense	(469)	(472)	(469)	(471)
Other income (expense)		15	(36)	(26)

Edgar Filing: FIRST DATA CORP - Form S-1

Loss before income taxes and equity earnings in affiliates	(276)	(183)	(198)	(136)
Income tax expense (benefit)	62	11	29	(15)
Equity earnings in affiliates	38	51	47	52
Net loss	(300)	(143)	(180)	(69)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	39	44	39	55
Net (loss) income attributable to First Data Corporation	\$ (339)	\$ (187)	\$ (219)	\$ (124)
Net (loss) income per share, basic and diluted	\$ (339,000)	\$ (187,000)	\$ (219,000)	\$ (124,000)

F-52

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 15: Income Taxes**

(in millions)	Year ended December 31,		
	2014	2013	2012
Components of pretax (loss) income:			
Domestic	\$ (378)	\$ (778)	\$ (875)
Foreign	195	173	124
	\$ (183)	\$ (605)	\$ (751)
Provision (benefit) for income taxes:			
Federal	\$ 17	\$ 21	\$ (301)
State and local	21	20	66
Foreign	44	46	11
Income tax expense (benefit)	\$ 82	\$ 87	\$ (224)
Effective income tax rate	(45)%	(14)%	30%

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

	Year ended December 31,		
	2014	2013	2012
Federal statutory rate	35%	35%	35%
State income taxes, net of federal income tax benefit	(1)	2	1
Nontaxable income from noncontrolling interests	37	10	8
Impact of foreign operations (a)(b)	(9)	(1)	1
Tax effects of foreign exchange gains/losses	(6)	1	
Valuation allowances (b)	(103)	(54)	(20)
Liability for unrecognized tax benefits (b)	12	(1)	4
Prior year adjustments (b)	(7)	(6)	2
Nondeductible bad debts	(3)		
Other			(1)
Effective tax rate	(45)%	(14)%	30%

(a)

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

- (b) The 2014, 2013, and 2012 effective tax rates were negatively impacted by a total of approximately 5%, 11%, and 9%, respectively, as a result of the current year cumulative correction of immaterial prior year errors.



Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

(in millions)	Year ended December 31,		
	2014	2013	2012
Current:			
Federal	\$	\$ (1)	\$ (60)
State and local	39	23	16
Foreign	61	52	39
	100	74	(5)
Deferred:			
Federal	17	22	(242)
State and local	(18)	(3)	50
Foreign	(17)	(6)	(27)
	(18)	13	(219)
	\$ 82	\$ 87	\$ (224)

Income tax payments, net of refunds received, of \$96 million in 2014 were less than current expense primarily as a result of payments expected in 2015 related to 2014 tax liabilities. Income tax payments, net of refunds received, of \$93 million in 2013 were greater than current expenses primarily as a result of cash payments relating to prior years and expected refunds of cash taxes paid. Income tax payments, net of refunds received, of \$70 million in 2012 were greater than current expense primarily as a result of a decrease in the liability for unrecognized tax benefits.

Table of Contents**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 both Other current liabilities and Long-term deferred tax liabilities in the Company's Consolidated Balance Sheets. The following table outlines the principal components of deferred tax items:

<b>(in millions)</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>
Deferred tax assets related to:		
Reserves and other accrued expenses	\$ 221	\$ 315
Pension obligations		13
Employee related liabilities	84	100
Deferred revenues	30	33
Net operating losses and tax credit carryforwards	2,160	2,003
U.S. foreign tax credits on undistributed earnings	280	274
Foreign exchange (gain)/loss	52	69
<b>Total deferred tax assets</b>	<b>2,827</b>	<b>2,807</b>
Valuation allowance	(1,649)	(1,455)
<b>Realizable deferred tax assets</b>	<b>1,178</b>	<b>1,352</b>
Deferred tax liabilities related to:		
Property, equipment, and intangibles	(1,082)	(1,233)
Pension obligations	(2)	
Investment in affiliates and other	(331)	(426)
Unrealized securities and hedging (gain)/loss	(1)	(1)
U.S. tax on foreign undistributed earnings	(185)	(140)
<b>Total deferred tax liabilities</b>	<b>(1,601)</b>	<b>(1,800)</b>
<b>Net deferred tax liabilities</b>	<b>\$ (423)</b>	<b>\$ (448)</b>

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

<b>(in millions)</b>	<b>As of December 31,</b>	
	<b>2014</b>	<b>2013</b>

Edgar Filing: FIRST DATA CORP - Form S-1

Current deferred tax assets	\$ 86	\$ 103
Current deferred tax liabilities	(6)	(1)
Long-term deferred tax assets	18	3
Long-term deferred tax liabilities	(521)	(553)
Net deferred tax liabilities	\$ (423)	\$ (448)

As of December 31, 2014 and 2013, the Company had recorded valuation allowances of \$1.6 billion and \$1.5 billion, respectively, against its net deferred tax assets. The increase to the valuation allowance of \$195 million in 2014 was primarily due to current year federal, state, and foreign net operating losses which may not be utilized within the statute of limitations. Included in the total change to the valuation allowance was a release in a certain foreign jurisdiction due to improved financial performance. In determining the necessary amount of

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

valuation allowance, the Company has considered a tax planning strategy related to its investments in affiliates. Implementation of this strategy would result in the immediate reversal of temporary differences associated with the excess of book basis over tax basis in the investments.

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

<b>(in millions)</b>	<b>As of December 31, 2014</b>	
Federal net operating loss carryforwards (a)	\$	2,828
State net operating loss carryforwards (a)		4,719
Foreign net operating loss carryforwards (b)		2,763
Foreign tax credit carryforwards (c)		216
General business credit carryforwards (d)		12
Minimum tax credit carryforwards (e)		2

- (a) If not utilized, these carryforwards will expire in years 2015 through 2034.
- (b) Foreign net operating loss carryforwards of \$62 million, if not utilized, will expire in years 2015 through 2034. The remaining foreign net operating loss carryforwards of \$2.7 billion have an indefinite life.
- (c) If not utilized, these carryforwards will expire in years 2018 through 2024.
- (d) If not utilized, these carryforwards will expire in years 2027 through 2033.
- (e) These carryforwards have an indefinite life.

In addition to the federal net operating loss carryforwards stated above, as a result of being a part of the U.S. consolidated tax return filing with FDH, the Company is allocated another \$464 million of net operating loss as of December 31, 2014.

The Company intends to indefinitely invest its net equity in its foreign operations, with the exception of any undistributed foreign earnings. Accordingly, as of December 31, 2014, no provision had been made for U.S. federal and state income taxes on the cumulative amount of temporary differences related to investments in foreign subsidiaries, other than those differences related to the undistributed earnings. Upon sale or liquidation of these investments, the Company would potentially be subject to U.S., state, and foreign income taxes and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reconciliation of the unrecognized tax benefits for the years ended December 31, 2012, 2013, and 2014 is as follows:

<b>(in millions)</b>	<b>Unrecognized Tax Benefits</b>
Balance as of January 1, 2012	\$ 335
Increases for tax positions of prior years	5
Decreases for tax positions of prior years	(58)
Increases for tax positions related to the current period	6
Decreases due to the lapse of the applicable statute of limitations	(2)
 Balance as of December 31, 2012	 286
Increases for tax positions of prior years	3
Decreases for tax positions of prior years	(3)
Increases for tax positions related to the current period	5
Decreases for cash settlements with taxing authorities	(6)
Decreases due to the lapse of the applicable statute of limitations	(6)
 Balance as of December 31, 2013	 279
Increases for tax positions of prior years	3
Decreases for tax positions of prior years	(29)
Increases for tax positions related to the current period	1
Decreases for cash settlements with taxing authorities	(13)
Decreases due to the lapse of the applicable statute of limitations	(5)
 Balance as of December 31, 2014	 \$ 236

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 \$17 million as of December 31, 2014).

However, those unrecognized tax benefits that affect the federal consolidated tax years ending December 31, 2008 through December 31, 2014 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 from those periods. The unrecognized tax benefits as of December 31, 2014, 2013, and 2012 included approximately \$126 million, \$161 million, and \$163 million, respectively, of tax positions that, if recognized, would affect the effective tax rate.

During the year ended December 31, 2014, the Company's liability for unrecognized tax benefits was reduced by \$29 million related to the effective resolution of certain federal and state audit issues. The reduction in liabilities was recorded through a decrease to tax expense and an increase to deferred tax liabilities.

During the year ended December 31, 2012, the Company's liability for unrecognized tax benefits was reduced by \$52 million upon closure of the 2003 and 2004 federal tax years and the resolution of certain state audit issues. The reduction in liabilities was recorded through a decrease to tax expense and an increase to deferred tax liabilities.

F-57

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company recognizes interest and penalties related to unrecognized tax benefits in the Income tax expense (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 while the related tax benefits 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,		
	2014	2013	2012
Current year accrued interest expense (net of related tax benefits)	\$ 1	\$ 5	\$ 4
Cumulative accrued interest and penalties (net of related tax benefits)	39	45	47

As of December 31, 2014, the Company anticipates it is reasonably possible that its liability for unrecognized tax benefits may decrease by approximately \$122 million within the next 12 months as a result of the possible closure of federal tax audits, potential settlements with certain states and foreign countries, and the lapse of the statute of limitations in various state and foreign jurisdictions.

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, 2014, the Company was no longer subject to income tax examination by the U.S. federal jurisdiction for years before 2005. State and local examinations are substantially complete through 2006. Foreign jurisdictions generally remain subject to examination by their respective authorities from 2008 forward, none of which are considered major jurisdictions.

Under the Tax Allocation Agreement executed at the time of the spin-off of The Western Union Company (Western Union) on September 29, 2006, 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. 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 filing 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. As of December 31, 2014, the Company had approximately \$116 million of income taxes payable, including approximately \$4 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, reflecting the indemnification obligation. 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 Company's liability for unrecognized tax benefits discussed above.

The IRS completed its examination of the U.S. federal consolidated income tax returns of the Company for 2005 through 2007 and issued a 30-Day letter in October 2012. The 30-Day letter claims that the Company and its subsidiaries, which included Western Union during some of the years at issue, owe additional taxes with respect to a variety of adjustments. The Company and Western Union agree with several of the adjustments in the 30-Day letter, such adjustments representing tax due of approximately \$40 million. This undisputed tax and associated interest due (pretax) of approximately \$19 million through December 31, 2014, have been fully

F-58



Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

reserved. The undisputed tax for which Western Union would be required to indemnify the Company is greater than the total tax due, such that settlement of the undisputed tax would result in a net refund to the Company. As to the adjustments that are disputed, such issues represent total taxes allegedly due of approximately \$59 million, of which \$40 million relates to the Company and \$19 million relates to Western Union. The Company estimates that total interest due (pretax) on the disputed amounts is approximately \$20 million through December 31, 2014, of which \$11 million relates to the Company and \$9 million relates to Western Union. As to the disputed issues, the Company and Western Union are contesting the asserted deficiencies with the Appeals Office of the IRS. The Company believes that it has adequately reserved for the disputed issues in its liability for unrecognized tax benefits described above and that final resolution of those issues will not have a material adverse effect on its financial position or results of operations.

**Note 16: Investment in Affiliates**

Segment results include the Company's proportionate share of income from affiliates, which consist of unconsolidated investments accounted for under the equity method of accounting. The most significant of these affiliates are related to the Company's merchant bank alliance program.

A merchant alliance, as it pertains to investments accounted for under the equity method, is an agreement between FDC and a financial institution that combines the processing capabilities and management expertise of the Company with the visibility and distribution channel of the bank. The alliance acquires credit and debit card transactions from merchants. The Company provides processing and other services to the alliance and charges fees to the alliance primarily based on contractual pricing. These fees have been separately identified on the face of the Consolidated Statements of Operations.

As of December 31, 2014, there were eight affiliates accounted for under the equity method of accounting, comprised of five merchant alliances and three strategic investments in companies in related markets.

The Wells Fargo alliance meets the Significant Subsidiary test provided in Regulations S-X Rule 1-02 (w) in that the Company's equity earnings of this alliance exceeded 20% of the Company's consolidated income from continuing operations before income taxes.

A summary of unaudited financial information for the merchant alliances and other affiliates accounted for under the equity method of accounting is presented below.

(in millions)	As of December 31,	
	2014	2013
Total assets	\$ 2,865	\$ 3,244
Total liabilities	2,759	2,905



**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The primary components of assets and liabilities are settlement-related accounts similar to those described in Note 4 Settlement Assets and Obligations of these consolidated financial statements.

(in millions)	Year ended December 31,		
	2014	2013	2012
Net operating revenues	\$ 1,357	\$ 1,369	\$ 1,278
Operating expenses	638	675	630
Operating income	\$ 719	\$ 694	\$ 648
Net income	\$ 696	\$ 664	\$ 639
FDC equity earnings	220	188	158

The formation of a merchant alliance accounted for under the equity method of accounting generally involves the Company and/or a financial institution contributing merchant contracts to the alliance and a cash payment from one owner to the other to achieve the desired ownership percentages. The asset amounts reflected above are owned by the alliances and other equity method investees and do not include any of such payments made by the Company. The amount by which the total of the Company's investments in affiliates exceeded its proportionate share of the investees net assets was approximately \$1.1 billion and \$1.2 billion as of December 31, 2014 and 2013, respectively.

The non-goodwill portion of this amount is considered an identifiable intangible asset that is amortized. The estimated future amortization expense for these intangible assets as of December 31, 2014 is as follows:

Year ended December 31,	
(in millions)	Amount
2015	\$ 57
2016	51
2017	47
2018	29
2019	5
Thereafter	

These amounts assume that these alliances continue as they currently exist. Much of the difference between FDC's proportionate share of the investees' net income and FDC's equity earnings noted above relates to this amortization.

**Note 17: Supplemental Guarantor Condensed Consolidating Financial Statements**

As described in Note 6 Borrowings of these consolidated financial statements, FDC's 12.625% senior notes, 11.25% senior notes, 10.625% senior notes, and 11.75% senior subordinated notes are guaranteed by most of the existing and

future, direct and indirect, wholly owned, domestic subsidiaries of FDC (Guarantors). The Guarantors guarantee the senior secured revolving credit facility, senior secured term loan facility, the 8.875% senior secured notes, the 7.375% senior secured notes, and the 6.75% 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 to the extent of the value of the collateral. The Guarantors guarantee the 8.25% and 8.75% senior second lien notes which rank senior in right of payment to all existing and future unsecured indebtedness of FDC's guarantor subsidiaries to the extent of the value of the collateral. The 12.625% senior note, 10.625% senior note, and 11.25% senior 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

F-60

---

Table of Contents

**FIRST DATA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and future subordinated indebtedness of FDC's guarantor subsidiaries. The 11.75% senior subordinated note guarantee is unsecured and ranks equally in right of payment with all existing and future senior subordinated indebtedness of the guarantor subsidiaries.

All of the above guarantees are full, unconditional, and joint and several and each of the Guarantors is 100% owned, directly or indirectly, by FDC. None of the other subsidiaries of FDC, either direct or indirect, guarantee the notes (Non-Guarantors). The Guarantors are subject to release under certain circumstances as described below.

The credit agreement governing the guarantees of the senior secured revolving credit facility and senior secured term loan facility provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including under the following circumstances:

the Guarantor ceases to be a restricted subsidiary for purpose of the agreement because FDC no longer directly or indirectly owns 50% of the equity or, if a corporation, stock having voting power to elect a majority of the board of directors of the Guarantor; or

the Guarantor is designated as an unrestricted subsidiary for purposes of the agreement covenants; or

the Guarantor is no longer wholly owned by FDC subject to the value of all Guarantors released under this provision does not exceed (x) 10% of FDC's Covenant EBITDA plus (y) the amount of investments permitted under the agreement in respect of non-guarantors.

The indentures governing all of the other guarantees described above provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including upon the earliest to occur of:

the sale, exchange or transfer of the subsidiary's capital stock or all or substantially all of its assets;

designation of the Guarantor as an unrestricted subsidiary for purposes of the indenture covenants;

release or discharge of the Guarantor's guarantee of certain other indebtedness; or

legal defeasance or covenant defeasance of the indenture obligations when provision has been made for them to be fully satisfied.

