

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2002  
or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-16427

### CERTEGY INC.

(Exact name of registrant as specified in its charter)

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

**58-2606325**  
(I.R.S. Employer Identification No.)

**11720 Amber Park Drive**  
**Alpharetta, Georgia**  
(Address of principal executive offices)

**30004**  
(Zip Code)

**(678) 867-8000**  
(Registrant's telephone number, including area code)

#### Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
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Common Stock, par value \$0.01 per share	New York Stock Exchange
Common Stock Purchase Rights	New York Stock Exchange

#### Securities registered pursuant to Section 12(g) of the Act:

**None**  
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Based on the closing sale price of \$37.11 as reported by the New York Stock Exchange on June 28, 2002, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by nonaffiliates was \$2,550,636,022. The number of shares outstanding of the registrant's common stock, \$0.01 par value per share, was 66,409,629 as of January 31, 2003.

#### DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2003 is incorporated by reference, to the extent indicated under Items 10, 11, 12, and 13, into Part III of this Form 10-K.

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## PART I

### ITEM 1. BUSINESS

#### Brief History

Certegy Inc. ("Certegy") provides credit and debit card processing and check risk management services to financial institutions and merchants in the U.S. and internationally. Last year, we processed over 2.0 billion payment transactions, serviced approximately 38 million card accounts, and authorized over \$35 billion of check transactions worldwide. Our business is comprised of two segments, Card Services and Check Services. Card Services provides card issuer services in the U.S., the U.K., Brazil, Chile, Australia, New Zealand, Ireland, and the Dominican Republic. Additionally, Card Services provides merchant processing and e-banking services in the U.S. and card issuer software, support and consulting services in numerous countries. Check Services provides check risk management services and related processing services in the U.S., the U.K., Canada, France, Ireland, Australia, and New Zealand.

Originally founded as Telecredit in 1961, our business pioneered the check risk management industry in the U.S. and Canada. Through the development of a centralized electronic database of consumer check-writing histories, Telecredit delivered real-time check authorization decisions to merchants at the point-of-sale. Through an acquisition in 1977, the business was expanded to include credit card processing. Subsequently, we have added merchant processing, debit card processing and e-banking services to our Card Services segment, and check cashing risk management services and check collections to our Check Services segment. In 1990, Equifax Inc. ("Equifax") acquired Telecredit, and continued to operate the card and check businesses, through separate subsidiaries, as its Payment Services division. While part of Equifax, both Card Services and Check Services expanded outside of North America through a combination of joint ventures, acquisitions and local start-ups.

#### Spin-off from Equifax

On March 2, 2001, we were incorporated in the State of Georgia as a wholly-owned subsidiary of Equifax under the name Equifax PS, Inc. On July 7, 2001, following Equifax's transfer of the assets, liabilities, and stock of its Payment Services division to us, and our adoption of the name Certegy, Equifax "spun off" the Payment Services division through a tax-free dividend of all of the outstanding shares of Certegy common stock to Equifax's shareholders of record as of June 27, 2001. The Certegy shares were distributed on the basis of one share of Certegy common stock for every two shares of Equifax common stock held. A total of 68,600,112 shares were distributed. As a result of the spin-off, we became an independent publicly traded company, with the Certegy shares of common stock registered and trading on the New York Stock Exchange under the symbol "CEY."

## Acquisitions

In May 2001, we acquired the remaining 40.7 percent minority interest in Unnisa Ltda., one of the largest card processing businesses in Brazil, for \$55.5 million in cash. We previously held a 59.3 percent controlling interest in Unnisa, which we acquired in 1998.

In August 2001, we acquired Accu Chek, Inc., a leading provider of third-party check collection services in the U.S., for \$25.0 million in cash.

On December 31, 2002, we acquired the majority of assets and liabilities of Netzee, Inc. ("Netzee"), a provider of e-banking services to credit unions and community banks in the U.S., for \$10.4 million in cash.

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## Segment Information

**Card Services.** Certegy Card Services provides a full range of card issuer services that enable banks, credit unions, retailers, and others to issue Visa and MasterCard credit and debit cards, private label cards, and other electronic payment cards for use by both consumer and business accounts. Additionally, we began processing American Express cards in New Zealand in late 2002 and in the Dominican Republic in January 2003. Our debit card services support both off-line debit cards, which are processed similarly to credit cards, and on-line debit cards, through which cardholders obtain immediate access to funds in their bank accounts through ATMs or merchant point-of-sale terminals. The majority of our card issuer programs is full service, including essentially all of the operations and support necessary for an issuer to operate a credit and debit card program. More specifically, we process all the debit and credit card transactions on the credit and debit cards issued by our customers, including electronically authorizing the transactions, capturing the transaction data, and settling the transactions, and we provide full service back-office support functions for their programs. These support functions include: embossing and mailing their credit and debit cards to their customers; customer service on behalf of the card issuer to their customers; card portfolio management and analysis; invoicing their cardholders; receiving and processing cardholder payments; and pursuing delinquent or fraudulent accounts. We do not make credit decisions for our customers, nor do we fund their card receivables. Our services are menu driven, and offer flexibility for those of our customers that require less than our full service programs. Such customers include large card issuing institutions that contract with us to provide transaction processing, but who choose to invest the capital and human resources necessary to provide their own back-office program support.

In the U.S., we have been highly successful in marketing our card issuer services to credit unions and independent community banks. These two customer segments consist predominantly of small and mid-sized card issuers that cannot independently achieve the economies of scale that would justify setting up their own credit and debit card operations. We provide our card issuer services to these customers primarily through our longstanding contractual alliances with the Independent Community Bankers of America, or ICBA, and Card Services for Credit Unions, or CSCU. We have a standard product offering in place with each of these organizations, which offer these products to their respective members with our company as the services provider. These alliances allow us to utilize the marketing channels of ICBA and CSCU and eliminate the need for us to negotiate price, terms, and service offerings with individual credit unions or community banks. As a result, we believe we are the leading provider, in terms of market share, of comprehensive card processing services to credit unions and to independent community bank card issuers in the U.S.

We provide our card issuer services internationally through our operations in Brazil, Chile, the U.K., and Australia.

Card Services also provides merchant processing services that enable retailers and other merchants to accept electronic payment cards in payment for goods and services. We provide our merchant processing services both directly to retailers and other merchants who accept credit and debit cards, and through contracts with financial institutions and others where our solutions enable them to service the card processing needs of their merchant customers. These services include front-end authorization and data capture services, back-end accounting and settlement, and dispute resolution services.

In addition, we provide e-banking services to financial institutions enabling them to offer Internet banking to consumers and businesses. We provide these services either by licensing our products to our customers for their operation in-house, or as an application services provider, or ASP, where the customers are linked to our central service bureau. Our retail Internet banking services enable our bank customers to offer a wide array of PC-based banking services to consumers, such as on-line account information access and electronic bill payment. Our corporate Internet banking services enable our bank customers to offer the business community various electronic commercial banking services,

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including transmission of account and other business information between the bank and the business customer, bill payment, funds transfers, loan and account applications, and other electronic services.

In 2002, revenues from Card Services comprised 66 percent of our total revenues, compared to 67 percent in 2001 and 68 percent in 2000.

**Check Services.** Certegy Check Services is a leading provider of check risk management and related processing products and services to businesses accepting or cashing checks at the point-of-sale. These services utilize our proprietary check authorization systems and risk assessment decision platforms. We serve national and regional merchants, including national retail chains such as Sears, Best Buy, Circuit City, Walgreens, Federated, Target, and Staples; hotels; automotive dealers; telecommunications companies; supermarkets; casinos; mail order houses; and other businesses. Our services allow our clients to run their customers' personal and business checks through a decisioning process that assesses the likelihood that a check will or will not clear.

Our check risk management services include diverse solutions tailored to the specific needs of the customer. They include Welcome Check® guarantee services, where we accept the bad check risk associated with checks authorized by our system, and Welcome Check verification services, where our customers retain the risk. We also provide blends of guarantee and verification services to meet specific customer needs. All of these products utilize our proprietary system, PathWays™. PathWays provides the flexibility, utilizing our risk management data and proprietary models, to manage check acceptance risk by controlling the risk management parameters on a store by store, or even a cash register by cash register, basis.

In recent years, we believe we have led our industry in the introduction of new products for existing and new markets. In addition to PathWays, we have introduced: PayCheck Accept™, which enables supermarkets and gaming establishments to reduce the risk of check losses and fraud in connection with their payroll check cashing services; third-party check collections for retailers utilizing our verification services; and electronic check risk management solutions enabled for electronic commerce, which enable retailers to safely and securely accept payments over the Internet. In 2000, in a major initiative with 7-Eleven, Check Services adapted PayCheck Accept to launch a fully automated check cashing service through 7-Eleven's virtual commerce kiosks located at 7-Eleven convenience stores across the country. By the end of 2002, 7-Eleven had 340 kiosks installed in Texas, Florida, Colorado, Virginia, Utah, and the Washington D.C. area. Additionally, in 2001, the PayCheck Accept platform was modified to facilitate check cashing "in-lane" at grocers and discounters. The first "in-lane" contract was signed during 2002 with a major discount retailer and rollout began in the third quarter of 2002.

We provide our check risk management products and services internationally in Canada, the U.K., Ireland, France, Australia, and New Zealand. Our principal product in all those countries is check guarantee, although mass retailers are beginning to utilize our check verification and collection services.

In 2002, revenues from Check Services comprised 34 percent of our total revenues, compared to 33 percent in 2001 and 32 percent in 2000.

For additional information relating to our business segments and operations within and outside the U.S., see Note 13 to the consolidated financial statements in Part II, Item 8 of this report.

## **Our Strategy**

We believe that the escalating use of credit, debit, and other electronic payment cards around the globe will continue to present the card processing industry with significant growth opportunities. Due to escalating check fraud at the point-of-sale, retailers' growing reliance on third-party check risk management services that both reduce bad check losses *and* maximize sales, through accurate

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identification of good check writers, and emerging new markets for check risk management, ongoing strong demand for check risk management services will continue to create growth opportunities.

In light of the market opportunities, our strategic objective is to strengthen our position as a leading global provider of payment processing and check risk management services. We intend to concentrate on the following strategies to accomplish our objective.

### **Card Services.**

*Utilize our competitive strengths in the U.S. to further increase our share of revenue in the U.S. card, including e-banking, and merchant processing markets.* Those strengths include:

- Our long-term contractual alliances with CSCU and ICBA, through which we maintain proven distribution channels and enjoy strong name recognition, quality-of-service ratings, and customer satisfaction;
- Our "full service" processing capabilities, which enable us to provide among the most comprehensive card processing solutions available; and
- Our highly competitive prices.

*Grow our customer base and processing volumes substantially outside the U.S.* In international markets, we will continue to focus our marketing efforts on leading card processing prospects, develop flexible processing services tailored to the diverse credit cultures in Europe, South America and Asia-Pacific, and utilize our competitive advantages. These advantages include our strength in providing full service processing services, our extensive experience in managing international operations, and our proprietary card processing systems. Our proprietary systems are highly scalable and portable, and have been customized to process in numerous country-specific environments in over 25 countries around the world. This customization enables us to enter new geographic markets quickly and less expensively, and positions us to be a preferred vendor for outsourced card processing as this concept starts to take effect outside the U.S.

*Increase our revenues from new and existing products and services.* We intend to aggressively market our expanded debit card processing products and services and capture a larger share of the rapidly growing debit card markets in the U.S. and abroad. We intend to aggressively market our card marketing services that assist our customers in growing their cardholder portfolios and e-banking customer bases. We will develop and market Internet service capabilities that will allow cardholders to manage their credit card accounts and conduct electronic commerce more efficiently and effectively.

### **Check Services.**

*Utilize our competitive strengths to increase our market share in our traditional markets, both in the U.S. and internationally.* Those strengths include what we believe are the industry's most advanced check risk management algorithms and systems, our proven ability to introduce successful new check risk management products, our position as one of the world's leading transaction risk management services providers, and our company's existing operations and customer relationships in Europe, South America, and Asia-Pacific.

*Continue our development and utilization of increasingly sophisticated risk modeling tools to differentiate our capabilities from the competition.* These tools include proprietary algorithms and systems that we have developed independently, and others that we have developed with our alliance partners.

*Expand further into new markets such as check cashing, gaming, grocery, government, and Internet commerce by combining our current risk management and identity authentication services.* This combined

solution provides us with the ability to effectively manage risk in environments where the consumer is not present as well as at the traditional point-of-sale.

Further, for both Card Services and Check Services, we intend to continue to consider strategic alliances with, investments in, and acquisitions of, domestic and international companies that would enable us to increase our penetration in our current markets, enter new markets, expand our technology expertise to help us further enhance our processing, risk management, and e-banking services, or to increase operating efficiencies.

### **Sales and Marketing**

We market our products and services through a direct sales force and indirect sales channels, such as ICBA and CSCU, independent sales organizations, marketing alliances, and financial institutions. We organize our direct sales force by customer market segment or distribution channel. Additionally, we market directly to our customers and indirectly through ICBA and CSCU using print advertising and direct mail efforts. We participate in major industry tradeshow and publicity events. Because many of our customers use a single product or service, or a combination of products or services, our direct sales force targets existing customers to promote cross-selling opportunities. Our strategy is to use the most efficient delivery system available to successfully acquire customers and build awareness of our products and services.

### **Seasonality**

Our business is somewhat seasonal. The volume of check and card processing is highest during the holiday buying season and during other periods of increased consumer spending.

### **Competition**

The markets for card transaction processing and check risk management services are highly competitive. Our principal competitors include third-party credit and debit card processors, including First Data Corporation, Total System Services, Electronic Data Systems Corporation, and Payment Systems for Credit Unions; third-party software providers, which license their card processing systems to financial institutions and third-party processors; and check authorization, guarantee, and risk management services providers, including First Data's TeleCheck Services division and eFunds. We also compete against software and transaction processing systems developed and used in-house by our potential customers.

Some of our competitors are privately held, and the majority of those that are publicly held do not release the information necessary to precisely quantify our relative competitive position, which varies depending on the segment of our markets. Based on information appearing in a widely-cited industry publication, The Nilson Report, we believe that we are among the largest third-party payment transaction processors in the world based on annual volumes.

In general, we believe that our ability to compete successfully depends on a number of factors, including:

- The reliability, security, speed, and capacity of our systems and technical infrastructure;
- The comprehensiveness, scalability, ease of use, and service levels of our products and services;
- Our strong relationships with CSCU and ICBA, and the related scale advantages achieved through them;
- Our ability to interface with vendors of data processing software and services;
- Our pricing policies and the pricing policies of our competitors and suppliers;

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- Our risk assessment and fraud detection expertise;
- The timing of introductions of new products and services by us and our competitors; and
- Our ability to support unique customer requirements.

### **Significance of Certain Customer Relationships**

Under each of our contractual alliances with ICBA and CSCU, Card Services is the exclusive partner for offering card processing services to those associations' members. As a result, approximately 40.8 percent of our revenues are derived from their member institutions, although no single institution accounts for a material portion of our revenues. An early termination of, or significant adverse change in, our relationships with either or both of these associations could harm our ability to retain a substantial portion of our customers and to attract new customers, and have a material adverse effect on our business. In October 2001, our contract with ICBA was extended through December 2007, and in February 2002, our contract with CSCU was extended through September 2007.