During the first quarter of 2014, the Company corrected errors related to the presentation of cost allocations and interest on intercompany notes in the Guarantor condensed consolidating financial statements related primarily to 2008 and 2009. The Company does not believe these errors were material. The adjustments are limited to the guarantor footnote and do not affect any other reported amounts or disclosures in the Company's consolidated financial statements.

During the third quarter of 2014, the senior secured loan facilities were amended and three subsidiaries were removed as guarantors. Although these changes were not material and did not have an impact to the Company's consolidated financial statements, the Company adjusted prior periods to align with the new guarantor structure. These adjustments are limited to the guarantor footnote and do not affect any other reported amounts or disclosures in the Company's consolidated financial statements. Refer to Note 6 Borrowings of these consolidated financial statements for additional information on the private placement.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of the adjustments is as follows:

(in millions)	Year ended December 31, 2013							
	FDC Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Consolidation Adjustments	
	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted
Revenues	\$	\$	\$ 7,258	\$ 6,665	\$ 3,838	\$ 4,431	\$ (287)	\$ (287)
(Loss) income before income taxes and equity earnings in affiliates	(1,171)	(1,171)	596	564	523	600	(741)	(786)
Income tax (benefit) expense	(302)	(302)	301	250	88	139		
Net (loss) income attributable to First Data Corporation	(869)	(869)	483	483	379	424	(862)	(907)
Comprehensive (loss) income attributable to First Data Corporation	(906)	(906)	453	453	283	331	(736)	(784)

(in millions)	Year ended December 31, 2012							
	FDC Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Consolidation Adjustments	
	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted
Revenues	\$	\$	\$ 7,181	\$ 6,569	\$ 3,781	\$ 4,393	\$ (282)	\$ (282)
(Loss) income before income taxes and equity earnings in affiliates	(1,244)	(1,244)	564	561	473	569	(702)	(795)
Income tax (benefit) expense	(543)	(543)	274	252	45	67		
Net (loss) income attributable to First Data Corporation	(701)	(701)	447	447	367	460	(814)	(907)
Comprehensive (loss) income attributable to First Data Corporation	(655)	(655)	449	447	356	451	(805)	(898)

As of December 31, 2013

Edgar Filing: FIRST DATA CORP - Form S-1

(in millions)	FDC Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Consolidation Adjustments	
	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted
<b>Assets:</b>								
Investment in consolidated subsidiaries	\$ 24,393	\$ 24,393	\$ 5,314	\$ 5,714	\$	\$	\$ (29,707)	\$ (30,107)
<b>Total assets</b>	<b>34,719</b>	<b>34,719</b>	<b>36,078</b>	<b>35,525</b>	<b>18,712</b>	<b>21,159</b>	<b>(54,269)</b>	<b>(56,163)</b>
<b>Liabilities and Equity:</b>								
<b>Total liabilities</b>	<b>36,209</b>	<b>36,209</b>	<b>14,980</b>	<b>15,484</b>	<b>6,850</b>	<b>7,841</b>	<b>(24,561)</b>	<b>(26,056)</b>
First Data Corporation shareholder s equity	(1,490)	(1,490)	21,097	20,041	5,417	6,873	(26,514)	(26,914)
<b>Total equity</b>	<b>(1,490)</b>	<b>(1,490)</b>	<b>21,097</b>	<b>20,041</b>	<b>11,793</b>	<b>13,249</b>	<b>(29,707)</b>	<b>(30,107)</b>
<b>Total liabilities and equity</b>	<b>34,719</b>	<b>34,719</b>	<b>36,078</b>	<b>35,525</b>	<b>18,712</b>	<b>21,159</b>	<b>(54,269)</b>	<b>(56,163)</b>

F-62



**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	Year ended December 31, 2013							
	FDC Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Consolidation Adjustments	
	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted
Net cash (used in) provided by operating activities	\$ (1,733)	\$ (1,733)	\$ 1,450	\$ 1,333	\$ 956	\$ 1,073	\$	\$
Net cash provided by (used in) investing activities	165	165	(1)	20	(149)	(170)	(368)	(368)
Net cash provided by (used in) financing activities	1,377	1,377	(1,441)	(1,341)	(794)	(894)	368	368

(in millions)	Year ended December 31, 2012							
	FDC Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Consolidation Adjustments	
	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted
Net cash (used in) provided by operating activities	\$ (1,681)	\$ (1,681)	\$ 1,681	\$ 1,520	\$ 767	\$ 928	\$	\$
Net cash provided by (used in) investing activities	191	191	(12)	6	(132)	(150)	(444)	(444)
Net cash provided by (used in) financing activities	1,555	1,555	(1,664)	(1,528)	(582)	(720)	444	444

F-63

Table of Contents**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, 2014, 2013, and 2012 and as of December 31, 2014 and 2013 to arrive at the information for FDC on a consolidated basis.

**Year ended December 31, 2014**

(in millions)	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>Revenues:</b>					
Transaction and processing service fees	\$	\$ 3,712	\$ 3,056	\$ (258)	\$ 6,510
Product sales and other		625	473	(60)	1,038
Reimbursable debit network fees, postage, and other		2,510	1,094		3,604
<b>Total revenues</b>		<b>6,847</b>	<b>4,623</b>	<b>(318)</b>	<b>11,152</b>
<b>Expenses:</b>					
Cost of services (exclusive of items shown below)		1,403	1,523	(258)	2,668
Cost of products sold		223	167	(60)	330
Selling, general, and administrative	131	1,125	787		2,043
Reimbursable debit network fees, postage, and other		2,510	1,094		3,604
Depreciation and amortization	10	607	439		1,056
Other operating expenses:					
Restructuring, net	10	3			13
<b>Total expenses</b>	<b>151</b>	<b>5,871</b>	<b>4,010</b>	<b>(318)</b>	<b>9,714</b>
<b>Operating (loss) profit</b>	<b>(151)</b>	<b>976</b>	<b>613</b>		<b>1,438</b>
Interest income			11		11
Interest expense	(1,738)	(9)	(6)		(1,753)
Loss on debt extinguishment	(260)				(260)
Interest income (expense) from intercompany notes	316	(305)	(11)		
Other income (expense)	81	100	(20)		161
Equity earnings from consolidated subsidiaries	833	294		(1,127)	

Edgar Filing: FIRST DATA CORP - Form S-1

	(768)	80	(26)	(1,127)	(1,841)
(Loss) income before income taxes and equity earnings in affiliates	(919)	1,056	587	(1,127)	(403)
Income tax (benefit) expense	(461)	377	166		82
Equity earnings in affiliates		202	18		220
Net (loss) income	(458)	881	439	(1,127)	(265)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest			66	127	193
Net (loss) income attributable to First Data Corporation	\$ (458)	\$ 881	\$ 373	\$ (1,254)	\$ (458)
Comprehensive (loss) income	\$ (798)	\$ 709	\$ 187	\$ (714)	\$ (616)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest			55	127	182
Comprehensive (loss) income attributable to First Data Corporation	\$ (798)	\$ 709	\$ 132	\$ (841)	\$ (798)

F-64

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	Year ended December 31, 2013 (As Adjusted)				
	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>Revenues:</b>					
Transaction and processing service fees	\$	\$ 3,585	\$ 2,987	\$ (227)	\$ 6,345
Product sales and other		570	447	(60)	957
Reimbursable debit network fees, postage, and other		2,510	997		3,507
<b>Total revenues</b>		<b>6,665</b>	<b>4,431</b>	<b>(287)</b>	<b>10,809</b>
<b>Expenses:</b>					
Cost of services (exclusive of items shown below)		1,508	1,442	(227)	2,723
Cost of products sold		217	171	(60)	328
Selling, general, and administrative	115	1,136	729		1,980
Reimbursable debit network fees, postage, and other		2,510	997		3,507
Depreciation and amortization	7	623	461		1,091
<b>Other operating expenses:</b>					
Restructuring, net	18	25	5		48
Litigation and regulatory settlements	8				8
<b>Total expenses</b>	<b>148</b>	<b>6,019</b>	<b>3,805</b>	<b>(287)</b>	<b>9,685</b>
<b>Operating (loss) profit</b>	<b>(148)</b>	<b>646</b>	<b>626</b>		<b>1,124</b>
<b>Interest income</b>			<b>11</b>		<b>11</b>
Interest expense	(1,864)	(10)	(7)		(1,881)
Interest income (expense) from intercompany notes	315	(276)	(39)		
Other income (expense)	(53)	(3)	9		(47)
Equity earnings from consolidated subsidiaries	579	207		(786)	
	(1,023)	(82)	(26)	(786)	(1,917)
<b>(Loss) income before income taxes and equity earnings in affiliates</b>	<b>(1,171)</b>	<b>564</b>	<b>600</b>	<b>(786)</b>	<b>(793)</b>
Income tax (benefit) expense	(302)	250	139		87
Equity earnings in affiliates		169	19		188

Edgar Filing: FIRST DATA CORP - Form S-1

Net (loss) income	(869)	483	480	(786)	(692)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest			56	121	177
Net (loss) income attributable to First Data Corporation	\$ (869)	\$ 483	\$ 424	\$ (907)	\$ (869)
Comprehensive (loss) income	\$ (906)	\$ 453	\$ 388	\$ (663)	\$ (728)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest			57	121	178
Comprehensive (loss) income attributable to First Data Corporation	\$ (906)	\$ 453	\$ 331	\$ (784)	\$ (906)

F-65

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	Year ended December 31, 2012 (As Adjusted)				
	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>Revenues:</b>					
Transaction and processing service fees	\$	\$ 3,540	\$ 2,990	\$ (200)	\$ 6,330
Product sales and other		604	443	(59)	988
Reimbursable debit network fees, postage, and other		2,425	960	(23)	3,362
<b>Total revenues</b>		<b>6,569</b>	<b>4,393</b>	<b>(282)</b>	<b>10,680</b>
<b>Expenses:</b>					
Cost of services (exclusive of items shown below)		1,504	1,477	(200)	2,781
Cost of products sold		225	164	(59)	330
Selling, general, and administrative	89	1,142	682		1,913
Reimbursable debit network fees, postage, and other		2,425	960	(23)	3,362
Depreciation and amortization	8	687	497		1,192
<b>Other operating expenses:</b>					
Restructuring, net		7	16		23
Impairments		5			5
<b>Total expenses</b>	<b>97</b>	<b>5,995</b>	<b>3,796</b>	<b>(282)</b>	<b>9,606</b>
<b>Operating (loss) profit</b>	<b>(97)</b>	<b>574</b>	<b>597</b>		<b>1,074</b>
<b>Interest income</b>		<b>1</b>	<b>8</b>		<b>9</b>
<b>Interest expense</b>	<b>(1,881)</b>	<b>(7)</b>	<b>(10)</b>		<b>(1,898)</b>
<b>Interest income (expense) from intercompany notes</b>	<b>313</b>	<b>(271)</b>	<b>(42)</b>		
<b>Other income (expense)</b>	<b>(102)</b>	<b>(8)</b>	<b>16</b>		<b>(94)</b>
<b>Equity earnings from consolidated subsidiaries</b>	<b>523</b>	<b>272</b>		<b>(795)</b>	
	<b>(1,147)</b>	<b>(13)</b>	<b>(28)</b>	<b>(795)</b>	<b>(1,983)</b>
<b>(Loss) income before income taxes and equity earnings in affiliates</b>	<b>(1,244)</b>	<b>561</b>	<b>569</b>	<b>(795)</b>	<b>(909)</b>
<b>Income tax (benefit) expense</b>	<b>(543)</b>	<b>252</b>	<b>67</b>		<b>(224)</b>

Edgar Filing: FIRST DATA CORP - Form S-1

Equity earnings in affiliates		138		20		158
Net (loss) income	(701)	447		522	(795)	(527)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest				62	112	174
Net (loss) income attributable to First Data Corporation	\$ (701)	\$ 447	\$ 460	\$ (907)	\$ (701)	
Comprehensive (loss) income	\$ (655)	\$ 447	\$ 516	\$ (786)	\$ (478)	
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest				65	112	177
Comprehensive (loss) income attributable to First Data Corporation	\$ (655)	\$ 447	\$ 451	\$ (898)	\$ (655)	

F-66

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	As of December 31, 2014				
	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 23	\$ 335	\$	\$ 358
Accounts receivable, net of allowance for doubtful accounts	8	729	1,015		1,752
Settlement assets (a)		3,849	3,706		7,555
Intercompany notes receivable	3,375	307		(3,682)	
Other current assets	44	119	126		289
Total current assets	3,427	5,027	5,182	(3,682)	9,954
Property and equipment, net of accumulated depreciation					
	33	619	278		930
Goodwill		9,085	7,932		17,017
Customer relationships, net of accumulated amortization		1,469	1,135		2,604
Other intangibles, net of accumulated amortization	603	623	519		1,745
Investment in affiliates		948	153		1,101
Long-term settlement assets (a)			3		3
Long-term intercompany receivables	6,064	14,442	5,135	(25,641)	
Long-term intercompany notes receivable	320	1	9	(330)	
Long-term deferred tax assets	671			(671)	
Other long-term assets	397	317	298	(97)	915
Investment in consolidated subsidiaries	24,474	5,331		(29,805)	
Total assets	\$ 35,989	\$ 37,862	\$ 20,644	\$ (60,226)	\$ 34,269
<b>LIABILITIES AND EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 9	\$ 171	\$ 100	\$	\$ 280
Short-term and current portion of long-term borrowings	20	64	77		161
Settlement obligations (a)		3,849	3,708		7,557
Intercompany notes payable	309	3,346	27	(3,682)	
Other current liabilities	583	528	422		1,533
Total current liabilities	921	7,958	4,334	(3,682)	9,531



Edgar Filing: FIRST DATA CORP - Form S-1

Long-term borrowings	20,578	131	2		20,711
Long-term deferred tax liabilities		1,024	168	(671)	521
Long-term intercompany payables	14,397	7,804	3,440	(25,641)	
Long-term intercompany notes payable	9	260	61	(330)	
Other long-term liabilities	536	225	124	(97)	788
Total liabilities	36,441	17,402	8,129	(30,421)	31,551
Redeemable equity interest			70	(70)	
Redeemable noncontrolling interest				70	70
First Data Corporation stockholder s (deficit) equity	(452)	20,460	6,241	(26,701)	(452)
Noncontrolling interests			101	2,999	3,100
Equity of consolidated alliance			6,103	(6,103)	
Total equity	(452)	20,460	12,445	(29,805)	2,648
Total liabilities and equity	\$ 35,989	\$ 37,862	\$ 20,644	\$ (60,226)	\$ 34,269

F-67

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	As of December 31, 2013 (As Adjusted)				
	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 36	\$ 33	\$ 356	\$	\$ 425
Accounts receivable, net of allowance for doubtful accounts	6	776	982		1,764
Settlement assets (a)		3,786	3,756		7,542
Intercompany notes receivable	21		17	(38)	
Other current assets	64	180	101		345
Total current assets	127	4,775	5,212	(38)	10,076
Property and equipment, net of accumulated depreciation					
	28	540	281		849
Goodwill		9,090	8,158		17,248
Customer relationships, net of accumulated amortization		1,732	1,430		3,162
Other intangibles, net of accumulated amortization	605	517	598		1,720
Investment in affiliates		1,143	191		1,334
Long-term settlement assets (a)			15		15
Long-term intercompany receivables	4,818	11,379	5,036	(21,233)	
Long-term intercompany notes receivable	3,537	289		(3,826)	
Long-term deferred tax assets	850			(850)	
Other long-term assets	361	346	238	(109)	836
Investment in consolidated subsidiaries	24,393	5,714		(30,107)	
Total assets	\$ 34,719	\$ 35,525	\$ 21,159	\$ (56,163)	\$ 35,240
<b>LIABILITIES AND EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 10	\$ 172	\$ 106	\$	\$ 288
Short-term and current portion of long-term borrowings	4	66	76		146
Settlement obligations (a)		3,786	3,767		7,553
Intercompany notes payable	17		21	(38)	
Other current liabilities	686	531	414		1,631
Total current liabilities	717	4,555	4,384	(38)	9,618

Long-term borrowings	22,470	77	10		22,557
Long-term deferred tax liabilities		1,240	163	(850)	553
Long-term intercompany payables	12,172	5,933	3,128	(21,233)	
Long-term intercompany notes payable	290	3,450	86	(3,826)	
Other long-term liabilities	560	229	70	(109)	750
Total liabilities	36,209	15,484	7,841	(26,056)	33,478
Redeemable equity interest			69	(69)	
Redeemable noncontrolling interest				69	69
First Data Corporation stockholder s (deficit) equity	(1,490)	20,041	6,873	(26,914)	(1,490)
Noncontrolling interests			90	3,093	3,183
Equity of consolidated alliance			6,286	(6,286)	
Total equity	(1,490)	20,041	13,249	(30,107)	1,693
Total liabilities and equity	\$ 34,719	\$ 35,525	\$ 21,159	\$ (56,163)	\$ 35,240

- (a) 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.