### **Research and Development**

Our research and development activities have related primarily to the design and development of our payment processing systems and related software applications and risk management platforms. We expect to continue our practice of investing significant resources to extend the functionality of our proprietary processing systems, and to develop new and innovative solutions in response to the needs of our customers. In addition, we intend to offer products and services that are compatible with new and emerging delivery channels such as the Internet.

### **Intellectual Property Rights**

We rely on a combination of contractual restrictions and trademark, copyright, and trade secret law to establish and protect our trademarks, software, and know-how. These legal protections and arrangements afford only limited protection of our proprietary rights, and there is no assurance that our competitors will not independently develop or license products, services, or capabilities that are substantially equivalent or superior to ours. We also license certain intellectual property from third-parties. Those include rights under the Ronald A. Katz Technology Licensing L.P. patents pertaining to various interactive technologies, such as automated forms of customer service, which rights continue through the life of the patents.

## **Government Regulation**

Various aspects of our businesses are subject to federal, state, and foreign regulation. Our failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties.

As a provider of electronic data processing and back-office services to financial institutions, we are subject to regulatory oversight and examination by the Federal Financial Institutions Examination Council, an interagency body comprised of the various federal bank and thrift regulators and the National Credit Union Association. In addition, we may be subject to possible review by state agencies that regulate banks in each state where we conduct our electronic processing activities.

Because we maintain a database in the U.S. containing the check-writing histories of consumers, and use that information to provide our check risk management services, our check risk management business is subject to the Federal Fair Credit Reporting Act and various similar state laws. Among other things, the Fair Credit Reporting Act imposes requirements on us concerning data accuracy, and provides that consumers have the right to know the contents of their check-writing histories, to dispute their accuracy, and to require verification or removal of disputed information. In furtherance of our

objectives of data accuracy, fair treatment of consumers, and protection of consumers' personal information, in addition to best ensuring we comply with these laws, we maintain a high level of security for our computer systems in which consumer data resides, and we maintain consumer relations call centers to facilitate efficient handling of consumer requests for information and handling of disputes.

Our check collection services are subject to the Federal Fair Debt Collection Practices Act and various state collection laws and licensing requirements. The Federal Trade Commission, as well as state attorneys general and other agencies, has enforcement responsibility over the collection laws, as well as the various credit reporting laws.

Because we conduct business in international markets as well as in the U.S., we are subject to laws and regulations in jurisdictions outside the U.S. that regulate many of the same activities that are described above, including electronic data processing and back-office services for financial institutions and use of consumer information.

Although we do not believe that compliance with future laws and regulations related to our businesses, including future consumer protection laws and regulations, will have a material adverse effect on our company, enactment of new laws and regulations may increasingly affect the operations of our business, directly or indirectly, which could result in substantial regulatory compliance costs, litigation expense, adverse publicity, or loss of revenue.

## **Employees**

As of January 31, 2003, Certegy had approximately 5,861 employees, including 2,902 employees principally employed outside the U.S. None of our U.S. work force currently is unionized. We have not experienced any work stoppages, and we consider our relations with employees to be good.

During 2002, we reorganized certain of our departments around the world and terminated approximately two percent of our workforce. Additional employees will be terminated in 2003 as we downsize our operations in Brazil, which we anticipate will occur during the first quarter of 2003.

## **Certain Factors Affecting Forward-Looking Statements**

The statements in this report include forward-looking statements that are based on current expectations, assumptions, estimates, and projections about our business and industry. They are not guarantees of future performance and are subject to risks and uncertainties that may cause actual results to differ significantly from what is expressed in those statements. Many of those risks and uncertainties are beyond Certegy's control. The factors that could, either individually or in the aggregate, affect our performance include matters such as those described below.

### *Competition can hurt our business.*

Our markets are competitive. Our ability to maintain or improve our competitive positions against current and potential competitors will impact our performance. While we believe that the quality, breadth, and pricing of our products and services are among the most competitive in our markets, our future results will depend in part on our ability to continue to compete effectively, which includes devoting sufficient resources vis-à-vis the competition in our various market segments, responding quickly to new or emerging technologies and changes in customer requirements, and continuing our successful development and marketing of new products and services.

### *Reduced levels of consumer spending can adversely affect our performance.*

A significant portion of our revenues is derived from fees from processing consumer credit card, debit card, and check transactions. Continued sluggishness of the U.S. economy, including recession or

similar conditions in the international economies where we do business, could negatively impact consumer spending and adversely affect our business.

*Reduction in the demand for card processing outsourcing services in international markets could impact our international growth.*

We believe demand for card processing outsourcing services in international markets has been increasing. While we expect that demand to continue, a reversal could negatively impact our card processing revenues and profits.

*Reduction in point-of-sale check fraud could adversely impact our Check Services business.*

Due to advances in PC printing technologies and other factors, check fraud continues to increase, creating growing demand for our higher value-added check risk management services. While we expect that trend to continue, a reversal could negatively impact demand for check authorization and guarantee products, and consequently could be detrimental to our check business.

*Weakening of certain market segments could adversely impact the demand for our products and services.*

Our Card Services business depends heavily on demand for its products and services from independent community banks and credit unions. Our Check Services business depends on strong demand from numerous of the major national and regional retailers. Weakening of the financial health of one or more of those segments could impact demand for our products or services resulting in lower than expected sales and profits.

*Loss of strategic relationships or key contracts could reduce revenues and profits.*

Although Card Services strategic relationships with the community banks and credit unions remain strong, with long-term contracts with both ICBA and CSCU through 2007, an unexpected termination of those contractual alliances, which could cause us to lose significant community bank or credit union customers, or any other significant contracts, could significantly reduce revenues and profits. Our Check Services business has experienced substantial growth over the last few years in the number of major national and regional retailer accounts under contract. While no one contract is material to the company, unexpected terminations of several of those contracts during a short period of time could significantly reduce revenues and profits.

*Our failure to expand our share of the credit and debit card transaction processing market and enter new markets could adversely affect our business.*

While we intend to continue our vigorous pursuit of expansion of our Card Services business within the independent community bank and credit union segments of the U.S. market, the future growth and profitability of our Card Services business will depend significantly on our ability to penetrate other markets, including emerging international markets for electronic transaction processing and Internet payment systems. As part of our strategy to achieve that penetration, we intend to continue to seek acquisition opportunities, investments, and alliance relationships that will facilitate our expansion, and to develop products and distribution channels that will satisfy the demands in new markets. If we are unable to do so successfully, the value of our business could be adversely affected.

*Material changes in regulation or industry standards applicable to our businesses or those of our customers could have a detrimental effect on future results.*

Various aspects of our businesses and those of our customers are subject to federal, state, and foreign regulation and applicable industry standards. Changes in or increased regulation of our businesses, or those of our customers, pertaining to credit availability, data usage, debt usage, debt

collection, or other areas could increase our cost of doing business or reduce the value of or the demand for certain of our products and services, which could hinder our performance. Material changes in industry standards, such as Visa and MasterCard electronic payment standards, similarly could impact our business.

*Security breaches or system failures could harm our reputation and adversely affect future profits.*

We collect personal consumer data, such as names and addresses, checking account numbers, and payment history records. We process that data, and deliver our products and services, utilizing computer systems and telecommunications networks operated both by us and by third-party service providers. Although plans and procedures are in place to protect our sensitive data and to prevent failure of, and to provide back-up for, our systems, we cannot be certain that our measures always will be successful. A security breach or other misuse of our data, or failures of key operating systems and their back-ups, could harm our reputation and deter customers from using our products and services, increase our operating expenses in order to correct the breach or failures, or expose us to unanticipated liability.

*Risks associated with international operations could impair our business results.*

We believe that the international market for our products offers significant growth opportunities and we have committed significant resources to expand our international activities. As we expand internationally, we will be increasingly subject to several risks associated with international business activities that could increase costs or reduce our revenues, including political, social, and economic instability, currency exchange rate fluctuations, potentially adverse tax consequences, including restrictions on the repatriation of earnings, and potential difficulty enforcing agreements and collecting receivables in some foreign legal systems.

## **Executive Officers of the Registrant**

Information relating to our executive officers is set forth below. There are no family relationships among the officers, nor are there any arrangements or understandings between any of the officers and any other persons pursuant to which they were selected as officers.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Lee A. Kennedy	52	Chairman of the Board, President and Chief Executive Officer
Larry J. Towe	56	Executive Vice President and Chief Operating Officer
Michael T. Vollkommer	44	Corporate Vice President and Chief Financial Officer
Walter M. Korchun	60	Corporate Vice President, General Counsel and Secretary

J. Gerard Ballard	45	Corporate Vice President and Chief Technology Officer
Richard D. Gapen	63	Corporate Vice President—Human Resources
Michael E. Sax	40	Corporate Vice President—Financial Planning and Treasurer
Pamela A. Tefft	33	Corporate Vice President and Controller
Mary K. Waggoner	44	Corporate Vice President—Investor and Public Relations
Gerald A. Hines	55	Senior Vice President and Group Executive—Card Services
Jeffrey S. Carbiener	40	Senior Vice President and Group Executive—Check Services

**Lee A. Kennedy** has served as our Chairman of the Board since February 12, 2002 and President and Chief Executive Officer since March 5, 2001. Mr. Kennedy served as President, Chief Operating

Officer, and a director of Equifax Inc. from June 1999 until June 29, 2001. From June 1997 to June 1999, Mr. Kennedy served as Executive Vice President and Group Executive of Equifax. From July 1995 to June 1997 he served as President of Equifax Payment Services, a division of Equifax.

**Larry J. Towe** has served as our Executive Vice President and Chief Operating Officer since June 29, 2001. Mr. Towe previously served as Executive Vice President and Group Executive—Payment Services of Equifax Inc. from June 1999 to June 2001. From May 1997 to June 1999, Mr. Towe served as Senior Vice President and General Manager of Equifax Card Solutions, International, a unit of Equifax. Prior to that, Mr. Towe served as President, FBS Software, a provider of software solutions for payment cards, collections and merchant processing, which Equifax acquired in July 1994.

**Michael T. Vollkommer** has served as our Corporate Vice President and Chief Financial Officer since June 29, 2001. Mr. Vollkommer previously served as Corporate Vice President and Controller of Equifax Inc. from November 1999 until June 2001. From December 1998 to August 1999, Mr. Vollkommer was Vice President—Finance of Superior TeleCom Inc., a manufacturer of copper wire and cable products. From 1994 until 1998, Mr. Vollkommer held executive officer positions with Alumax Inc., a producer of primary aluminum and fabricated aluminum products, including Vice President and Chief Financial Officer from December 1997 to August 1998, Vice President-Strategic Planning and Corporate Development from June 1997 to December 1997, and Vice President and Controller from January 1994 to June 1997.

**Walter M. Korchun** has served as our Corporate Vice President, General Counsel and Secretary since August 21, 2002. Previously, Mr. Korchun served as Senior Vice President and Chief Operations Counsel at Certegy from 2000 to 2002. From 1990 to 2000, Mr. Korchun served as Senior Vice President, General Counsel and Secretary of AT&T Universal Card Services, a provider of credit cards and related services.

**J. Gerard Ballard** has served as our Corporate Vice President and Chief Technology Officer since June 29, 2001. Mr. Ballard previously served as Chief Technology Officer of Equifax Payment Services, a division of Equifax Inc., from February 2001 until June 2001. From June 1997 to December 2000, Mr. Ballard served as Executive Vice President and Chief Information Officer for Vital Processing Services, LLC, a provider of technology-based commerce enabling services. From September 1995 to June 1997, Mr. Ballard was Vice President, Equifax Payment Services.

**Richard D. Gapen** has served as our Corporate Vice President—Human Resources since June 29, 2001. Mr. Gapen previously served as Senior Vice President of Compensation and Benefits for Equifax Inc. from June 1997 until June 2001. From 1991 until 1996, Mr. Gapen was Director of Employee Benefits for W. R. Grace and Company.

**Michael E. Sax** has served as our Corporate Vice President—Financial Planning and Treasurer since February 12, 2002 and previously as Corporate Vice President and Controller from June 29, 2001 through February 12, 2002. Mr. Sax previously served as Senior Vice President and Controller of Equifax Payment Services, a division of Equifax Inc., from July 1998 until June 2001. Prior to that, Mr. Sax held various financial positions with units of Equifax since 1992.

**Pamela A. Tefft** has served as our Corporate Vice President and Controller since February 12, 2002 and previously as Vice President of Financial Reporting from June 29, 2001 through February 12, 2002. Ms. Tefft previously served as the Financial Audit Director of Equifax Inc. from May 1999 until June 2001. Prior to joining Equifax, Ms. Tefft was a Manager in the Assurance & Business Advisory Services group of PricewaterhouseCoopers LLP (formerly Coopers & Lybrand LLP) from September 1992 through May 1999.

**Mary K. Waggoner** has served as our Corporate Vice President—Investor and Public Relations since November 2001. From June 2001 until November 2001, Ms. Waggoner served as our Vice President of

Investor Relations. Prior to joining Certegy, Ms. Waggoner served as Senior Vice President/Comptroller Department for Firststar/Mercantile in St. Louis, Missouri from 1999 until 2000. From 1997 until 1999, Ms. Waggoner was Senior Vice President of Investor Relations of Mercantile Bancorporation, Inc. in St. Louis, Illinois, and from 1995 until 1997, she was President of Mercantile Bank of Carlyle in Carlyle, Illinois.

**Gerald A. Hines** has served as our Senior Vice President and Group Executive—Card Services since June 29, 2001. Mr. Hines previously served as Senior Vice President, Equifax Card Solutions-Americas, a unit of Equifax Inc., from September 1997 until June 2001. Prior to joining Equifax, Mr. Hines was Executive Vice President and Chief Operating Officer at AT&T Universal Card Services, a credit card issuer, from April 1993 to August 1997.



**Jeffrey S. Carbiener** has served as our Senior Vice President and Group Executive—Check Services since June 29, 2001. Mr. Carbiener previously served as Senior Vice President, Equifax Check Solutions, a unit of Equifax Inc., from February 1998 until June 2001. Prior to that, he held various other positions with Equifax business units since 1991.

**ITEM 2. PROPERTIES**

Our corporate headquarters are located in a leased facility in Alpharetta, Georgia. Our principal operations center and administration, sales, marketing and development facilities for both Card Services and Check Services are located in St. Petersburg, Florida, in a 305,000 square foot leased building. Card Services and Check Services have other smaller leased operations facilities in Alabama, Wisconsin, Utah and Georgia. In support of our international operations, Card Services has leased operations centers in Brazil, Chile, the U.K. and Australia, and Check Services has leased facilities in the U.K., France and Australia. We also have a number of small sales or support offices in other locations where we do business.

We own or lease a variety of computers and other related equipment for operational needs of both business segments.

**ITEM 3. LEGAL PROCEEDINGS**

We are party to a number of routine claims and lawsuits incidental to our business. We believe the ultimate resolution of these matters will not have a materially adverse effect on our financial position, liquidity, or results of operations.