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Year ended December 31, 2014

(in millions)	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss) income	\$ (458)	\$ 881	\$ 439	\$ (1,127)	\$ (265)
Adjustments to reconcile to net cash (used in) provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	10	683	470		1,163
Charges (gains) related to other operating expenses and other income	189	(97)	20		112
Other non-cash and non-operating items, net	(737)	(367)	(20)	1,127	3
(Decrease) increase in cash, excluding the effects of acquisitions and dispositions, resulting from changes in operating assets and liabilities	(702)	632	70		
Net cash (used in) provided by operating activities	(1,698)	1,732	979		1,013
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from dispositions, net of expenses paid		270			270
Additions to property and equipment	(8)	(124)	(176)		(308)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs		(183)	(76)		(259)
Acquisitions, net of cash acquired		(31)			(31)
Proceeds from sale of property and equipment		2	1		3
Other investing activities			(4)		(4)
Distributions and dividends from subsidiaries	75	232		(307)	

Net cash provided by (used in) investing activities	67	166	(255)	(307)	(329)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Short-term borrowings, net	10		2		12
Proceeds from issuance of long-term debt	350				350
Debt modification and related financing costs, net	(343)				(343)
Principal payments on long-term debt	(2,183)	(73)	(5)		(2,261)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest			(45)	(221)	(266)
Distributions paid to equity holders			(453)	453	
Purchase of noncontrolling interest			(1)		(1)
Capital transactions, net	1,788		(75)	75	1,788
Intercompany	1,973	(1,840)	(133)		
Net cash provided by (used in) financing activities	1,595	(1,913)	(710)	307	(721)
Effect of exchange rate changes on cash and cash equivalents		5	(35)		(30)
Change in cash and cash equivalents	(36)	(10)	(21)		(67)
Cash and cash equivalents at beginning of period	36	33	356		425
Cash and cash equivalents at end of period	\$	\$ 23	\$ 335	\$	\$ 358

Table of Contents**FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	Year ended December 31, 2013 (As Adjusted)				
	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss) income	\$ (869)	\$ 483	\$ 480	\$ (786)	\$ (692)
Adjustments to reconcile to net cash (used in) provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	7	715	490		1,212
Charges (gains) related to other operating expenses and other income (expense)	79	28	(4)		103
Other non-cash and non-operating items, net	(498)	(268)	(29)	786	(9)
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(452)	375	136		59
Net cash (used in) provided by operating activities	(1,733)	1,333	1,073		673
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from dispositions, net of expenses paid and cash disposed		10	8		18
Additions to property and equipment		(68)	(126)		(194)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(1)	(124)	(60)		(185)
Acquisitions, net of cash acquired	(12)				(12)
Proceeds from sale of property and equipment		5	7		12
Other investing activities		7	1		8
Distributions and dividends from subsidiaries	178	190		(368)	
	165	20	(170)	(368)	(353)

Net cash provided by (used in) investing activities					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Short-term borrowings, net			(109)		(109)
Debt modification and related financing costs, net	(10)				(10)
Principal payments on long-term debt	(16)	(67)	(10)		(93)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest			(41)	(183)	(224)
Distributions paid to equity holders			(373)	373	
Purchase of noncontrolling interest			(24)		(24)
Capital transactions, net	(30)		(178)	178	(30)
Intercompany	1,433	(1,274)	(159)		
Net cash provided by (used in) financing activities					
	1,377	(1,341)	(894)	368	(490)
Effect of exchange rate changes on cash and cash equivalents		(2)	(11)		(13)
Change in cash and cash equivalents					
	(191)	10	(2)		(183)
Cash and cash equivalents at beginning of period					
	227	23	358		608
Cash and cash equivalents at end of period					
	\$ 36	\$ 33	\$ 356	\$	\$ 425

**Table of Contents****FIRST DATA CORPORATION****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(in millions)	Year ended December 31, 2012 (As Adjusted)				
	FDC Parent Company	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss) income	\$ (701)	\$ 447	\$ 522	\$ (795)	\$ (527)
Adjustments to reconcile to net cash (used in) provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	8	794	529		1,331
(Gains) charges related to other operating expenses and other income (expense)	102	20			122
Other non-cash and non-operating items, net	(484)	(332)	(19)	795	(40)
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(606)	591	(104)		(119)
Net cash (used in) provided by operating activities	(1,681)	1,520	928		767
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to property and equipment	(3)	(70)	(120)		(193)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(1)	(133)	(43)		(177)
Acquisitions, net of cash acquired	(33)				(33)
Contributions to equity method investments		(8)			(8)
Proceeds from sale of property and equipment		2	6		8
Other investing activities	3	(4)	7		6
Distributions and dividends from subsidiaries	225	219		(444)	
Net cash provided by (used in) investing activities	191	6	(150)	(444)	(397)



**CASH FLOWS FROM FINANCING  
ACTIVITIES**

Short-term borrowings, net			99		99
Debt modification and related financing costs, net	17				17
Principal payments on long-term debt	(3)	(57)	(24)		(84)
Proceeds from sale-leaseback transactions		14			14
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest			(54)	(208)	(262)
Distributions paid to equity holders			(424)	424	
Purchase of noncontrolling interest			(25)		(25)
Capital transactions, net	(8)		(228)	228	(8)
Intercompany	1,549	(1,485)	(64)		
Net cash provided by (used in) financing activities	1,555	(1,528)	(720)	444	(249)
Effect of exchange rate changes on cash and cash equivalents			1		1
Change in cash and cash equivalents	65	(2)	59		122
Cash and cash equivalents at beginning of period	162	25	299		486
Cash and cash equivalents at end of period	\$ 227	\$ 23	\$ 358	\$	\$ 608

F-71

**Table of Contents**

**FIRST DATA CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Note 18: Subsequent Events**

In the second quarter of 2015, the Company realigned its operating segments for financial reporting purposes into three reportable segments: Global Business Solutions, Global Financial Solutions, and Network & Security Solutions. Following the realignment, the Company retroactively adjusted all segment related disclosures included within the notes to the consolidated financial statements.

On June 2, 2015, the Company terminated and replaced its \$1.0 billion senior secured revolving credit facility maturing September 24, 2016 with a new \$1.25 billion senior secured revolving credit facility maturing on June 2, 2020.

On June 9, 2015, the Company acquired Transaction Wireless, Inc. (TWI), a provider of digital stored value products that offer gift card programs, loyalty incentives, and integrated marketing solutions for retailers, partners, and consumers. The purchase price was approximately \$62 million in cash and \$3 million in contingent equity consideration. The acquisition will be reported as part of the Network & Security Solutions segment.

On July 10, 2015, the Company entered into an agreement to its senior secured credit facilities providing for incremental term loans of \$725 million and 250 million, the proceeds of which will be used to redeem \$955 million of the Company's 7.375% senior secured first lien notes due 2019.

Table of Contents**FIRST DATA CORPORATION****SCHEDULE II Valuation and Qualifying Accounts**

(dollars, in millions)

Description	Balance at Beginning of Period	Additions		Deductions (b)	Balance at End of Period
		Charged to Costs and Expenses	Reclassifications from Other Accounts (a)		
Year ended December 31, 2014 deducted from receivables	\$ 43	\$ 99	\$ (1)	\$ 81	\$ 60
Year ended December 31, 2013 deducted from receivables	46	93		96	43
Year ended December 31, 2012 deducted from receivables	28	84	8	74	46

(a) Amounts related to reclassifications from other current liabilities to allowance for doubtful accounts.

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

**Table of Contents**

**FIRST DATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(in millions, except per share and share amounts)	Three months ended March 31,	
	2015	2014
<b>Revenues:</b>		
Transaction and processing service fees (a)	\$ 1,566	\$ 1,540
Product sales and other (a)	256	225
Total revenues (excluding reimbursable items)	1,822	1,765
Reimbursable debit network fees, postage, and other	873	875
Total revenues	2,695	2,640
<b>Expenses:</b>		
Cost of services (exclusive of items shown below)	714	635
Cost of products sold	76	79
Selling, general, and administrative	520	498
Depreciation and amortization	251	265
Other operating expenses:		
Restructuring, net	1	3
Total expenses (excluding reimbursable items)	1,562	1,480
Reimbursable debit network fees, postage, and other	873	875
Total expenses	2,435	2,355
Operating profit	260	285
Interest income	1	3
Interest expense	(407)	(467)
Other income	35	1
	(371)	(463)
Loss before income taxes and equity earnings in affiliates	(111)	(178)
Income tax expense	3	37
Equity earnings in affiliates	51	50
Net loss	(63)	(165)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest	49	36

Net loss attributable to First Data Corporation	\$ (112)	\$ (201)
Net loss per share, basic and diluted	\$ (112,000)	\$ (201,000)
Weighted-average shares used to compute basic and diluted net loss per share	1,000	1,000

- (a) Includes processing fees, administrative service fees, and other fees charged to merchant alliances accounted for under the equity method of \$50 million for the three months ended March 31, 2015, and \$44 million for the comparable period in 2014.

See Notes to unaudited consolidated financial statements.

Table of Contents

**FIRST DATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Unaudited)**

<b>(in millions)</b>	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net loss	\$ (63)	\$ (165)
Other comprehensive income (loss), net of tax:		
Net change in unrealized (gains) losses on securities, net of reclassifications	6	1
Foreign currency translation adjustment	(173)	(18)
Pension liability adjustments		1
Total other comprehensive income (loss), net of tax	(167)	(16)
Comprehensive loss	(230)	(181)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest	38	37
Comprehensive loss attributable to First Data Corporation	\$ (268)	\$ (218)

See Notes to unaudited consolidated financial statements.

**Table of Contents**

**FIRST DATA CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(in millions, except common stock share amounts)	As of March 31, 2015	As of December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 340	\$ 358
Accounts receivable, net of allowance for doubtful accounts of \$62 and \$51	1,715	1,752
Settlement assets	7,688	7,555
Other current assets	414	289
<b>Total current assets</b>	<b>10,157</b>	<b>9,954</b>
Property and equipment, net of accumulated depreciation of \$1,259 and \$1,233	908	930
Goodwill	16,861	17,017
Customer relationships, net of accumulated amortization of \$4,964 and \$4,871	2,471	2,604
Other intangibles, net of accumulated amortization of \$1,971 and \$1,965	1,757	1,745
Investment in affiliates	1,088	1,101
Other long-term assets	896	918
<b>Total assets</b>	<b>\$ 34,138</b>	<b>\$ 34,269</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 265	\$ 280
Short-term and current portion of long-term borrowings	496	161
Settlement obligations	7,689	7,557
Other current liabilities	1,297	1,533
<b>Total current liabilities</b>	<b>9,747</b>	<b>9,531</b>
Long-term borrowings	20,641	20,711
Long-term deferred tax liabilities	530	521
Other long-term liabilities	790	788
<b>Total liabilities</b>	<b>31,708</b>	<b>31,551</b>
Commitments and contingencies (See Note 7)		
Redeemable noncontrolling interest	78	70
First Data Corporation shareholder's deficit:		

Edgar Filing: FIRST DATA CORP - Form S-1

Common stock, \$0.01 par value; 1,000 shares authorized and issued (2015 and 2014)				
Additional paid-in capital		9,904		9,906
Accumulated loss		(9,542)		(9,429)
Accumulated other comprehensive loss		(1,085)		(929)
Total First Data Corporation shareholder s deficit		(723)		(452)
Noncontrolling interests		3,075		3,100
Total equity		2,352		2,648
Total liabilities and equity	\$	34,138	\$	34,269

See Notes to unaudited consolidated financial statements.

F-76



Table of Contents

**FIRST DATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

(in millions)	Three months ended March 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (63)	\$ (165)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	277	292
(Gains) charges related to other operating expenses and other income	(34)	2
Other non-cash and non-operating items, net	(49)	(34)
Increase (decrease) in cash, excluding the effects of acquisitions and dispositions, resulting from changes in:		
Accounts receivable, current and long-term	(8)	55
Other assets, current and long-term	23	46
Accounts payable and other liabilities, current and long-term	(232)	(251)
Income tax accounts	(16)	11
Net cash used in operating activities	(102)	(44)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from dispositions, net of expenses paid	2	2
Additions to property and equipment	(67)	(54)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs	(78)	(62)
Acquisitions, net of cash acquired	(8)	
Proceeds from sale of property and equipment		2
Purchase of investments	(16)	
Net cash used in investing activities	(167)	(112)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short-term borrowings, net	337	327
Debt modification payments and related financing costs, net		(91)
Principal payments on long-term debt	(20)	(19)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest	(63)	(52)
Capital transactions with parent, net	(1)	(19)
Net cash provided by financing activities	253	146

Edgar Filing: FIRST DATA CORP - Form S-1

Effect of exchange rate changes on cash and cash equivalents	(2)	(6)
Change in cash and cash equivalents	(18)	(16)
Cash and cash equivalents at beginning of period	358	425
Cash and cash equivalents at end of period	\$ 340	\$ 409

See Notes to unaudited consolidated financial statements.

F-77

Table of Contents

**FIRST DATA CORPORATION**  
**CONSOLIDATED STATEMENTS OF EQUITY**

(Unaudited)

(in millions, except common share amounts)	First Data Corporation Shareholder Accumulated Other					
	Common Shares	Accumulated Loss	Comprehensive Loss	Paid-In Capital	Noncontrolling Interests	Total
Balance, December 31, 2014	1,000	\$ (9,429)	\$ (929)	\$ 9,906	\$ 3,100	\$ 2,648
Dividends and distributions paid to noncontrolling interests					(55)	(55)
Net (loss) income (a)		(112)			41	(71)
Other comprehensive loss			(156)		(11)	(167)
Adjustment to redemption value of redeemable noncontrolling interest				(8)		(8)
Stock compensation expense and other				6		6
Cash dividends paid by First Data Corporation to Parent		(1)				(1)
Balance, March 31, 2015	1,000	\$ (9,542)	\$ (1,085)	\$ 9,904	\$ 3,075	\$ 2,352

(in millions, except common share amounts)	First Data Corporation Shareholder Accumulated Other					
	Common Shares	Accumulated Loss	Comprehensive Loss	Paid-In Capital	Noncontrolling Interests	Total
Balance, December 31, 2013	1,000	\$ (8,285)	\$ (589)	\$ 7,384	\$ 3,183	\$ 1,693
Dividends and distributions paid to noncontrolling interests					(43)	(43)
Net (loss) income (a)		(201)			27	(174)
Other comprehensive (loss) income			(17)		1	(16)
Adjustment to redemption value of redeemable noncontrolling interest				(2)		(2)
Stock compensation expense and other				25		25
Cash dividends paid by First Data Corporation to Parent		(15)				(15)
Balance, March 31, 2014	1,000	\$ (8,501)	\$ (606)	\$ 7,407	\$ 3,168	\$ 1,468

- (a) The total net loss presented in the Consolidated Statements of Equity for the three months ended March 31, 2015 and 2014 is \$8 million and \$9 million, respectively, greater than the amount presented in the Consolidated Statements of Operations due to the net income attributable to the redeemable noncontrolling interest not included in equity.