A class action lawsuit entitled Gary and Nancy Ballard, et. al. v. Equifax Check Services, Inc. (now known as Certegy Check Services, Inc.) was filed against us in August 1996 in the U.S. District Court for the Eastern District of California. This lawsuit was based on a claim that, during the period August 1992 through December 31, 1996, we improperly assessed a service charge on unpaid checks, which allegedly violated provisions of the Federal Fair Debt Collection Practices Act and California's Unfair Business Practices Act. The action sought, among other remedies, a refund of all service charges collected from California consumers during this period, prejudgment interest, statutory damages under the Fair Debt Collection Practices Act, and attorneys' fees. These amounts in the aggregate could have exceeded \$18 million if the plaintiffs had prevailed in the case. In November 2002, we entered into a Memorandum of Understanding with the plaintiffs providing for a settlement whereby we will pay \$3.975 million, net of amounts covered under a Letter of Agreement with our insurance carriers, to the plaintiffs in exchange for a full and final release of all claims asserted. The parties are currently proceeding to obtain final approval of the settlement by the Court.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

Our common stock began regular way trading on the New York Stock Exchange under the ticker symbol "CEY" on July 9, 2001. The table set forth below provides the high and low sales prices of our common stock for each quarter of 2002 and the third and fourth quarters of 2001.

	High	Low
<b><u>2002</u></b>		
First Quarter	\$ 41.50	\$ 33.20
Second Quarter	\$ 44.45	\$ 35.76
Third Quarter	\$ 38.12	\$ 16.70
Fourth Quarter	\$ 26.50	\$ 20.15
<b><u>2001</u></b>		
Third Quarter	\$ 35.10	\$ 24.81
Fourth Quarter	\$ 35.45	\$ 26.00

As of January 31, 2003, there were approximately 7,882 shareholders of record of our common stock.

We have not paid any dividends on our common stock and do not anticipate paying dividends in the foreseeable future. We expect to retain our future earnings for use in the operation and expansion of our business. The declaration and payment of dividends is at the discretion of our board, and depends, among other things, upon our investment policy and opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our board of directors, including legal and contractual restrictions.

Item 12 of Part III contains information concerning securities authorized for issuance under our equity compensation plans.

**ITEM 6. SELECTED FINANCIAL DATA**

Our selected financial data set forth below should be read in conjunction with Item 8: Financial Statements and Supplementary Data, Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations, and Exhibit 99.3: Non-GAAP Statements of Income for the Years Ended December 31, 2001 and 2000, included elsewhere in this report.

As described in Note 2 to the consolidated financial statements, during 2002, we changed our accounting policies for goodwill, pursuant to SFAS No. 142, and the reimbursement of out-of-pocket expenses, pursuant to EITF No. 01-14. Additionally, we changed our balance sheet classification of check claims payable

and recoverable, as also described in Note 2 to the consolidated financial statements. Prior years' amounts have been reclassified to conform to the current year's presentation.

The historical income statement data for the years ended December 31, 2002, 2001, and 2000 and the historical balance sheet data as of December 31, 2002 and 2001 are derived from the audited consolidated financial statements included elsewhere in this report. The historical income statement data for the years ended December 31, 1999 and 1998, and the balance sheet data as of December 31, 2000 and 1999 are derived from the audited consolidated financial statements included in our Registration Statement on Form 10 filed with the SEC on June 11, 2001. The balance sheet data as of

December 31, 1998 is derived from the unaudited consolidated financial statements that have been prepared by management.

	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(Dollars in thousands, except for per share data)				
Revenues (1)	\$ 1,007,968	\$ 935,971	\$ 865,907	\$ 763,297	\$ 625,777
Operating expenses (1)	856,019	784,552	718,748	635,812	522,486
Operating income	151,949	151,419	147,159	127,485	103,291
Other income (expense), net	1,119	78	1,309	2,311	(383)
Interest expense	(7,120)	(7,200)	(1,301)	(901)	(533)
Income before income taxes and minority interests	145,948	144,297	147,167	128,895	102,375
Provision for income taxes	(55,964)	(56,276)	(57,609)	(54,272)	(40,505)
Minority interests in earnings, net of tax	—	(945)	(1,096)	6	(780)
Net income	\$ 89,984	\$ 87,076	\$ 88,462	\$ 74,629	\$ 61,090
Basic earnings per share (2)	\$ 1.32	\$ 1.27	\$ 1.32	\$ 1.09	\$ 0.86
Diluted earnings per share (3)	\$ 1.30	\$ 1.26	\$ 1.30	\$ 1.07	\$ 0.85
Total assets (4)	\$ 702,141	\$ 736,203	\$ 523,049	\$ 516,567	\$ 508,456
Long-term debt	\$ 214,200	\$ 230,000	\$ —	\$ —	\$ —
Total shareholders' equity	\$ 198,443	\$ 211,865	\$ 323,618	\$ 271,490	\$ 348,793

- (1) Reimbursements received for out-of-pocket expenses for years prior to 2002 have been reclassified to revenues as required by the adoption of EITF No. 01-14 as further described in Note 2 to the consolidated financial statements.
- (2) Prior to the third quarter of 2001, basic weighted average shares outstanding is computed by applying the distribution ratio of one share of Certegy common stock for every two shares of Equifax common stock held to the historical Equifax weighted average shares outstanding.
- (3) Prior to the third quarter of 2001, diluted weighted average shares outstanding is estimated based on the dilutive effect of stock options calculated in the third quarter of 2001.
- (4) Assets for years prior to 2002 have been reclassified for the change in balance sheet classification of check claims payable and recoverable as further described in Note 2 to the consolidated financial statements.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with Item 6: Selected Financial Data, Item 8: Financial Statements and Supplementary Data, and Exhibit 99.3: Non-GAAP Consolidated Statements of Income for the Years Ended December 31, 2001 and 2000, included elsewhere in this report.

### Overview

We provide credit and debit card processing and check risk management services to financial institutions and merchants in the U.S. and internationally through two segments, Card Services and Check Services. Card Services provides card issuer services in the U.S., the U.K., Brazil, Chile, Australia, New Zealand, Ireland, and the Dominican Republic. Additionally, Card Services provides merchant processing and e-banking services in the U.S. and card issuer software, support and

consulting services in numerous countries. Check Services provides check risk management services and related processing services in the U.S., the U.K., Canada, France, Ireland, Australia, and New Zealand.

Our card issuer services enable banks, credit unions, retailers, and others to issue Visa and MasterCard credit and debit cards, private label cards, and other electronic payment cards. Additionally, we began processing American Express cards in New Zealand in late 2002 and in the Dominican Republic in January 2003. Our merchant processing services enable retailers and other businesses to accept credit, debit, and other electronic payment cards from purchasers

of their goods and services, while our e-banking services enable financial institutions to offer Internet banking to consumers and businesses. Card issuer software, support, and consulting services allow customers to manage their credit card programs.

Our check risk management services, which utilize our proprietary check authorization systems and risk assessment decision platforms, enable retailers, hotels, automotive dealers, telecommunications companies, supermarkets, casinos, mail order houses, and other businesses to minimize losses from dishonored checks, maximize check acceptance, and improve customer service. Our services include check guarantee, where we accept the risk of bad checks presented to our customers; check verification, where we determine the likelihood that a check will clear and our customer retains the risk; and certain combinations of check guarantee and verification services. We also provide related service offerings, including risk management consulting and marketing services, which enable retailers to cross-sell and increase their customer retention, as well as check cashing services and third-party collection services.

### ***Spin-off from Equifax***

On July 7, 2001, our spin-off from Equifax Inc. ("Equifax") was completed by consolidating all of the assets and liabilities of the businesses that comprised Equifax's Payment Services division into Certegy and its subsidiaries and then distributing all of Certegy's outstanding common stock to Equifax shareholders (the "Distribution"). For periods prior to the Distribution, the consolidated financial statements present our financial position, results of operations, and cash flows as derived from Equifax's historical financial statements. Included in these historical financial statements are certain Equifax corporate expenses that were allocated to us utilizing such factors as revenues, number of employees, and other relevant factors. We believe these allocations were made on a reasonable basis; however, we believe that, had we been operating on a full year stand-alone basis, we would have incurred additional expenses of approximately \$3.2 million in 2001 and \$6.5 million in 2000.