See Notes to unaudited consolidated financial statements.

F-78

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1: Basis of Presentation and Summary of Significant Accounting Policies****Business Description**

First Data Corporation (FDC or the Company) is a global provider of electronic commerce and payment solutions for merchants, financial institutions, and card issuers. The services the Company provides include merchant transaction processing and acquiring; credit, retail, and debit card issuing and processing; prepaid services; and check verification, settlement and guarantee services.

**Basis of Presentation**

The accompanying unaudited consolidated financial statements of the Company should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2014. 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 March 31, 2015 and the consolidated results of its operations and comprehensive income (loss) for the three months ended March 31, 2015 and 2014 and the consolidated cash flows and changes in equity for the three months ended March 31, 2015 and 2014. 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 unaudited consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Presentation**

Depreciation and amortization presented as a separate line item on the Company's Unaudited 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:

<b>(in millions)</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Amortization of initial payments for new contracts	\$ 11	\$ 11

Amortization related to equity method investments

15

16

**Reclassifications**

Certain reclassifications have been made to the unaudited consolidated financial statements of prior periods to conform to the current period presentation. The reclassifications had no impact on net loss, equity, or cash flows as previously reported.

F-79

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Revenue Recognition**

The majority of the Company's revenues are comprised of: 1) transaction-based fees, which typically constitute a percentage of dollar volume processed; 2) fees per transaction processed; 3) fees per account on file during the period; or 4) some combination thereof.

In multiple-element transactions, revenue is allocated to the separate units of accounting provided each element has stand-alone value to the customer. Stand-alone value is based on the relative selling price of any undelivered items for which delivery is probable and substantially within the Company's control.

In the case of merchant contracts that the Company owns and manages, revenue is comprised of fees charged to the merchant, net of interchange and assessments charged by the credit card associations, and is recognized at the time the merchant accepts a point of sale transaction. The fees charged to the merchant are a percentage of the credit card and signature based debit card transaction's dollar value, a fixed amount or a combination of the two. Personal identification number based debit (PIN-debit) network fees are recognized in Reimbursable debit network fees, postage, and other revenues and expenses in the Unaudited Consolidated Statements of Operations. *STAR Network* access fees charged to merchants are assessed on a per transaction basis. Interchange fees and assessments charged by credit card associations to the Company's consolidated subsidiaries and network fees related to PIN-debit transactions charged by debit networks are as follows:

(in millions)	Three months ended March 31,	
	2015	2014
Interchange fees and assessments	\$ 4,965	\$ 4,721
Debit network fees	710	719

**Net Loss Per Share**

Basic net loss per share is calculated by dividing net loss by the weighted-average shares outstanding during the period, without consideration for any potential dilutive shares. Dilutive loss per share is the same as basic loss per share for all periods presented because there are no dilutive or potentially dilutive securities.

**New Accounting Guidance**

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance that requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in an exchange for those goods or services. It also requires enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively, and improves guidance for multiple-element arrangements. The guidance applies to any entity that either enters into

contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The guidance is effective for public companies for annual periods beginning after December 15, 2016 as well as interim periods within those annual periods using either the full retrospective approach or modified retrospective approach. Early adoption is not permitted. On July 9, 2015, the FASB deferred the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements.

In April 2015, the FASB issued guidance that requires companies to present debt issuance costs related to a recognized debt liability on the balance sheet as a direct deduction from the debt liability, similar to the



Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

presentation of debt discounts. Debt issuance costs will continue to be amortized to interest expense using the effective interest method. The guidance is effective for public companies for annual periods beginning after December 15, 2015 as well as interim periods within those annual periods using the retrospective approach. The Company is currently evaluating the impacts of the new guidance on its consolidated financial statements.

**Note 2: Supplemental Financial Information****Supplemental Unaudited Consolidated Statements of Operations Information**

The following table details the components of Other income on the Unaudited Consolidated Statements of Operations:

(in millions)	Three months ended	
	March 31,	
	2015	2014
Derivative financial instruments (losses) and gains	\$ (2)	\$ 3
Divestitures, net gains	1	
Non-operating foreign currency gains and (losses)	36	(2)
Other income	\$ 35	\$ 1

**Note 3: Restructuring**

The Company recorded restructuring charges during the three months ended March 31, 2015 and 2014, in connection with management's alignment of the business with strategic objectives, cost savings initiatives, the departure of certain executive officers, and refinements of estimates.

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

(in millions)	Pretax Benefit (Charge)				
	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	Totals
<b>Three months ended March 31, 2015</b>					
Restructuring charges	\$	\$	\$	\$ (1)	\$ (1)
Restructuring accrual reversals					

Edgar Filing: FIRST DATA CORP - Form S-1

Total pretax charge, net of reversals	\$	\$	\$	\$	(1)	\$	(1)	
<b>Three months ended March 31, 2014</b>								
Restructuring charges	\$	\$	\$	(1)	\$	(2)	\$	(3)
Restructuring accrual reversals								
Total pretax charge, net of reversals	\$	\$	\$	(1)	\$	(2)	\$	(3)

The following table summarizes the Company's utilization of restructuring accruals for the period presented:

<b>(in millions)</b>	<b>Employee Severance</b>	<b>Other</b>
Remaining accrual as of January 1, 2015	\$ 12	\$ 1
Expense provision		1
Cash payments and other	(3)	(1)
Changes in estimates		
Remaining accrual as of March 31, 2015	\$ 9	\$ 1

F-81

Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

On May 4, 2015, the Company announced a strategic expense management initiative to optimize its annualized expense base by mid-2016. Anticipated restructuring costs will be \$75 million, mainly cash, and will be recognized beginning in the second quarter of 2015. The net charge is expected to include costs for severance, retention and transition, asset impairments, professional services fees, and gains/losses on the sale of facilities. The vast majority of the net charge will be related to personnel (severance, retention and transition).

**Note 4: Borrowings**

(in millions)	As of March 31, 2015	As of December 31, 2014
<b>Short-term borrowings:</b>		
Foreign lines of credit and other arrangements	\$ 30	\$ 68
Senior secured revolving credit facility	381	10
Total short-term borrowings	411	78
<b>Current portion of long-term borrowings:</b>		
4.95% Unsecured notes due 2015	10	10
Capital lease obligations	75	73
Total current portion of long-term borrowings	85	83
Total Short-term and current portion of long-term borrowings	496	161
<b>Long-term borrowings:</b>		
Senior secured term loan facility due March 2017, net of unamortized discount of \$9 and \$10	1,449	1,451
Senior secured term loan facility due March 2018, net of unamortized discount of \$41 and \$45	4,893	4,932
Senior secured term loan facility due September 2018, net of unamortized discount of \$25 and \$27	983	981
Senior secured term loan facility due March 2021, net of unamortized discount of \$11 and \$11	1,159	1,180
7.375% Senior secured first lien notes due 2019, net of unamortized discount of \$18 and \$19	1,577	1,576
8.875% Senior secured first lien notes due 2020, net of unamortized discount of \$10 and \$10	500	500
6.75% Senior secured first lien notes due 2020, net of unamortized discount of \$13 and \$14	1,384	1,383

Edgar Filing: FIRST DATA CORP - Form S-1

8.25% Senior secured second lien notes due 2021, net of unamortized discount of \$11 and \$11	1,989	1,989
8.75% Senior secured second lien notes due 2022, net of unamortized discount of \$5 and \$6	995	994
12.625% Senior unsecured notes due 2021, net of unamortized discount of \$16 and \$16	2,984	2,984
10.625% Senior unsecured notes due 2021, net of unamortized discount of \$15 and \$16	515	514
11.25% Senior unsecured notes due 2021, net of unamortized discount of \$14 and \$15	496	495
11.75% Senior unsecured subordinated notes due 2021, net of unamortized discount of \$11 and \$11	1,598	1,598
Capital lease obligations	119	134
<b>Total long-term borrowings</b>	<b>20,641</b>	<b>20,711</b>
<b>Total borrowings</b>	<b>\$ 21,137</b>	<b>\$ 20,872</b>

F-82

---

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

**Foreign Lines of Credit and Other Arrangements**

As of March 31, 2015 and December 31, 2014, the Company had approximately \$304 million and \$349 million available under short-term lines of credit and other arrangements with foreign banks and alliance partners primarily to fund settlement activity, respectively. As of March 31, 2015, the Company had a \$150 million committed line of credit for one of the Company's U.S. alliances. The remainder of these arrangements is 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. Of the amounts outstanding as of March 31, 2015 and December 31, 2014, \$27 million and \$67 million, respectively, were uncommitted.

**Senior Secured Revolving Credit Facility**

As of March 31, 2015, the Company's senior secured revolving credit facility had commitments from financial institutions to provide approximately \$1.0 billion of credit. The revolving credit facility matures on September 24, 2016. The Company had \$381 million and \$10 million outstanding against this facility as of March 31, 2015 and December 31, 2014, respectively. Up to \$500 million of the senior secured revolving credit facility is available for letters of credit, of which \$42 million and \$43 million of letters of credit were issued under the facility as of March 31, 2015 and December 31, 2014, respectively. As of March 31, 2015, \$593 million remained available.

**Fair Value Measurement**

As of March 31, 2015, the fair value of the Company's long-term borrowings was \$22.2 billion. The estimated fair value of the Company's long-term borrowings was primarily based on market trading prices and is considered to be a Level 2 measurement.

**Note 5: Segment Information**

For a detailed discussion of the Company's principles and detailed discussions regarding its operating segments refer to Note 13 Segment Information in the Company's consolidated financial statements for the year ended December 31, 2014.

The presentation of the March 31, 2015 and 2014 consolidated statements of operations have been revised to correctly classify \$21 million and \$12 million of independent sales organization commissions expenses, respectively, as Selling, general, and administrative expense. Previously, these costs were included in Cost of services and Cost of products sold. The impact of these revisions was not considered to be material to previously issued financial statements and had no effect on net loss, equity, or cash flows in any previously issued financial statements.

Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

The following tables present the Company's operating segment results for the periods presented:

(in millions)	Three months ended March 31, 2015				Totals
	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	
<b>Revenues:</b>					
Transaction and processing service fees	\$ 769	\$ 319	\$ 305	\$	\$ 1,393
Product sales and other	187	38	31		256
Equity earnings in affiliates	6				6
<b>Total segment revenues</b>	<b>\$ 962</b>	<b>\$ 357</b>	<b>\$ 336</b>	<b>\$</b>	<b>\$ 1,655</b>
Depreciation and amortization	\$ 119	\$ 97	\$ 21	\$ 8	\$ 245
Segment EBITDA	360	119	130	(46)	563
Other operating expenses and other income (expense) excluding divestitures	9	(3)		27	33

(in millions)	Three months ended March 31, 2014				Totals
	Global Business Solutions	Global Financial Solutions	Network & Security Solutions	Corporate	
<b>Revenues:</b>					
Transaction and processing service fees	\$ 767	\$ 319	\$ 308	\$	\$ 1,394
Product sales and other	170	36	22		228
Equity earnings in affiliates	7				7
<b>Total segment revenues</b>	<b>\$ 944</b>	<b>\$ 355</b>	<b>\$ 330</b>	<b>\$</b>	<b>\$ 1,629</b>
Depreciation and amortization	\$ 131	\$ 101	\$ 25	\$ 5	\$ 262
Segment EBITDA	386	120	144	(36)	614
Other operating expenses and other income (expense) excluding divestitures	(26)	1		23	(2)

F-84

Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

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

<b>(in millions)</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Total segment revenues	\$ 1,655	\$ 1,629
Adjustments to reconcile to consolidated revenues:		
Adjustments for non-wholly-owned entities (a)	20	1
Independent sales organizations (ISO) commission expense	147	135
Reimbursable debit network fees, postage and other	873	875
Consolidated revenues	\$ 2,695	\$ 2,640
Segment EBITDA:		
Global Business Solutions	\$ 360	\$ 386
Global Financial Services	119	120
Network & Security Solutions	130	144
Total reported segments	609	650
Corporate	(46)	(36)
Adjusted EBITDA	563	614
Adjustments to reconcile to Net loss attributable to First Data Corporation:		
Adjustments for non-wholly-owned entities (a)	7	2
Depreciation and amortization	(251)	(265)
Interest expense	(407)	(467)
Interest income	1	3
Other items (b)	(5)	(6)
Income tax expense	(3)	(37)
Stock based compensation	(7)	(29)
Costs of alliance conversions	(3)	(7)
Kohlberg Kravis Roberts & Co. (KKR) related items	(6)	(6)
Debt issuance costs	(1)	(3)
Net loss attributable to First Data Corporation	\$ (112)	\$ (201)

- (a) Net adjustment to reflect the Company's proportionate share of alliance revenue and EBITDA and amortization related to equity method investments not included in segment EBITDA.
- (b) Includes adjustments to exclude the official check and money order businesses due to the Company's wind down of these businesses, restructuring, litigation and regulatory settlements, and Other income (expense) as presented in the Unaudited Consolidated Statements of Operations, which includes divestitures, impairments, derivative gains and (losses), and non-operating foreign currency gains and (losses).

F-85



Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

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

<b>(in millions)</b>	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Segment depreciation and amortization	\$ 245	\$ 262
Adjustments for non-wholly-owned entities	21	19
Amortization of initial payments for new contracts	11	11
Total consolidated depreciation and amortization per Unaudited Consolidated Statements of Cash Flows	277	292
Less: Amortization of equity method investment	(15)	(16)
Less: Amortization of initial payments for new contracts	(11)	(11)
Total consolidated depreciation and amortization per Unaudited Consolidated Statements of Operations	\$ 251	\$ 265

**Note 6: Redeemable Noncontrolling Interest**

One of the Company's noncontrolling interests is redeemable at the option of the holder and is presented outside of equity and carried at its estimated redemption value.

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

<b>(in millions)</b>	<b>2015</b>	<b>2014</b>
Balance as of January 1,	\$ 70	\$ 69
Distributions	(8)	(9)
Share of income	8	9
Adjustment to redemption value of redeemable noncontrolling interest	8	2
Balance as of March 31,	\$ 78	\$ 71

**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 unaudited 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**

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 areas: (1) patent infringement which results from claims that the Company is using technology that has been patented by another party;

F-86

---

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

(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 \$50 million for patent infringement, \$0 to \$15 million for merchant customer matters, and \$0 to \$40 million for other matters, resulting in a total estimated range of possible losses of \$0 to \$105 million for all of the matters described above.

The estimated range of reasonably possible losses is based on information currently available and involves elements of judgment and significant uncertainties. As additional information becomes available and the resolution of the uncertainties becomes 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.

**Contingent Consideration**

Over the past three years, the Company completed three acquisitions in which contingent consideration was recorded. The transactions called for cash consideration as well as contingent payments for achievement of certain milestones. As part of the purchase price, the Company recorded a \$29 million liability for the contingent consideration, of which \$1 million was paid in the first quarter of 2015. This fair value measurement represents a Level 3 measurement as it is based on significant inputs not observable in the market. Significant judgment is employed in determining the appropriateness of these assumptions as of the acquisition date. The primary assumption is the estimated number of merchant locations that will be using the software or technology in the next three years.

**Note 8: Stock Compensation Plans**

The Company's parent, First Data Holdings, Inc. (FDH), has a stock incentive plan for employees of the Company and its affiliates (stock plan). Stock compensation expense associated with this stock plan is recorded by the Company. Stock compensation expense for certain awards is only recognized upon liquidity or an employment termination event which triggers vesting. For the remaining awards that vest based solely on service conditions, expense is recognized over the requisite service period.

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

<b>(in millions)</b>	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Total stock-based compensation expense (pretax)	\$ 7	\$ 29

F-87

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

During the three months ended March 31, 2014, \$23 million of stock-based compensation expense was recognized as a result of the departure of certain executive officers.

**Stock Options**

As of March 31, 2015, there was approximately \$169 million of total unrecognized compensation expense related to non-vested stock options that will only be recognized upon a qualified public offering or certain liquidity or employment termination events.

**Restricted Stock Awards and Restricted Stock Units**

Beginning in 2014, substantially all of the Company's employees are granted restricted stock awards on an annual basis and during the three months ended March 31, 2015, 39 million restricted stock awards were granted. The restrictions on a majority of these awards will lapse upon the later of three years or following an initial public offering or upon certain employment termination events. For the remainder of these awards, the restrictions will lapse following an initial public offering or upon certain employment termination events.

As of March 31, 2015, there was \$337 million of total unrecognized compensation expense related to restricted stock, of which \$2 million will be recognized over a period of approximately one year while \$335 million will only be recognized upon the occurrence of certain liquidity or employment termination events.

For additional information on the Company's Stock Compensation Plans refer to Note 11 Stock Compensation Plans in the Company's consolidated financial statements for the year ended December 31, 2014.

**Note 9: Derivative Financial Instruments**

The Company enters into the following types of derivatives:

Interest rate contracts:

Interest rate swaps: The Company uses interest rate swaps to mitigate its exposure to interest rate fluctuations on interest payments related to variable rate debt. The Company uses these contracts in non-qualifying hedging relationships.

Fixed to floating interest rate swaps: The Company uses fixed to floating interest rate swaps to maintain a desired ratio of fixed rate and floating rate debt. The Company uses these contracts in non-qualifying hedging relationships.

Foreign exchange contracts: The Company uses cross-currency swaps to protect the net investment in certain foreign subsidiaries and/or affiliates with respect to changes in foreign currency exchange rates. The Company uses these contracts in both qualifying and non-qualifying hedging relationships.

F-88

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The Company held the following derivative instruments as of the dates indicated:

(in millions)	Notional Currency	As of March 31, 2015			As of December 31, 2014		
		Notional Value	Assets (a) (b)	Liabilities (a) (c)	Notional Value	Assets (a) (b)	Liabilities (a) (c)
<b>Derivatives designated as hedges of net investments in foreign operations:</b>							
Foreign exchange contracts	AUD	260	\$ 56	\$	260	\$ 41	\$
Foreign exchange contracts	EUR	200	53		200	27	
Foreign exchange contracts	GBP	250	37		250	18	
Foreign exchange contracts	CAD	110	17		110	9	
			163			95	
<b>Derivatives not designated as hedging instruments:</b>							
Interest rate contracts	USD	5,750	59	(106)	5,750	47	(105)
Foreign exchange contracts	EUR	22	4		22	1	
			63	(106)		48	(105)
			\$ 226	\$ (106)		\$ 143	\$ (105)

(a) Of the balances included in the table above, in aggregate, \$222 million of assets and \$96 million of liabilities, net \$126 million, as of March 31, 2015 and \$142 million of assets and \$96 million of liabilities, net \$46 million, as of December 31, 2014 are subject to master netting agreements to the extent that the swaps are with the same counterparty. The terms of those agreements require that the Company net settle the outstanding positions at the option of the counterparty upon certain events of default.

(b) Derivative assets included in Other current assets and Other long-term assets in the Unaudited Consolidated Balance Sheets.

(c) Derivative liabilities included in Other current liabilities and Other long-term liabilities in the Unaudited Consolidated Balance Sheets.

The maximum length of time over which the Company is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments is through January 2018.

## **Fair Value Measurement**

The carrying amounts for the Company's Derivative financial instruments are the estimated fair value of the financial instruments. The Company's derivatives are not exchange listed and therefore the fair value is estimated under an income approach using Bloomberg analytics models that are based on readily observable market inputs. These models reflect the contractual terms of the derivatives, such as notional value and expiration date, as well as market-based observables including interest and foreign currency exchange rates, yield curves, and the credit quality of the counterparties. The models also incorporate the Company's creditworthiness in order to appropriately reflect non-performance risk. Inputs to the derivative pricing models are generally observable and do not contain a high level of subjectivity and, accordingly, the Company's derivatives were classified within Level 2 of the fair value hierarchy. While the Company believes its estimates result in a reasonable reflection of the fair value of these instruments, the estimated values may not be representative of actual values that could have been realized or that will be realized in the near future.



Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Effect of Derivative Instruments on the Unaudited Consolidated Statements of Operations**

Derivative gains and (losses) were as follows for the periods indicated:

(in millions, pretax)	Three months ended March 31,			
	2015		2014	
	Interest Rate Contracts	Foreign Exchange Contracts	Interest Rate Contracts	Foreign Exchange Contracts
<b>Derivatives in net investment hedging relationships:</b>				
Gain (loss) recognized in other comprehensive income (loss) (effective portion)	\$	\$ 67	\$	\$ (7)
<b>Derivatives not designated as hedging instruments:</b>				
Gain (loss) recognized in Other income (expense) in the Unaudited Consolidated Statements of Operations	(5)	3	3	
<b>Accumulated Derivative Gains and Losses</b>				

The following table summarizes activity in other comprehensive income for the three months ended March 31, 2015 related to derivative instruments classified as cash flow hedges and a net investment hedge held by the Company:

(in millions, after tax)	Three months ended March 31, 2015	
Accumulated gain included in other comprehensive income (loss) at beginning of the period	\$	37
Less: Reclassifications into earnings from other comprehensive income (loss), net of tax		
		37
Increase in fair value of derivatives that qualify for hedge accounting (a)		42
Accumulated gain included in other comprehensive income (loss) at end of the period	\$	79

(a)

Gains and (losses) are included in Unrealized gains on hedging activities and in Foreign currency translation adjustment on the Unaudited Consolidated Statements of Comprehensive Income (Loss).

**Note 10: Income Taxes**

The effective tax rates on the Company's pretax loss were expenses of 5% and 29% for the three months ended March 31, 2015 and 2014, respectively.

The effective tax rate for the three months ended March 31, 2015 was lower than the statutory rate primarily because it is not more likely than not, due to the valuation allowances recorded in the U.S. and certain foreign jurisdictions, that the computed year-to-date tax benefit would be realized at the end of the year.

The effective tax rate for the three months ended March 31, 2014 was lower than the statutory rate primarily as a result of recognizing tax expense in jurisdictions with pretax income while being precluded from recognizing deferred tax benefits on pretax losses in the U.S. and certain foreign jurisdictions that are subject to valuation allowances. The negative impact from the valuation allowance was partially offset by state tax benefits and by the Company not having to record tax expense attributable to the noncontrolling interest portion of pre-tax income from pass through entities.

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Unaudited)**

The Company's liability for unrecognized tax benefits was approximately \$240 million as of March 31, 2015. The Company anticipates it is reasonably possible that the liability for unrecognized tax benefits may decrease by approximately \$123 million within the next twelve months as the result of the possible closure of federal tax audits, potential settlements with certain states and foreign countries and the lapse of the statute of limitations in various state and foreign jurisdictions.

**Note 11: Investment in Affiliates**

Segment results include the Company's proportionate share of income from affiliates, which consist of unconsolidated investments accounted for under the equity method of accounting. The most significant of these affiliates are related to the Company's merchant bank alliance program.

As of March 31, 2015, the Company has an unconsolidated significant subsidiary that is not required to be consolidated, but represents more than 20% of the Company's pretax loss. This affiliate became significant during the second quarter of 2014 and its summarized financial information is presented below for the periods indicated:

<b>(in millions)</b>	<b>Three months ended March 31, 2015</b>
Net operating revenues	\$ 211
Operating expenses	89
<b>Operating income</b>	<b>\$ 122</b>
Net income	\$ 122
FDC equity earnings	38

**Note 12: Supplemental Guarantor Condensed Consolidating Financial Statements**

As described in Note 6 Borrowings in the Company's consolidated financial statements for the year ended December 31, 2014, the Company's 12.625% senior notes, 11.25% senior notes, 10.625% senior notes, and 11.75% senior subordinated notes are guaranteed by most of the existing and future, direct and indirect, wholly owned, domestic subsidiaries of the Company (Guarantors). The Guarantors guarantee the senior secured revolving credit facility, senior secured term loan facility, the 8.875% senior secured notes, the 7.375% senior secured notes, and the 6.75% senior secured notes, which rank senior in right of payment to all existing and future unsecured and second lien indebtedness of the Company's guarantor subsidiaries to the extent of the value of the collateral. The Guarantors guarantee the 8.25% and 8.75% senior second lien notes which rank senior in right of payment to all existing and future unsecured indebtedness of the Company's guarantor subsidiaries to the extent of the value of the collateral. The 12.625% senior note, 10.625% senior note, and 11.25% senior 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 the Company's guarantor subsidiaries. The 11.75% senior subordinated note guarantee is unsecured and ranks equally in right of payment with all existing and future senior subordinated indebtedness of the guarantor subsidiaries.

All of the above guarantees are full, unconditional, and joint and several and each of the Guarantors is 100% owned, directly or indirectly, by the Company. None of the other subsidiaries of the Company, either direct or indirect, guarantee the notes (Non-Guarantors). The Guarantors are subject to release under certain circumstances as described below.

F-91

Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The credit agreement governing the guarantees of the senior secured revolving credit facility and senior secured term loan facility provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including under the following circumstances:

the Guarantor ceases to be a restricted subsidiary for purpose of the agreement because the Company no longer directly or indirectly owns 50% of the equity or, if a corporation, stock having voting power to elect a majority of the board of directors of the Guarantor; or

the Guarantor is designated as an unrestricted subsidiary for purposes of the agreement covenants; or

the Guarantor is no longer wholly owned by the Company subject to the value of all Guarantors released under this provision does not exceed (x) 10% of the Company's Covenant EBITDA plus (y) the amount of investments permitted under the agreement in respect of non-guarantors.

The indentures governing all of the other guarantees described above provide for a Guarantor to be automatically and unconditionally released and discharged from its guarantee obligations in certain circumstances, including upon the earliest to occur of:

the sale, exchange or transfer of the subsidiary's capital stock or all or substantially all of its assets;

designation of the Guarantor as an unrestricted subsidiary for purposes of the indenture covenants;

release or discharge of the Guarantor's guarantee of certain other indebtedness; or

legal defeasance or covenant defeasance of the indenture obligations when provision has been made for them to be fully satisfied.

During the third quarter of 2014, the senior secured loan facilities were amended and three subsidiaries were removed as guarantors. Although these changes were not material and did not have an impact to the Company's unaudited consolidated financial statements, the Company adjusted prior periods to align with the new guarantor structure. These adjustments are limited to the guarantor footnote and do not affect any other reported amounts or disclosures in the Company's unaudited consolidated financial statements. A summary of the adjustments is as follows:

(in millions)	Three months ended March 31, 2014							
	FDC Parent Company		Guarantor Subsidiaries		Non-Guarantor Subsidiaries		Consolidation Adjustments	
	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted	As previously reported	As adjusted
Revenues	\$	\$	\$ 1,771	\$ 1,642	\$ 943	\$ 1,072	\$ (74)	\$ (74)
(Loss) income before income taxes and equity earnings in affiliates	(278)	(278)	158	160	125	126	(183)	(186)
Income tax (benefit) expense	(77)	(77)	67	65	47	49		
Net (loss) income attributable to First Data Corporation	(201)	(201)	142	141	61	66	(203)	(207)
Comprehensive (loss) income attributable to First Data Corporation	(218)	(218)	151	120	42	76	(193)	(196)

F-92

Table of Contents**FIRST DATA CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

<b>(in millions)</b>	<b>Three months ended March 31, 2014</b>							
	<b>FDC Parent Company</b>		<b>Guarantor Subsidiaries</b>		<b>Non-Guarantor Subsidiaries</b>		<b>Consolidation Adjustments</b>	
	<b>As previously reported</b>	<b>As adjusted</b>	<b>As previously reported</b>	<b>As adjusted</b>	<b>As previously reported</b>	<b>As adjusted</b>	<b>As previously reported</b>	<b>As adjusted</b>
Net cash (used in) provided by operating activities	\$ (630)	\$ (630)	\$ 365	\$ 364	\$ 221	\$ 222	\$	\$
Net cash provided by (used in) investing activities	27	27	(19)	(12)	(48)	(55)	(72)	(72)
Net cash provided by (used in) financing activities	574	574	(348)	(360)	(152)	(140)	72	72

F-93

Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

The following tables present the results of operations, comprehensive income, financial position and cash flows of the Company (FDC Parent Company), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and consolidation adjustments for the period presented to arrive at the information for the Company on a consolidated basis.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions)	Three months ended March 31, 2015				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>Revenues:</b>					
Transaction and processing service fees	\$	\$ 914	\$ 725	\$ (73)	\$ 1,566
Product sales and other		165	105	(14)	256
Reimbursable debit network fees, postage, and other		601	272		873
<b>Total revenues</b>		<b>1,680</b>	<b>1,102</b>	<b>(87)</b>	<b>2,695</b>
<b>Expenses:</b>					
Cost of services (exclusive of items shown below)		405	382	(73)	714
Cost of products sold		53	37	(14)	76
Selling, general, and administrative	32	287	201		520
Reimbursable debit network fees, postage, and other		601	272		873
Depreciation and amortization	4	150	97		251
<b>Other operating expenses:</b>					
Restructuring, net	(1)	2			1
<b>Total expenses</b>	<b>35</b>	<b>1,498</b>	<b>989</b>	<b>(87)</b>	<b>2,435</b>
<b>Operating (loss) profit</b>	<b>(35)</b>	<b>182</b>	<b>113</b>		<b>260</b>
Interest income			1		1
Interest expense	(402)	(3)	(2)		(407)
Interest income (expense) from intercompany notes	81	(77)	(4)		
Other income (expense)	69		(34)		35
Equity earnings from consolidated subsidiaries	172	38		(210)	



Edgar Filing: FIRST DATA CORP - Form S-1

	(80)	(42)	(39)	(210)	(371)
(Loss) income before income taxes and equity earnings in affiliates	(115)	140	74	(210)	(111)
Income tax (benefit) expense	(3)	3	3		3
Equity earnings in affiliates		48	3		51
Net (loss) income	(112)	185	74	(210)	(63)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest			16	33	49
Net (loss) income attributable to First Data Corporation	\$ (112)	\$ 185	\$ 58	\$ (243)	\$ (112)
Comprehensive (loss) income	\$ (267)	\$ 158	\$ (156)	\$ 35	\$ (230)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest			5	33	38
Comprehensive (loss) income attributable to First Data Corporation	\$ (267)	\$ 158	\$ (161)	\$ 2	\$ (268)

F-94

**Table of Contents****FIRST DATA CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****Three months ended March 31, 2014 (As Adjusted)**

(in millions)	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>Revenues:</b>					
Transaction and processing service fees	\$	\$ 875	\$ 724	\$ (59)	\$ 1,540
Product sales and other		141	99	(15)	225
Reimbursable debit network fees, postage, and other		626	249		875
<b>Total revenues</b>		<b>1,642</b>	<b>1,072</b>	<b>(74)</b>	<b>2,640</b>
<b>Expenses:</b>					
Cost of services (exclusive of items shown below)		337	357	(59)	635
Cost of products sold		52	42	(15)	79
Selling, general, and administrative	42	275	181		498
Reimbursable debit network fees, postage, and other		626	249		875
Depreciation and amortization	2	154	109		265
<b>Other operating expenses:</b>					
Restructuring, net	1	2			3
<b>Total expenses</b>	<b>45</b>	<b>1,446</b>	<b>938</b>	<b>(74)</b>	<b>2,355</b>
<b>Operating (loss) profit</b>	<b>(45)</b>	<b>196</b>	<b>134</b>		<b>285</b>
Interest income			3		3
Interest expense	(464)	(2)	(1)		(467)
Interest income (expense) from intercompany notes	79	(70)	(9)		
Other income (expense)	2		(1)		1
Equity earnings from consolidated subsidiaries	150	36		(186)	
	(233)	(36)	(8)	(186)	(463)
(Loss) income before income taxes and equity earnings in affiliates	(278)	160	126	(186)	(178)
Income tax (benefit) expense	(77)	65	49		37
Equity earnings in affiliates		46	4		50