In conjunction with the Distribution, we incurred \$275 million of debt to fund a payment in that amount to Equifax. The historical financial statements do not include any allocation of Equifax corporate debt or related interest expense, as historically, these amounts were not allocated to the operating divisions by Equifax. We estimate our interest expense would have increased by \$8.4 million in 2001 and \$21.7 million in 2000, had Equifax allocated interest expense to us on \$275 million of debt in the periods prior to the Distribution. These amounts of interest are based on annual interest at a rate of LIBOR plus 100 basis points, which is our cost of borrowing under our existing revolving credit facility.

### ***Components of Income Statement***

Card Services generates revenues from charges based on transaction volumes (U.S.), accounts or cards processed (outside the U.S.), and fees for various services and products (globally), while Check Services generates revenues from charges based on transaction volumes, face value of checks guaranteed, and fees for various check services and products. Revenues depend upon a number of factors, such as demand for and price of our services, the technological competitiveness of our product line, our reputation for providing timely and reliable service, competition within our industry, and

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general economic conditions. Costs of services consist primarily of the costs of transaction processing systems; personnel costs to develop and maintain applications, operate computer networks, and provide customer support; losses from check guarantee services; interchange (processing fees paid to credit card associations) and other fees related to merchant processing; depreciation and occupancy costs associated with the facilities where these functions are performed; and reimbursed out-of-pocket expenses. Selling, general, and administrative expenses consist primarily of salaries, wages, and related expenses paid to sales, non-revenue customer support functions, and administrative employees and management, and prior to the Distribution, certain allocated Equifax corporate costs.

As part of our card merchant processing business, we contract directly with merchants, as well as with the merchants' financial institutions. When we have a direct relationship with the merchant, revenues collected for our services are based primarily on a discount rate, which considers the cost of interchange fees. When our relationship is with the merchant's financial institution, we collect the interchange fees in addition to our transaction fees. In both instances, we are responsible for collecting the interchange fees after settling with the credit card associations. Interchange fees are recorded as a component of revenues and costs of services.

In January 2002, we adopted Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" ("EITF 01-14"), which requires that reimbursements received for out-of-pocket expenses be classified as revenues. Historically, such reimbursements have been netted against costs of services in the consolidated statements of income. As a result of this required adoption and certain similar reclassifications, actual revenues, as previously reported for the years ended December 31, 2001 and 2000 have increased by \$84.8 million and \$87.3 million, respectively, for reimbursed out-of-pocket expenses that include postage, delivery, telecommunication, and other costs. Revenues reported for the year ended December 31, 2002 include \$92.7 million of such similar reimbursements. These reclassifications have no impact on operating income or net income.

### ***Highlights of the 2002 Consolidated Financial Results***

In addition to the spin-off from Equifax, as discussed above, our financial results for the comparative periods of 2002, 2001, and 2000 were impacted by our adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Therefore, we have included both our actual financial results (those prepared in accordance with accounting principles generally accepted in the U.S. or "GAAP") and "non-GAAP" financial results for 2001 and 2000, which include adjustments for the spin-off and SFAS 142. Exhibit 99.3 to this report provides detailed reconciliations of our GAAP to non-GAAP results for 2001 and 2000. We believe the non-GAAP results are more useful in analyzing the underlying business by providing a consistent comparison of our historical operating performance.

SFAS 142 modifies accounting for business combinations, goodwill, and identifiable intangible assets. As of January 1, 2002, all goodwill amortization ceased. During the second quarter of 2002, we completed our goodwill impairment testing required by SFAS 142, which resulted in no adjustment to the carrying amount of goodwill. Operating income for the years ended December 31, 2001 and 2000 included \$8.6 million, or \$0.10 per diluted share, and \$8.0 million, or \$0.10 per diluted share, respectively, of goodwill amortization. For comparative purposes, the non-GAAP financial results for 2001 and 2000 include adjustments to reflect this accounting change, as if it had been effective on January 1, 2000.

During 2002, we recorded severance and other charges of \$12.2 million (\$7.7 million after tax, or \$0.11 per diluted share). These charges include: 1) asset impairment charges of \$5.1 million, which consist of a \$4.2 million write-off of the remaining intangible asset value assigned to an acquired customer contract in Brazil, due to the loss of the customer, and a \$0.8 million net write-down of our

collateral assignment in life insurance policies held for the benefit of certain employees (the carrying value of our collateral assignment is the lesser of the policies' cash surrender value or our premiums paid; due to a decline in the market value of the assets underlying these policies during 2002, the carrying value of our collateral assignment was reduced to \$6.3 million at December 31, 2002); 2) a \$4.0 million charge for the settlement of a class action lawsuit, net of insurance proceeds (see Note 11 to the consolidated financial statements); and 3) severance charges of \$3.2 million, due to the reorganization of various departments. Additional severance and related costs will be incurred in 2003 as we downsize our operations in Brazil, which we anticipate will occur during the first quarter of 2003.

Highlights of the 2002 financial results, as compared to 2001, are as follows:

- Revenues grew 7.7 percent (8.5 percent in local currency) to \$1.0 billion.
- Operating income of \$151.9 million increased 0.4 percent.
- Interest expense totaled \$7.1 million.
- Net income increased by 3.3 percent to \$90.0 million.
- Diluted earnings per share of \$1.30 increased 3.2 percent.
- Total debt outstanding at December 31, 2002 was \$214.2 million.
- 3.4 million shares of common stock were repurchased at a cost of \$79.6 million.
- The acquisition of Netzee's assets was concluded at a cash cost of \$10.4 million.
- Capital expenditures totaled \$49.0 million, excluding \$10.4 million for acquisitions.

## Consolidated Results of Operations

The following table summarizes our consolidated results for the years ended December 31, 2002, 2001, and 2000:

	2002		2001		2000	
	GAAP		GAAP	Non-GAAP(1)	GAAP	Non-GAAP(1)
	(in millions, except per share amounts)					
Revenues(2)	\$ 1,008.0	\$ 936.0	\$ 936.0	\$ 865.9	\$ 865.9	\$ 865.9
Operating Income	\$ 151.9	\$ 151.4	\$ 156.7	\$ 147.2	\$ 148.7	\$ 148.7
Other Income, net	\$ 1.1	\$ 0.1	\$ 0.1	\$ 1.3	\$ 1.3	\$ 1.3
Interest Expense	\$ (7.1)	\$ (7.2)	\$ (15.6)	\$ (1.3)	\$ (23.0)	\$ (23.0)
Net Income	\$ 90.0	\$ 87.1	\$ 87.2	\$ 88.5	\$ 78.0	\$ 78.0
Basic EPS	\$ 1.32	\$ 1.27	\$ 1.28	\$ 1.32	\$ 1.16	\$ 1.16
Diluted EPS	\$ 1.30	\$ 1.26	\$ 1.26	\$ 1.30	\$ 1.15	\$ 1.15

(1) Includes non-GAAP adjustments in 2001 and 2000 to reflect 1) the spin-off as if it had occurred at the beginning of 2000 and 2) the elimination of goodwill amortization as if SFAS 142 had been effective on January 1, 2000. Exhibit 99.3 to this report provides detailed reconciliations of GAAP to non-GAAP financial results for the years ended December 31, 2001 and 2000.

(2) Revenues for 2001 and 2000 have been reclassified for reclassifications required by the adoption of EITF 01-14 and certain similar reclassifications.