Edgar Filing: FIRST DATA CORP - Form S-1

Net (loss) income	(201)	141	81	(186)	(165)
Less: Net income attributable to noncontrolling interests and redeemable noncontrolling interest			15	21	36
Net (loss) income attributable to First Data Corporation	\$ (201)	\$ 141	\$ 66	\$ (207)	\$ (201)
Comprehensive (loss) income	\$ (218)	\$ 120	\$ 92	\$ (175)	\$ (181)
Less: Comprehensive income attributable to noncontrolling interests and redeemable noncontrolling interest			16	21	37
Comprehensive (loss) income attributable to First Data Corporation	\$ (218)	\$ 120	\$ 76	\$ (196)	\$ (218)

F-95

Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**CONSOLIDATED BALANCE SHEETS**

(in millions)	As of March 31, 2015				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 13	\$ 27	\$ 300	\$	\$ 340
Accounts receivable, net of allowance for doubtful accounts	11	786	918		1,715
Settlement assets (a)		3,549	4,139		7,688
Intercompany notes receivable	3,412	311		(3,723)	
Other current assets	158	145	111		414
Total current assets	3,594	4,818	5,468	(3,723)	10,157
Property and equipment, net of accumulated depreciation	35	619	254		908
Goodwill		9,088	7,773		16,861
Customer relationships, net of accumulated amortization		1,404	1,067		2,471
Other intangibles, net of accumulated amortization	604	647	506		1,757
Investment in affiliates	5	934	149		1,088
Long-term intercompany receivables	7,118	15,283	5,406	(27,807)	
Long-term intercompany notes receivable	321	1	9	(331)	
Long-term deferred tax assets	654			(654)	
Other long-term assets	371	325	290	(90)	896
Investment in consolidated subsidiaries	24,364	5,304		(29,668)	
Total assets	\$ 37,066	\$ 38,423	\$ 20,922	\$ (62,273)	\$ 34,138

**LIABILITIES AND EQUITY**

Edgar Filing: FIRST DATA CORP - Form S-1

<b>Current liabilities:</b>								
Accounts payable	\$	9	\$	152	\$	104	\$	265
Short-term and current portion of long-term borrowings		392		68		36		496
Settlement obligations (a)				3,549		4,140		7,689
Intercompany notes payable		311		3,385		27		(3,723)
Other current liabilities		349		544		404		1,297
<b>Total current liabilities</b>		<b>1,061</b>		<b>7,698</b>		<b>4,711</b>		<b>(3,723)</b>
Long-term borrowings		20,523		117		1		20,641
Long-term deferred tax liabilities				1,029		155		(654)
Long-term intercompany payables		15,649		8,508		3,650		(27,807)
Long-term intercompany notes payable		9		259		63		(331)
Other long-term liabilities		547		223		110		(90)
<b>Total liabilities</b>		<b>37,789</b>		<b>17,834</b>		<b>8,690</b>		<b>(32,605)</b>
Redeemable equity interest						78		(78)
Redeemable noncontrolling interest								78
First Data Corporation shareholder s (deficit) equity		(723)		20,589		5,994		(26,583)
Noncontrolling interests						98		2,977
Equity of consolidated alliance						6,062		(6,062)
<b>Total equity</b>		<b>(723)</b>		<b>20,589</b>		<b>12,154</b>		<b>(29,668)</b>
<b>Total liabilities and equity</b>	\$	<b>37,066</b>	\$	<b>38,423</b>	\$	<b>20,922</b>	\$	<b>(62,273)</b>
							\$	<b>34,138</b>

(a) The majority of the Guarantor settlement assets relate to the Company s merchant acquiring business. The Company believes the settlement assets are not available to satisfy any claims other than those related to the settlement liabilities.

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

(in millions)	As of December 31, 2014				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 23	\$ 335	\$	\$ 358
Accounts receivable, net of allowance for doubtful accounts	8	729	1,015		1,752
Settlement assets (a)		3,849	3,706		7,555
Intercompany notes receivable	3,375	307		(3,682)	
Other current assets	44	119	126		289
Total current assets	3,427	5,027	5,182	(3,682)	9,954
Property and equipment, net of accumulated depreciation	33	619	278		930
Goodwill		9,085	7,932		17,017
Customer relationships, net of accumulated amortization		1,469	1,135		2,604
Other intangibles, net of accumulated amortization	603	623	519		1,745
Investment in affiliates		948	153		1,101
Long-term intercompany receivables	6,064	14,442	5,135	(25,641)	
Long-term intercompany notes receivable	320	1	9	(330)	
Long-term deferred tax assets	671			(671)	
Other long-term assets	397	317	301	(97)	918
Investment in consolidated subsidiaries	24,474	5,331		(29,805)	
Total assets	\$ 35,989	\$ 37,862	\$ 20,644	\$ (60,226)	\$ 34,269
<b>LIABILITIES AND EQUITY</b>					
Current liabilities:					
Accounts payable	\$ 9	\$ 171	\$ 100	\$	\$ 280
Short-term and current portion of long-term borrowings	20	64	77		161

Edgar Filing: FIRST DATA CORP - Form S-1

Settlement obligations (a)		3,849	3,708		7,557
Intercompany notes payable	309	3,346	27	(3,682)	
Other current liabilities	583	528	422		1,533
<b>Total current liabilities</b>	<b>921</b>	<b>7,958</b>	<b>4,334</b>	<b>(3,682)</b>	<b>9,531</b>
Long-term borrowings	20,578	131	2		20,711
Long-term deferred tax liabilities		1,024	168	(671)	521
Long-term intercompany payables	14,397	7,804	3,440	(25,641)	
Long-term intercompany notes payable	9	260	61	(330)	
Other long-term liabilities	536	225	124	(97)	788
<b>Total liabilities</b>	<b>36,441</b>	<b>17,402</b>	<b>8,129</b>	<b>(30,421)</b>	<b>31,551</b>
Redeemable equity interest			70	(70)	
Redeemable noncontrolling interest				70	70
First Data Corporation shareholder s (deficit) equity	(452)	20,460	6,241	(26,701)	(452)
Noncontrolling interests			101	2,999	3,100
Equity of consolidated alliance			6,103	(6,103)	
<b>Total equity</b>	<b>(452)</b>	<b>20,460</b>	<b>12,445</b>	<b>(29,805)</b>	<b>2,648</b>
<b>Total liabilities and equity</b>	<b>\$ 35,989</b>	<b>\$ 37,862</b>	<b>\$ 20,644</b>	<b>\$ (60,226)</b>	<b>\$ 34,269</b>

(a) The majority of the Guarantor settlement assets relate to the Company s merchant acquiring business. The Company believes the settlement assets are not available to satisfy any claims other than those related to the settlement liabilities.

Table of Contents

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Three months ended March 31, 2015				
	FDC Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidation Adjustments	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss) income	\$ (112)	\$ 185	\$ 74	\$ (210)	\$ (63)
Adjustments to reconcile to net cash (used in) provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	4	170	103		277
(Gains) charges related to other operating expenses and other income (expense)	(70)	2	34		(34)
Other non-cash and non-operating items, net	(153)	(99)	(7)	210	(49)
(Decrease) increase in cash, excluding the effects of acquisitions and dispositions, resulting from changes in operating assets and liabilities	(258)	(14)	39		(233)
Net cash (used in) provided by operating activities	(589)	244	243		(102)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from dispositions, net of expenses paid		2			2
Additions to property and equipment	(4)	(37)	(26)		(67)
		(59)	(19)		(78)



Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs					
Acquisitions, net of cash acquired	(8)				(8)
Purchase of investments	(16)				(16)
Distributions and dividends from subsidiaries	36	57		(93)	
Net cash provided by (used in) investing activities	8	(37)	(45)	(93)	(167)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Short-term borrowings, net	372		(35)		337
Principal payments on long-term debt		(16)	(4)		(20)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest			(8)	(55)	(63)
Distributions paid to equity holders			(112)	112	
Capital transactions, net	(1)		(36)	36	(1)
Intercompany	223	(191)	(32)		
Net cash provided by (used in) financing activities	594	(207)	(227)	93	253
Effect of exchange rate changes on cash and cash equivalents		4	(6)		(2)
Change in cash and cash equivalents	13	4	(35)		(18)
Cash and cash equivalents at beginning of period		23	335		358
Cash and cash equivalents at end of period	\$ 13	\$ 27	\$ 300	\$	\$ 340

**Table of Contents****FIRST DATA CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)**

<b>(in millions)</b>	<b>Three months ended March 31, 2014 (As Adjusted)</b>				
	<b>FDC Parent Company</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Consolidation Adjustments</b>	<b>Consolidated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net (loss) income	\$ (201)	\$ 141	\$ 81	\$ (186)	\$ (165)
Adjustments to reconcile to net cash (used in) provided by operating activities:					
Depreciation and amortization (including amortization netted against equity earnings in affiliates and revenues)	3	173	116		292
(Gains) charges related to other operating expenses and other income (expense)	(1)	2	1		2
Other non-cash and non-operating items, net	(109)	(95)	(16)	186	(34)
(Decrease) increase in cash resulting from changes in operating assets and liabilities, excluding the effects of acquisitions and dispositions	(322)	143	40		(139)
Net cash (used in) provided by operating activities	(630)	364	222		(44)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from dispositions, net of expenses paid		2			2
Additions to property and equipment	(1)	(17)	(36)		(54)
Payments to secure customer service contracts, including outlays for conversion, and capitalized systems development costs		(43)	(19)		(62)
		2			2

Proceeds from sale of property and equipment					
Distributions and dividends from subsidiaries	28	44		(72)	
Net cash provided by (used in) investing activities	27	(12)	(55)	(72)	(112)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Short-term borrowings, net	326		1		327
Debt modification payments and related financing costs, net	(91)				(91)
Principal payments on long-term debt		(17)	(2)		(19)
Distributions and dividends paid to noncontrolling interests and redeemable noncontrolling interest			(10)	(42)	(52)
Distributions paid to equity holders			(87)	87	
Capital transactions, net	(19)		(27)	27	(19)
Intercompany	358	(343)	(15)		
Net cash provided by (used in) financing activities	574	(360)	(140)	72	146
Effect of exchange rate changes on cash and cash equivalents		(4)	(2)		(6)
Change in cash and cash equivalents	(29)	(12)	25		(16)
Cash and cash equivalents at beginning of period	36	33	356		425
Cash and cash equivalents at end of period	\$ 7	\$ 21	\$ 381	\$	\$ 409

**Table of Contents**

**FIRST DATA CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**Note 13: Subsequent Events**

In the second quarter of 2015, the Company realigned its operating segments for financial reporting purposes into three reportable segments: Global Business Solutions, Global Financial Solutions, and Network & Security Solutions. Following the realignment, the Company retroactively adjusted all segment related disclosures included within the notes to the consolidated financial statements.

On June 2, 2015, the Company terminated and replaced its \$1.0 billion senior secured revolving credit facility maturing September 24, 2016 with a new \$1.25 billion senior secured revolving credit facility maturing on June 2, 2020.

On June 9, 2015, the Company acquired Transaction Wireless, Inc. (TWI), a provider of digital stored value products that offer gift card programs, loyalty incentives, and integrated marketing solutions for retailers, partners, and consumers. The purchase price was approximately \$62 million in cash and \$3 million in contingent equity consideration. The acquisition will be reported as part of the Network & Security Solutions segment.

On July 10, 2015, the Company entered into an agreement to its senior secured credit facilities providing for incremental term loans of \$725 million and 250 million, the proceeds of which will be used to redeem \$955 million of the Company's 7.375% senior secured first lien notes due 2019.

**Table of Contents**

**WELLS FARGO MERCHANT SERVICES, LLC**

**(A Joint Venture)**

**Financial Statements**

**December 31, 2014 and 2013**

**(With Independent Auditors Report Thereon)**

F-101

**Table of Contents**

**KPMG LLP**

Suite 1400

55 Second Street

San Francisco, CA 94105

**Independent Auditors Report**

The Members and Board of Directors of

Wells Fargo Merchant Services, LLC:

We have audited the accompanying financial statements of Wells Fargo Merchant Services, LLC (the Company), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of revenues and expenses, members equity, and cash flows for the years then ended, and the related notes to the financial statements.

**Management s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative

Edgar Filing: FIRST DATA CORP - Form S-1

( KPMG International ), a Swiss entity.

F-102

**Table of Contents**

**Opinion**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Wells Fargo Merchant Services, LLC, as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

San Francisco, California

February 19, 2015

F-103



**Table of Contents****WELLS FARGO MERCHANT SERVICES, LLC****(A Joint Venture)****Balance Sheets****December 31, 2014 and 2013****(Dollars in thousands)**

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 64,403	\$ 64,077
Settlement assets	1,045,533	872,857
Accounts receivable, net of reserve for merchant credit losses of \$4.5M in 2014 and \$3.4M 2013	316,446	271,931
Intangibles	479	437
Other assets	12	12
<b>Total assets</b>	<b>\$ 1,426,873</b>	<b>\$ 1,209,314</b>
<b>Liabilities and Members Equity</b>		
Settlement liabilities	\$ 977,144	\$ 813,233
Accounts payable and accrued expenses	30,465	25,374
Advances payable to Wells Fargo Bank, N.A.	280,982	233,167
Related party payable to First Data Merchant Services Corporation	13,664	22,511
Distribution payable to Wells Fargo Bank, N.A.	72,016	66,263
Distribution payable to First Data Merchant Services Corporation	48,011	44,175
<b>Total liabilities</b>	<b>1,422,282</b>	<b>1,204,723</b>
Members equity	4,591	4,591
<b>Total liabilities and members equity</b>	<b>\$ 1,426,873</b>	<b>\$ 1,209,314</b>

See accompanying notes to financial statements.

Table of Contents**WELLS FARGO MERCHANT SERVICES, LLC****(A Joint Venture)****Statements of Revenues and Expenses****December 31, 2014 and 2013****(Dollars in thousands)**

	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Card services revenue, net of \$3.5B and \$2.9B in interchange and assessments in 2014 and 2013, respectively	\$ 704,972	\$ 663,181
Product sales revenue	54,593	50,392
Other revenue	53,612	40,419
<b>Net revenue</b>	<b>813,177</b>	<b>753,992</b>
<b>Expenses:</b>		
Cost of card services	186,955	175,502
Cost of product sold	16,141	14,729
Selling, general and administrative	132,520	126,905
Other expenses	8,734	8,308
<b>Total expenses</b>	<b>344,350</b>	<b>325,444</b>
<b>Net operating income</b>	<b>468,827</b>	<b>428,548</b>
<b>Interest income</b>	<b>1,338</b>	<b>1,217</b>
<b>Net income</b>	<b>\$ 470,165</b>	<b>\$ 429,765</b>

See accompanying notes to financial statements.

Table of Contents**WELLS FARGO MERCHANT SERVICES, LLC****(A Joint Venture)****Statements of Members' Equity****December 31, 2014 and 2013****(Dollars in thousands)**

	<b>Wells Fargo Bank, N.A.</b>	<b>First Data Merchant Services Corporation</b>	<b>Total</b>
Members' equity at December 31, 2012	\$ 2,755	\$ 1,836	\$ 4,591
Net income	257,859	171,906	429,765
Distributions to members	(257,859)	(171,906)	(429,765)
Members' equity at December 31, 2013	2,755	1,836	4,591
Net income	282,099	188,066	470,165
Distributions to members	(282,099)	(188,066)	(470,165)
Members' equity at December 31, 2014	\$ 2,755	\$ 1,836	\$ 4,591

See accompanying notes to financial statements.

**Table of Contents****WELLS FARGO MERCHANT SERVICES, LLC****(A Joint Venture)****Statements of Cash Flows****December 31, 2014 and 2013****(Dollars in thousands)**

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Net income	\$ 470,165	\$ 429,765
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangibles	298	818
Provisions for merchant credit losses	10,375	6,920
Changes in operating assets and liabilities:		
Settlement assets	(172,676)	(229,334)
Accounts receivable, net of reserve for merchant credit losses	(54,891)	(40,146)
Settlement liabilities	163,911	216,078
Accounts payable and accrued expenses	5,091	(1,498)
Advances payable to Wells Fargo Bank, N.A.	47,815	41,061
Related party payable to First Data Merchant Services Corporation	(8,847)	7,733
Other assets		110
Net cash provided by operating activities	461,241	431,507
Cash flows from investing activities:		
Contract acquisition costs	(339)	(326)
Purchase of capitalized software		(60)
Net cash used in investing activities	(339)	(386)
Cash flows from financing activities:		
Distributions to members	(460,576)	(420,279)
Net cash used in financing activities	(460,576)	(420,279)
Increase in cash and cash equivalents	326	10,842
Cash and cash equivalents at beginning of year	64,077	53,235
Cash and cash equivalents at end of year	\$ 64,403	\$ 64,077

See accompanying notes to financial statements.



---

**Table of Contents**

**WELLS FARGO MERCHANT SERVICES, LLC**

**(A Joint Venture)**

**Financial Statements**

**December 31, 2014 and 2013**

**(Dollars in thousands, unless otherwise noted)**

**(1) Business Description**

Wells Fargo Merchant Services, LLC (the Company) is a joint venture between First Data Merchant Services Corporation (FDMS) and Wells Fargo Bank, N.A. (Wells Fargo). FDMS is a wholly-owned subsidiary of First Data Corporation (FDC), which is owned by an entity controlled by an affiliate of Kohlberg Kravis Roberts & Co. (KKR). The Company was established pursuant to the terms of an alliance agreement (the Membership Agreement) dated November 1, 1993, as amended and a Limited Liability Company Agreement dated September 1, 1997, as amended. The Membership Agreement will terminate on December 31, 2019. FDMS and Wells Fargo are here-in-after referred to, individually, as a Member or, collectively, as Members.

The Company is engaged in processing and funds transfer related to the authorization, processing, and settlement of credit and debit card transactions for merchants. A majority of its revenue is based on the dollar amount of transactions processed. The Company provides services to merchant customers within all 50 states, with a significant concentration in California. The Company is operationally dependent on both FDMS and Wells Fargo. The Company's primary operations are conducted through FDMS. The Company's funding and settlement are primarily conducted through Wells Fargo. The majority of the bank accounts used for daily operations are with Wells Fargo.

**(2) Summary of Significant Accounting Policies**

**(a) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Significant items subject to such estimates and assumptions include the reserve for merchant credit losses.

**(b) Settlement Assets and Liabilities**

The Company has a fiduciary responsibility to its merchant customers as it relates to the transfer of funds from a cardholder's issuing bank, via the Visa, MasterCard, or Discover card associations (the Card Associations) and the Accel, AFFN, Alaska Option, Credit Union 24, Interlink, Jeanie, Maestro, NYCE, Pulse, TYME, Shazam, STAR Network, Cash Station, Honor and MAC Debit Networks (the Debit Networks). The Company records such amounts due from the issuing banks, Card Associations and Debit Networks within the balance sheet caption settlement assets while the related liability, settlement liabilities, represents amounts due to merchants. Pursuant to the Card Associations and Debit Networks rules, such fiduciary funds are not available to support the operations of the Company.

**(c) Cash and Cash Equivalents**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2014 and 2013, the majority of the Company's cash and cash equivalents were held in Wells Fargo accounts and are FDIC insured.

F-108

**Table of Contents**

**WELLS FARGO MERCHANT SERVICES, LLC**

**(A Joint Venture)**

**Financial Statements**

**December 31, 2014 and 2013**

**(Dollars in thousands, unless otherwise noted)**

**(d) Merchant Collateral and Reserve for Merchant Credit and Fee Losses**

When a cardholder or a credit issuing institution disputes a transaction, within the Card Association guidelines, the Company's merchant customers have a liability for the disputed charges. However, in the case of merchant fraud, insolvency or bankruptcy, the Company may also be liable. Fee receivables that are ultimately deemed as uncollectable are charged-off against the merchant credit and fee loss reserve.

The Company's determination of the level of the reserve is calculated based on the level of sales volumes multiplied by loss factors taking into consideration charge-offs, recoveries and merchant collateral and rests upon various judgments and assumptions, including the review of historical data and a specific analysis of receivables due from merchants. Our charge-off policy is to fully charge down the balance when the receivable is 60 days past due. The Company requires cash deposits, guarantees, letters of credit or other types of collateral by certain merchants to minimize its credit risk. Included in the balance sheet's settlement assets is \$53,671 and \$26,555 in Merchant collateral, as of December 31, 2014 and 2013, respectively. Merchant collateral represents restricted cash held by the Company in a Wells Fargo bank account. The reserve for merchant credit losses is a valuation allowance for probable losses inherent as of the balance sheet date. The Company considers the reserve for merchant credit losses adequate to cover losses inherent in the portfolio as of December 31, 2014 and 2013.

**(e) Intangibles**

The Company capitalizes initial payments for new contracts, contract renewals and conversion costs associated with customer processing relationships to the extent recoverable through future operations, contractual minimums and/or penalties in the case of early termination. The Company's accounting policy is to limit the amount of capitalized costs for a given contract to the lesser of the estimated ongoing future cash flows from the contract or the termination fees the Company would receive in the event of early termination of the contract by the customer. The company amortizes intangibles over the period of the contract.

**(f) Accounts Payable and Accrued Expenses**

The Company accrues for certain expenses that have been received and that are billed one month in arrears. These estimates are classified within accounts payable and accrued expenses in the balance sheet.

**(g) Income Taxes**

No provision is made in the accounts of the Company for federal or state income taxes because all items of income expense and other items affecting taxable income are allocated to the Members for inclusion in their income tax



returns.

In accounting for income taxes, the Company follows the guidance in FASB ASC 740 (formerly FASB Interpretation No. 48), as amended by ASU 2009-06, *Accounting for Uncertainty in Income Taxes*. ASC 740 requires the Company to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement which could result in the Company recording a tax liability that would reduce net assets. ASC 740 also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. As an LLC and pass-through entity, the Company does not incur tax expense and is not

**Table of Contents**

**WELLS FARGO MERCHANT SERVICES, LLC**

**(A Joint Venture)**

**Financial Statements**

**December 31, 2014 and 2013**

**(Dollars in thousands, unless otherwise noted)**

required to record a tax provision related to uncertain tax positions, in accordance with the recognition, measurement, classification, and disclosure requirements of ASC 740-10. The U.S. is the major tax jurisdiction for the Company. The tax returns of the Company can be examined by the relevant taxing authorities until the applicable statute of limitations has expired, which is generally three to four years from the date the return is initially filed, depending on the specific jurisdiction. Based on analysis by the Company, there were no material positions identified which did not meet the more likely than not standard as of and for the years ended December 31, 2014 and 2013.

**(h) Members' Equity**

An equity account is maintained for each Member. In certain instances, the Members may be required to make additional contributions to the Company. Such contributions will be determined on a pro-rata basis in accordance with each Member's Membership Interest at the time of the request and will be added to the Member's equity account. Membership Interest is defined as the ownership percentage of the Company by each member.

**(i) Revenue Recognition**

The Company recognizes card services revenues from its transaction processing and authorization services as such services are performed. The revenues from transaction processing and authorization services are included in card services revenue in the statement of revenue and expenses. The Company recognizes revenue when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured. Certain revenues are recorded net of certain costs not controlled by the Company, including interchange and assessment fees charged by the Card Associations. Such costs totaled \$3.5 billion and \$2.9 billion for the years ended December 31, 2014 and 2013. The Company recognizes product revenue from merchant referred leases, rentals and sales as such services are performed in the form of a fee and a corresponding charge from affiliates of FDMS.

Debit revenues are recorded gross and are included within card services revenue in the statement of revenues and expenses. Debit Network fees are recorded within cost of card services in the statement of revenues and expenses. Debit revenues are recognized as such services are performed. Debit Network fees totaled \$101.6 million and \$96.4 million for the years ended December 31, 2014 and 2013.

In addition to the above, the Company recognizes other fees for services as such services are performed. The other revenue caption on the statement of revenues and expenses includes relevant items such as monthly fees, new account fees, income from cash advances, chargeback fees, supply fees and early termination fees.

**(j) Comprehensive Income**

For the year ended December 31, 2014 and 2013 net income equals comprehensive income.

F-110

**Table of Contents****WELLS FARGO MERCHANT SERVICES, LLC****(A Joint Venture)****Financial Statements****December 31, 2014 and 2013****(Dollars in thousands, unless otherwise noted)****(3) Intangibles**

Following is a summary of the Company's intangibles for the years ended December 31, 2014 and 2013:

	<b>Intangible Assets, Gross of Accumulated Amortization</b>	<b>Accumulated Amortization</b>	<b>Intangible Assets, Net of Accumulated Amortization</b>
Beginning balance as of January 1, 2014	\$ 2,370	\$ (1,933)	\$ 437
Additions	340		340
Retirements	(401)	401	
Amortization		(298)	(298)
Ending balance as of December 31, 2014	\$ 2,309	\$ (1,830)	\$ 479
Beginning balance as of January 1, 2013	\$ 10,940	\$ (10,071)	\$ 869
Additions	386		386
Retirements	(8,956)	8,956	
Amortization		(818)	(818)
Ending balance as of December 31, 2013	\$ 2,370	\$ (1,933)	\$ 437

For the years ended December 31, 2014 and 2013, amortization expense of \$298 and \$818, respectively, is included in other expenses in the statement of revenues and expenses.

**(4) Related Party Transactions**

The Company's primary operations are conducted through FDMS. FDMS charges the Company fees for services provided pursuant to an operating agreement (the Operating Agreement) dated January 31, 2000, as amended and restated. The Members also agreed to perform certain additional management functions (the Additional Services) of

the Company, for which they will be reimbursed by the Company. These fees are included in cost of card services, cost of product sold and selling, general and administrative expenses within the statement of revenue and expense. The financial statements may not necessarily be indicative of the financial position that would have existed, or the results of operations or cash flows that would have occurred had the Company operated as an independent enterprise. During the years ended December 31, 2014 and 2013, the Company reimbursed FDMS and Wells Fargo for performing the Additional Services as follows:

	<b>2014</b>	
	<b>First Data Merchant Services, Corporation</b>	<b>Wells Fargo Bank, NA</b>
Cost of card services	\$ 66,980	\$
Cost of product sold	16,141	
Selling, general and administrative	12,206	120,314
Total	\$ 95,327	\$ 120,314

F-111

**Table of Contents****WELLS FARGO MERCHANT SERVICES, LLC****(A Joint Venture)****Financial Statements****December 31, 2014 and 2013****(Dollars in thousands, unless otherwise noted)**

	<b>2013</b>	
	<b>First Data Merchant Services, Corporation</b>	<b>Wells Fargo Bank, NA</b>
Cost of card services	\$ 63,276	\$
Cost of product sold	14,729	
Selling, general and administrative	11,795	115,110
Total	\$ 89,800	\$ 115,110

Included in the balance sheets at December 31, 2014 and 2013 is a advances payable to FDMS of \$13,644 and \$22,511, respectively. These balances primarily consist of selling, general and administrative costs, cost of card services and cost of product sold owed to FDMS which are partially offset by fees owed to WFMS for the contributed portfolio.

Included in the balance sheets at December 31, 2014 and 2013 is an advances payable to Wells Fargo of \$280,982 and \$233,167, respectively, which is primarily attributable to non-interest bearing advances, made by Wells Fargo to the Company. These payable amounts are settled monthly.

**(5) Allocation and Distribution of Income to Members**

Profits and losses of the Company are allocated in accordance with each Member's Interest. Distributions of allocated income to the Members are made on a quarterly basis, subject to consent of the Members. Income distributed shall equal 100% of the distributable funds, as defined in the Membership Agreement, unless a smaller percentage is agreed to by the Members.

**(6) Termination of Company**

The Company can be terminated in the event of certain termination events, set forth in the Membership Agreement with an effective date of January 1, 2014. These include merger or acquisition of either of the Members, and various other performance criteria. If the Company is terminated prior to December 31, 2019, based on who initiates the termination, an early termination fee may apply in accordance with the provisions and criteria of the agreement.

**(7) Limited Liability of Members**

The members of a Delaware limited liability company are generally not liable for the acts and omissions of the Company, much in the same manner as the shareholders, officers and directors of a corporation are generally not

liable for the acts and omissions of the corporation. Such liability is generally limited by the provisions of the Delaware Limited Liability Company Act and by applicable case law.

**(8) Fair Value of Financial Instruments**

FASB ASC 825, *Financial Instruments*, requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized in the balance sheets. Management estimates that the aggregate fair value of financial instruments recognized in the balance sheets (including receivables and payables) approximates their carrying value; as such financial instruments are short-term in nature or carry floating rates of interest.

Table of Contents**WELLS FARGO MERCHANT SERVICES, LLC****(A Joint Venture)****Financial Statements****December 31, 2014 and 2013****(Dollars in thousands, unless otherwise noted)****(9) Guarantees and Reserve for Merchant Credit Losses**

Under the card companies' rules, when a merchant processor acquires card transactions, it has certain liabilities for the transactions. This liability arises from disputes between cardholders and merchants due to the cardholders' dissatisfaction with merchandise quality or the merchants' service, which are not resolved with the merchant. In such cases, the transactions are charged back to the respective merchants and the related purchase amounts are refunded to the cardholders by the card issuer. If the merchant does not fund the refund due to insolvency, bankruptcy or other extraneous reasons, the Company, in certain circumstances is liable for the full amount of the transaction. This liability is considered a guarantee under FASB ASC 460, *Guarantees*.

The Company's legal obligation under these rules is to settle any individual chargeback for which an individual merchant fails to fulfill as noted above. Contractually, the maximum exposure for this obligation is the total amount of transactions processed for the preceding four month period for all merchants, which in the case of the Company is in the billions of dollars. It should be noted that the Company has not experienced material chargeback loss activity as a result of merchant processing activities and advises that caution should be used when assessing the maximum exposure described above. The Company records a provision for this estimated obligation based upon a number of factors which include historical losses, credit risk of specific customers and other relevant factors. As shown below, for the years ended December 2014 and 2013, the Company incurred aggregate merchant credit losses of \$9,229 and \$6,897, net of recoveries, on total processed volumes. The Company calculates its provision and evaluates the appropriateness of its reserves on a monthly basis.

The following is the activity related to the reserve for merchant credit losses for the years ended December 31, 2014 and 2013:

Beginning balance as of January 1, 2014	\$ 3,361
Provisions for credit loss	10,375
Charge-offs, net of recoveries of \$387	(9,229)
Ending balance as of December 31, 2014	\$ 4,507
Beginning balance as of January 1, 2013	\$ 3,338
Provisions for credit loss	6,920
Charge-offs, net of recoveries of \$334	(6,897)



Ending balance as of December 31, 2013

\$ 3,361

**(10) Subsequent Events**

The Company has evaluated the subsequent events from the balance sheet date through February 19, 2015, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

F-113

**Table of Contents**

**Shares**

**First Data Corporation**

**Class A common stock**

**Prospectus**

**, 2015**

Through and including the 25<sup>th</sup> day after the date of this prospectus, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the expenses payable by the Registrant expected to be incurred in connection with the issuance and distribution of Class A common stock being registered hereby (other than underwriting discounts and commissions). All of such expenses are estimates, except for the Securities and Exchange Commission ( SEC ) registration fee, the Financial Industry Regulatory Authority ( FINRA ) filing fee and listing fee.

SEC registration fee	\$ 11,620	
FINRA filing fee	15,500	
listing fee		*
Printing fees and expenses		*
Legal fees and expenses		*
Blue sky fees and expenses		*
Registrar and transfer agent fees		*
Accounting fees and expenses		*
Miscellaneous expenses		*
Total	\$	*

\* To be completed by amendment.

**Item 14. Indemnification of Directors and Officers.**

Section 102(b)(7) of the Delaware General Corporation Law (the DGCL ) allows a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our amended and restated certificate of incorporation will provide for this limitation of liability. We will enter into indemnification agreements with our director nominees that provide for us to indemnify them to the fullest extent permitted by Delaware law.

Section 145 of the DGCL, or Section 145, provides, among other things, that a Delaware corporation may indemnify any person who was, is or is threatened to be made, party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not

opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. A Delaware corporation may indemnify any persons who were or are a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person is or was a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, provided further that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the

II-1

## **Table of Contents**

corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses (including attorneys' fees) which such officer or director has actually and reasonably incurred.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify such person under Section 145.