## Consolidated Revenues

### Year 2002 compared with Year 2001

Consolidated revenues in 2002 of \$1.0 billion increased \$72.0 million, or 7.7 percent (8.5 percent in local currency), over 2001. Card Services revenues grew \$29.2 million, or 4.6 percent (6.2 percent in local currency), while Check Services experienced revenue growth of \$42.8 million, or 14.1 percent (13.3 percent in local currency).

Overall, our revenue growth was driven by a 3.3 percent increase in our combined North American and international card issuer businesses, an 8.2 percent growth in card merchant processing, and a 14.1 percent increase in our global check operations. Currency devaluation reduced total U.S. dollar revenue growth by approximately \$7.5 million, or 0.8 percent. The Brazilian real remained volatile throughout the year, which more than offset the strengthening exchange rates of the British pound and Australian dollar.

### Year 2001 compared with Year 2000

Consolidated revenues in 2001 of \$936.0 million increased \$70.1 million, or 8.1 percent (10.8 percent in local currency), over 2000. Card Services revenues grew \$40.7 million, or 6.9 percent (10.4 percent in local currency), while Check Services experienced revenue growth of \$29.4 million, or 10.7 percent (11.6 percent in local currency).

Overall, our revenue growth was driven by a 3.0 percent increase in our combined North American and international card issuer businesses, a 20.7 percent growth in card merchant processing, and a 12.8 percent increase in our North American check operation. The strengthening of the U.S. dollar against foreign currencies, particularly the Brazilian real, reduced U.S. dollar revenue growth by \$23.4 million, or 2.7 percent.

### **Consolidated Operating Expenses**

#### *Year 2002 compared with Year 2001*

Consolidated operating expenses in 2002 of \$856.0 million, which include severance and other charges of \$12.2 million, increased \$71.5 million, or 9.1 percent, over 2001. Operating expenses for Card Services and Check Services increased \$19.6 million, or 3.8 percent, and \$44.4 million, or 17.0 percent, respectively. Corporate expenses of \$19.3 million increased \$7.4 million over 2001.

Excluding the severance and other charges of \$12.2 million in 2002, operating expenses in 2002 of \$843.8 million increased \$64.5 million, or 8.3 percent, compared to non-GAAP 2001 operating expenses, which are adjusted for goodwill amortization expense and additional corporate expenses. Excluding the severance and other charges in 2002, operating expenses for Card Services and Check Services increased \$21.2 million, or 4.2 percent, and \$40.6 million, or 15.6 percent, respectively, while corporate expenses of \$17.8 million increased \$2.7 million compared to non-GAAP 2001 operating expenses.

Costs of services in 2002 of \$730.4 million increased \$43.9 million, or 6.4 percent, over 2001. Including adjustments for goodwill amortization expense and additional corporate expenses in 2001, costs of services in 2002 increased \$50.0 million, or 7.4 percent, over non-GAAP 2001. Approximately \$13.6 million of this increase was attributable to growth in card issuer and merchant volumes and other Card Services items, while \$36.4 million was driven by higher check volumes, as well as start-up costs related to our check cashing initiatives and other Check Services items. Card merchant costs of services included \$162.6 million and \$146.1 million of interchange fees in 2002 and 2001, respectively.

Selling, general, and administrative expenses in 2002 of \$113.4 million increased \$15.4 million, or 15.7 percent, over 2001. Including an adjustment for additional corporate expenses in 2001, selling,

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general, and administrative expenses in 2002 increased \$14.5 million, or 14.7 percent, over non-GAAP 2001. This increase is largely attributable to the growth in our international card issuer and North American check businesses, as well as incremental costs we incurred as a stand-alone company after the spin-off.

#### *Year 2001 compared with Year 2000*

Consolidated operating expenses in 2001 of \$784.6 million increased \$65.8 million, or 9.2 percent, over 2000. Operating expenses for Card Services and Check Services increased \$31.7 million, or 6.6 percent, and \$30.1 million, or 13.0 percent, respectively. Corporate expenses of \$11.9 million increased \$4.1 million over 2000.

Including adjustments for goodwill amortization expense and additional corporate expenses in 2001 and 2000, non-GAAP operating expenses in 2001 of \$779.2 million increased \$62.0 million, or 8.6 percent, compared to non-GAAP 2000 operating expenses. Non-GAAP operating expenses for Card Services and Check Services increased \$31.1 million, or 6.6 percent, and \$30.1 million, or 13.1 percent, respectively. Corporate expenses of \$15.1 million increased \$0.8 million compared to non-GAAP 2000 expenses.

Costs of services in 2001 of \$686.6 million increased \$63.5 million, or 10.2 percent, over 2000. Including adjustments for goodwill amortization expense and additional corporate expenses in 2001 and 2000, non-GAAP costs of services in 2001 increased \$60.6 million, or 9.8 percent, over non-GAAP 2000. Approximately \$32.3 million of this increase was attributable to growth in card issuer and merchant volumes, while \$31.2 million was driven by higher check volumes. Card merchant costs of services included \$146.1 million and \$124.5 million of interchange fees in 2001 and 2000, respectively.

Selling, general, and administrative expenses in 2001 of \$98.0 million increased \$2.3 million, or 2.4 percent, over 2000. Including an adjustment for additional corporate expenses in 2001 and 2000, non-GAAP selling, general, and administrative expenses in 2001 increased \$1.4 million, or 1.4 percent, over non-GAAP 2000. This increase is largely attributable to incremental costs we incurred as a stand-alone company after the spin-off.

### **Consolidated Operating Income**

#### *Year 2002 compared with Year 2001*

Consolidated operating income in 2002 increased \$0.5 million, or 0.4 percent, over 2001. Card Services operating income grew \$9.6 million, or 8.0 percent (9.4 percent in local currency), while Check Services operating income decreased \$1.6 million, or 3.7 percent (5.4 percent in local currency). Combined operating margins were 15.1 percent in 2002 and 16.2 percent in 2001.

Excluding the severance and other charges of \$12.2 million in 2002, operating income in 2002 increased \$7.5 million, or 4.8 percent, compared to non-GAAP 2001 operating income, which is adjusted for goodwill amortization expense and additional corporate expenses. Excluding the severance and other charges in 2002, Card Services operating income grew \$8.1 million, or 6.3 percent (7.6 percent in local currency), while Check Services operating income increased \$2.1 million, or 4.8 percent (3.2 percent in local currency) over non-GAAP 2001 operating income. Excluding the severance and other charges in 2002, combined operating margins were 16.3 percent in 2002 and 16.7 percent in 2001 (non-GAAP). The decline in our overall margin in 2002 compared to non-GAAP 2001 is attributable to additional general and administrative expenses we incurred as a stand-alone public company, reduced operating income in our South American card operations due to unfavorable currency rates and volatile economic conditions, and costs associated with our continued investment in check cashing initiatives.

### *Year 2001 compared with Year 2000*

Consolidated operating income in 2001 increased \$4.3 million, or 2.9 percent, over 2000. Card Services operating income grew \$9.0 million, or 8.1 percent (9.6 percent in local currency), while Check Services operating income decreased \$0.7 million, or 1.6 percent (0.8 percent in local currency). Combined operating margins were 16.2 percent in 2001 and 17.0 percent in 2000.

Including adjustments for goodwill amortization expense and additional corporate expenses in 2001 and 2000, non-GAAP operating income in 2001 increased \$8.0 million, or 5.4 percent, compared to non-GAAP 2000 operating income. Card Services non-GAAP operating income grew \$9.6 million, or 8.1 percent (9.5 percent in local currency), while Check Services non-GAAP operating income decreased \$0.7 million, or 1.6 percent (0.8 percent in local currency). Combined non-GAAP operating margins were 16.7 percent in 2001 and 17.2 percent in 2000. The decline in our overall margin is attributable to additional general and administrative expenses we incurred as a stand-alone public company, higher guarantee loss rates in Check Services, and a 20.7 percent increase in lower-margin card merchant processing revenues. Merchant revenues have lower margins than the overall business as a result of interchange fees being a component of both revenues and costs of services.