Our amended and restated bylaws will provide that we must indemnify, and advance expenses to, our directors and officers to the full extent authorized by the DGCL.

The indemnification rights set forth above shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any statute, provision of our amended and restated certificate of incorporation, our amended and restated bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Notwithstanding the foregoing, we shall not be obligated to indemnify a director or officer in respect of a proceeding (or part thereof) instituted by such director or officer, unless such proceeding (or part thereof) has been authorized by the Board pursuant to the applicable procedure outlined in the amended and restated bylaws.

Section 174 of the DGCL provides, among other things, that a director, who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held jointly and severally liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time may avoid liability by causing his or her dissent to such actions to be entered in the books containing the minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

We expect to maintain standard policies of insurance that provide coverage (1) to our directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act and (2) to us with respect to indemnification payments that we may make to such directors and officers.

The underwriting agreement provides for indemnification by the underwriters of us and our officers and directors, and by us of the underwriters, for certain liabilities arising under the Securities Act or otherwise in connection with this offering.

## **Item 15. Recent Sales of Unregistered Securities.**

Within the past three years, the Registrant has granted or issued the following securities of the Registrant which were not registered under the Securities Act of 1933, as amended (the "Securities Act").

### **Equity Securities**

On July 11, 2014, First Data Holdings Inc. issued an aggregate of \_\_\_\_\_ shares of class B common stock, par value \$0.01 per share, at a price per share of \$ \_\_\_\_\_ for aggregate gross consideration of \$3.5 billion to accredited investors. In connection with anticipated the merger of Holdings with and into the Registrant, will issue shares of common stock to current shareholders of Holdings and their existing equity in Holdings will be cancelled.

The sale of the above securities were exempt from the registration requirements of the Securities Act as transactions by an issuer not involving a public offering in reliance on Section 4(a)(2) of the Securities Act or Regulation D promulgated under the Securities Act.

II-2

---

**Table of Contents****Debt Securities**

On March 23, 2012, we issued \$845 million aggregate principal amount of 7.375% senior secured notes due 2019 at a price of 99.5% of their face value, resulting in approximately \$841 million of gross proceeds, which were used to repay outstanding indebtedness under our term loan facility. The initial purchasers for the notes issued on March 23, 2012 were Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, KKR Capital Markets LLC, Stern, Agee & Leach, Inc., SunTrust Robinson Humphrey, Inc. and Wells Fargo Securities, LLC.

On August 16, 2012, we issued \$1.3 billion aggregate principal amount of 6.75% senior secured notes due 2020 at a price of 99.193% of their face value, resulting in approximately \$1.3 billion of gross proceeds, which were used to repay outstanding indebtedness under our term loan facility. The initial purchasers for the notes issued on August 16, 2012 were Deutsche Bank Securities Inc., Citigroup Global Markets Inc., Wells Fargo Securities, LLC, Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc., SunTrust Robinson Humphrey, Inc., PNC Capital Markets LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co., Scotia Capital (USA) Inc. and KKR Capital Markets LLC.

On September 27, 2012, we issued \$850 million aggregate principal amount of additional 6.75% senior secured notes due 2020 at a price of 100.75% of their face value, resulting in approximately \$856 million of gross proceeds, which were used to repay outstanding indebtedness under our term loan facility. The initial purchasers for the notes issued on September 27, 2012 were Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, SunTrust Robinson Humphrey, Inc., Wells Fargo Securities, LLC, Goldman, Sachs & Co., Scotia Capital (USA) Inc., Sterne, Agee & Leach, Inc. and KKR Capital Markets LLC.

On February 13, 2013, we issued \$785 million aggregate principal amount of 11.25% senior unsecured notes due 2021 at a price of 100% of their face value, resulting in approximately \$785 million of gross proceeds, which were used to repurchase our outstanding 10.55% senior unsecured notes due 2015. The initial purchasers for the notes issued on February 13, 2013 were Citigroup Global Markets Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, KKR Capital Markets LLC, SunTrust Robinson Humphrey, Inc. and Goldman, Sachs & Co.

On April 10, 2013, we issued \$815 million aggregate principal amount of 10.625% senior unsecured notes due 2021 at a price of 100% of their face value, resulting in approximately \$815 million of gross proceeds, which were used to repurchase our outstanding 9.875% senior unsecured notes due 2015. The initial purchasers for the notes issued on April 10, 2013 were Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., HSBC Securities (USA) Inc., PNC Capital Markets LLC, SunTrust Robinson Humphrey, Inc. and KKR Capital Markets LLC.

On May 30, 2013, we issued \$750 million aggregate principal amount of 11.75% senior unsecured subordinated notes due 2021 at a price of 100% of their face value, resulting in approximately \$750 million of gross proceeds, which were used to redeem and repurchase a portion of our outstanding 11.25% senior unsecured subordinated notes due 2016. The initial purchasers for the notes issued on May 30, 2013 were Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, KKR Capital Markets LLC, Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., HSBC Securities (USA) Inc. and SunTrust Robinson Humphrey, Inc.

On November 19, 2013, we issued \$1 billion aggregate principal amount of additional 11.75% senior unsecured subordinated notes due 2021 at a price of 100% of their face value, resulting in approximately



---

**Table of Contents**

\$1 billion of gross proceeds, which were used to redeem our outstanding 11.25% senior unsecured subordinated due 2016. The initial purchasers for the notes issued on November 19, 2013 were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., HSBC Securities (USA) Inc., Wells Fargo Securities, LLC and KKR Capital Markets LLC.

On December 2, 2013, Holdings issued approximately \$1.4 billion aggregate principal amount of 14.5% senior PIK notes due 2019 in exchange for issued and outstanding 11.5% senior PIK notes due 2016 in a private transaction with the existing noteholders. This issuance of notes was exempt from the registration requirements of the Securities Act as transactions by an issuer not involving a public offering in reliance on Section 4(a)(2) of the Securities Act.

On January 6, 2014, we issued \$725 million aggregate principal amount of additional 11.75% senior unsecured subordinated notes due 2021 at a price of 103.5% of their face value, resulting in approximately \$750 million of gross proceeds, which were used to redeem our outstanding 11.25% senior unsecured subordinated due 2016. The initial purchasers for the notes issued on January 6, 2014 were Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co., HSBC Securities (USA) Inc., Wells Fargo Securities, LLC, KKR Capital Markets LLC and Drexel Hamilton, LLC.

Other than the issuance of notes on December 2, 2013, each of the above offerings of debt securities was offered and sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act or to non-U.S. investors outside the United States in compliance with Regulation S of the Securities Act.

**Item 16. Exhibits and Financial Statement Schedules.**

(a) *Exhibits.* See the Exhibit Index immediately following the signature page hereto, which is incorporated by reference as if fully set forth herein.

(b) *Financial Statement Schedules.* The following Financial Statements Schedule is included herein:

Schedule II Valuation and Qualifying Accounts.

**Item 17. Undertakings.**

(1) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.



**Table of Contents**

(3) The undersigned Registrant hereby undertakes that:

(A) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(B) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Table of Contents**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, New York, on July 20, 2015.

First Data Corporation

By: /s/ Frank Bisignano  
Name: Frank Bisignano  
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on July 20, 2015.

<b>Signature</b>	<b>Capacity</b>
/s/ Frank Bisignano Frank Bisignano	Chairman and Chief Executive Officer (principal executive officer)
/s/ Michael K. Neborak Michael K. Neborak	Executive Vice President, Director of Finance (principal financial officer)
/s/ Matthew Cagwin Matthew Cagwin	Vice President, Corporate Controller and Chief Accounting Officer (principal accounting officer)
* Joseph J. Plumeri	Vice Chairman
* Joe W. Forehand	Director
* Henry R. Kravis	Director
* Heidi G. Miller	Director
* James E. Nevels	Director
* Scott C. Nuttall	Director

\*  
Tagar C. Olson

Director

\*By: /s/ Frank Bisignano  
Frank Bisignano, Attorney-in-Fact

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File Number</b>	<b>Exhibit Number</b>	<b>Filing Date</b>
1.1**	Form of Underwriting Agreement by and among First Data Corporation and the underwriters named therein				
3.1**	Form of Amended and Restated Certificate of Incorporation of First Data Corporation				
3.2**	Form of Amended and Restated Bylaws of First Data Corporation				
4.1**	Form of Stock Certificate for Class A common stock				
4.2**	Form of Stock Certificate for Class B common stock				
4.3	Indenture, dated as of August 20, 2010, among First Data Corporation, the subsidiary guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 8.875% Senior Secured Notes Due 2020	8-K	1-11073	10.1	8/26/2010
4.4	Pledge Agreement, dated as of August 20, 2010, among First Data Corporation, the other pledgors named therein and Wells Fargo Bank, National Association, as collateral agent	8-K	1-11073	10.2	8/26/2010
4.5	Security Agreement, dated as of August 20, 2010, among First Data Corporation, the other grantors named therein and Wells Fargo Bank, National Association, as collateral agent	8-K	1-11073	10.3	8/26/2010
4.6	Indenture, dated as of December 17, 2010, among First Data Corporation, the subsidiary guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 8.25% Senior Second Lien Notes due 2021 and the 8.75/10.00% Senior Second Lien Notes due 2022	8-K	1-11073	10.1	12/22/2010
4.7	Indenture, dated as of December 17, 2010, among First Data Corporation, the subsidiary guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 12.625% Senior Notes due 2021	8-K	1-11073	10.2	12/22/2010
4.8	Pledge Agreement, dated as of December 17, 2010, among First Data Corporation, the other pledgors named therein and Wells Fargo Bank, National Association, as collateral agent	8-K	1-11073	10.3	12/22/2010
4.9	Security Agreement, dated as of December 17, 2010, among First Data Corporation, the other grantors named	8-K	1-11073	10.4	12/22/2010

therein and Wells Fargo Bank, National Association, as collateral agent

4.10	Indenture, dated as of April 13, 2011, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 7.375% Senior Secured Notes due 2019	8-K	1-11073	10.2	4/13/2011
4.11	First Supplemental Indenture, dated as March 23, 2012, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the additional 7.375% Senior Secured Notes due 2019	8-K	1-11073	10.2	3/26/2012

**Table of Contents**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File Number</b>	<b>Exhibit Number</b>	<b>Filing Date</b>
4.12	Indenture, dated as August 16, 2012, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 6.750% Senior Secured Notes due 2020	8-K	1-11073	10.2	8/20/2012
4.13	First Supplemental Indenture, dated as September 27, 2012, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the additional 6.750% Senior Secured Notes due 2020	8-K	1-11073	10.2	10/2/2012
4.14	Indenture, dated as of February 13, 2013, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 11.25% Senior Notes due 2021	8-K	1-11073	4.1	2/13/2013
4.15	Indenture, dated as of April 10, 2013, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 10.625% Senior Notes due 2021	8-K	1-11073	4.1	4/16/2013
4.16	Indenture, dated as of May 30, 2013, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the 11.75% Senior Subordinated Notes due 2021	8-K	1-11073	4.1	5/30/2013
4.17	First Supplemental Indenture, dated as November 19, 2013, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the additional 11.75% Senior Subordinated Notes due 2021	8-K	1-11073	4.1	11/25/2013
4.18	Second Supplemental Indenture, dated as January 6, 2014, by and among First Data Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, governing the additional 11.75% Senior Subordinated Notes due 2021	8-K	1-11073	4.1	1/8/2014
4.19	Credit Agreement, dated as of September 24, 2007, as amended and restated as of September 28, 2007 among First Data Corporation, the several lenders from time to time parties thereto, Credit Suisse, Cayman Islands Branch, as administrative agent, swingline lender and letter of credit issuer, Citibank, N.A., as syndication agent, and Credit Suisse Securities (USA) LLC, Citigroup Global Markets, Inc., Deutsche Bank Securities Inc., Goldman Sachs Credit Partners L.P., HSBC Securities (USA) Inc., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers and bookrunners	10-K	1-11073	10.1	3/13/2008



4.20	Guarantee Agreement, dated September 24, 2007, among First Data Corporation, the subsidiaries of First Data Corporation identified therein and Credit Suisse, Cayman Islands Branch, as Collateral Agent	10-Q	1-11073	10.11	11/14/2007
------	--	------	---------	-------	------------

**Table of Contents**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File Number</b>	<b>Exhibit Number</b>	<b>Filing Date</b>
4.21	Pledge Agreement, dated September 24, 2007, among First Data Corporation, the subsidiaries of First Data Corporation identified therein, and Credit Suisse, Cayman Islands Branch, as Collateral Agent	10-Q	1-11073	10.12	11/14/2007
4.22	Security Agreement, dated September 24, 2007, among First Data Corporation, the subsidiaries of First Data Corporation identified therein, and Credit Suisse, Cayman Islands Branch, as Collateral Agent	10-Q	1-11073	10.13	11/14/2007
4.23	2015 June Joinder Agreement, dated as of July 10, 2015, among the Company, certain of its subsidiaries, the lender party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent and collateral agent Exhibit B Marked Pages of the Conformed Credit Agreement	8-K	1-11073	4.1	7/15/2015
4.24**	Registration Rights Agreement, dated as of September 24, 2007, by and among First Data Holdings Inc. (f/k/a New Omaha Holdings Corporation), New Omaha Holdings L.P. and other Investors party thereto.				
5.1**	Opinion of Simpson Thacher & Bartlett LLP				
10.1	Management Agreement, dated September 24, 2007, among First Data Corporation, Kohlberg Kravis Roberts & Co. L.P. and New Omaha Holdings L.P.	10-Q	1-11073	10.10	11/14/2007
10.2	Form of Stock Option Agreement for Executive Committee Members	10-Q	1-11073	10.6	11/14/2007
10.3	Form of Management Stockholders Agreement for Executive Committee Members (as amended)	10-K	1-11073	10.16	3/19/2013
10.4	Form of Sale Participation Agreement	10-Q	1-11073	10.8	11/14/2007
10.5	First Data Corporation Senior Executive Incentive Plan as amended and restated effective January 1, 2014	10-K	1-11073	10.21	3/10/2014
10.6	Form of Stock Option Agreement	8-K	1-11073	10.3	5/25/2010
10.7	Form of Stock Option Agreement (effective April 2010)	8-K	1-11073	10.4	6/23/2010
10.8	Form of Restricted Stock Award Agreement	8-K	1-11073	10.2	5/25/2010
10.9	2007 Stock Incentive Plan for Key Employees of First Data Corporation and its Affiliates, as amended	10-K	1-11073	10.10	2/27/2015
10.10	First Data Corporation Severance / Change in Control Policy (Management Committee Level), as amended and restated effective January 1, 2015	10-K	1-11073	10.11	2/27/2015
10.11		10-K	1-11073	10.12	2/27/2015

Description of First Data Holdings Inc. Compensation of Directors

10.12	First Data Holdings Inc. 2008 Non-Employee Director Deferred Compensation Plan	S-4	1-11073	10.25	8/13/2008
10.13	Employment Agreement with Frank J. Bisignano effective as of April 28, 2013	8-K	1-11073	10.1	5/2/2013

**Table of Contents**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File Number</b>	<b>Exhibit Number</b>	<b>Filing Date</b>
10.14	Separation Agreement between Raymond E. Winborne, First Data Corporation and First Data Holdings, Inc.	10-Q	1-11073	10.2	8/8/2014
10.15**	Stockholders Agreement, dated as of July 11, 2014, by and among First Data Holdings Inc., New Omaha Holdings L.P. and other Holders party thereto.				
10.16*	Form of Stock Option Agreement				
10.17*	Form of Restricted Stock Agreement				
10.18*	Form of Management Stockholder s Agreement				
21.1*	Subsidiaries of First Data Corporation				
23.1	Consent of Simpson Thacher & Bartlett LLP (included in Exhibit 5.1)				
23.2*	Consent of Ernst & Young LLP				
23.3*	Consent of KPMG LLP				
24.1*	Power of Attorney				

\* Filed herewith.

\*\* To be filed by amendment.

Identifies exhibits that consist of a management contract or compensatory plan or arrangement.