### ***Consolidated Other Income, Net***

Other income, net consists of interest income, gains and losses on foreign currency, and gain and losses on the sale or divestiture of businesses. In 2002 and 2001, other income, net consists primarily of net foreign exchange gains related to intercompany balances between our U.S. and international operations. In 2000, other income includes a \$2.2 million pre-tax gain on the sale of our investment in a card processing operation in India.

### ***Consolidated Interest Expense***

Interest expense in 2002 of \$7.1 million decreased \$0.1 million compared to 2001. Including an adjustment in 2001 to reflect additional interest expense had the spin-off from Equifax occurred as of January 1, 2001, interest expense in 2002 decreased \$8.5 million. This reduction in interest expense is driven by lower interest rates and lower average debt balances in 2002. Our outstanding debt balance at December 31, 2002 was \$214.2 million compared to \$230.0 million at December 31, 2001. Total borrowings, which were as low as \$166.7 million at September 30, 2002, increased in the fourth quarter of 2002 due to stock repurchases and the Netzee acquisition.

Interest expense for the periods prior to the Distribution principally consists of interest paid on a line of credit held by Unnisa, our card processing business in Brazil, and interest charged by Equifax on overnight funds borrowed on our behalf. We were not allocated any Equifax corporate debt or related interest expense, as historically, these amounts were not allocated to the operating divisions by Equifax. We estimate our interest expense would have increased by \$8.4 million and \$21.7 million in 2001 and 2000, respectively, had Equifax allocated interest expense to us on \$275 million of debt in the periods prior to the Distribution. These amounts of interest are based on annual interest at a rate of LIBOR plus 100 basis points, which is our cost of borrowing under our existing revolving credit facility.

### ***Effective Tax Rate***

Our effective tax rates were 38.3 percent, 39.0 percent, and 39.1 percent in 2002, 2001 and 2000, respectively. On a non-GAAP basis, which includes adjustments in 2001 and 2000 as previously described, our effective tax rates were 37.6 percent and 37.7 percent in 2001 and 2000, respectively. The differences between the GAAP and non-GAAP rates are the result of the change in accounting for goodwill under SFAS 142, effective January 1, 2002.

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Prior to the Distribution, we were included in the consolidated federal income tax return of Equifax. Federal and certain state tax provisions were settled through the intercompany accounts, and Equifax made income tax payments on our behalf. The provision for income taxes for these historical periods reflects federal, state, and foreign taxes calculated using the separate return basis.

### ***Consolidated Net Income***

#### *Year 2002 compared with Year 2001*

Net income in 2002 of \$90.0 million increased \$2.9 million, or 3.3 percent, compared to 2001. Excluding the severance and other charges of \$12.2 million in 2002, net income in 2002 increased \$10.5 million, or 12.0 percent, compared to non-GAAP 2001 net income, which is adjusted for goodwill amortization expense and additional corporate expenses. Our growth in net income in 2002 compared to non-GAAP 2001 is attributable to increased income from operations, an \$8.5 million reduction in interest expense, and a \$1.0 million increase in other income.

In 2001, minority interests in earnings related to minority ownership of Unnisa, our Brazilian card processing operation. We acquired full ownership of Unnisa in May 2001, and, as a result, there were no minority interests in earnings in 2002.

#### *Year 2001 compared with Year 2000*

Net income in 2001 of \$87.1 million decreased \$1.4 million, or 1.6 percent, compared to 2000. Including adjustments for goodwill amortization expense and additional corporate expenses in 2001 and 2000, non-GAAP net income in 2001 increased \$9.2 million, or 11.8 percent, compared to non-GAAP 2000 net income. Our growth in non-GAAP net income is attributable to increased income from operations and a \$7.4 million reduction in interest expense.

In 2001 and 2000, minority interests in earnings related to minority ownership of Unnisa, our Brazilian card processing operation, and our U.K. card processing operation. We acquired full ownership of our U.K. card processing operation in September 2000, and Unnisa in May 2001.

### ***Earnings Per Share***

Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Prior to the commencement of public trading on July 9, 2001, weighted average shares outstanding were computed by applying the distribution ratio of 0.5 shares of Certegy common stock to the historical Equifax weighted average shares outstanding for the same periods presented.

Diluted EPS reflects the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding during the period. As there were no historical market share prices for Certegy common stock prior to July 9, 2001, the effect of dilutive stock options for periods prior to the Distribution were estimated based on the dilutive amounts for the third quarter of 2001. Restricted stock was not issued until after the spin-off.

Non-GAAP basic and diluted EPS is calculated based on non-GAAP net income. We believe the supplemental presentation of non-GAAP EPS for 2001 and 2000 provides a more meaningful comparative analysis.

## Segment Results

The following table summarizes our segment results for the years ended December 31, 2002, 2001, and 2000:

	2002		2001		2000	
	GAAP		GAAP	Non-GAAP	GAAP	Non-GAAP
	(in millions)					
<b>Revenues:</b>						
Card Services	\$ 660.9	\$ 631.7	\$ 631.7	\$ 591.0	\$ 591.0	
Check Services	347.1	304.3	304.3	274.9	274.9	
	<u>\$ 1,008.0</u>	<u>\$ 936.0</u>	<u>\$ 936.0</u>	<u>\$ 865.9</u>	<u>\$ 865.9</u>	
<b>Operating Income:</b>						
Card Services	\$ 129.3	\$ 119.8	\$ 127.4	\$ 110.8	\$ 117.9	
Check Services	41.9	43.5	44.4	44.2	45.1	
	<u>171.2</u>	<u>163.3</u>	<u>171.8</u>	<u>155.0</u>	<u>163.0</u>	
General Corporate Expense	(19.3)	(11.9)	(15.1)	(7.8)	(14.3)	
	<u>\$ 151.9</u>	<u>\$ 151.4</u>	<u>\$ 156.7</u>	<u>\$ 147.2</u>	<u>\$ 148.7</u>	

Adjustments to reconcile actual operating income (GAAP) to non-GAAP operating income for the years ended December 31, 2001 and 2000, as previously discussed, are as follows:

	2001			2000		
	Card	Check	Corp	Card	Check	Corp
	(in millions)					
<b>GAAP Operating Income</b>	\$ 119.8	\$ 43.5	\$ (11.9)	\$ 110.8	\$ 44.2	\$ (7.8)
Additional corporate expenses			(3.2)			(6.5)
Elimination of goodwill amortization expense	7.6	0.9		7.1	0.9	
<b>Non-GAAP Operating Income</b>	<u>\$ 127.4</u>	<u>\$ 44.4</u>	<u>\$ (15.1)</u>	<u>\$ 117.9</u>	<u>\$ 45.1</u>	<u>\$ (14.3)</u>

Severance and other charges recognized in 2002, by segment, are as follows:

	2002		
	Card	Check	Corp
	(in millions)		
Intangible asset write-off in Brazil	\$ 4.2		
Litigation settlement		\$ 4.0	
Severance charges	1.9	0.6	\$ 0.7
Net write-down of collateral assignment in life insurance policies			0.8
	<u>\$ 6.1</u>	<u>\$ 4.6</u>	<u>\$ 1.5</u>

Over the past five years, our Card Services business has pursued growth in international markets. In September 1998, Card Services expanded its operations into South America by acquiring a 59.3 percent interest in Unnisa, a card processing business in Brazil, while in May 2001, we acquired the remaining 40.7 percent ownership interest in Unnisa. In June 1999, we started a card processing operation in the U.K., owning a 51 percent interest, and acquired full ownership in September 2000. In January 2000, we acquired Procard, a card processing operation in Chile. Also in 2000, we entered into a five-year agreement with a multi-national Australian-based bank to process cards issued in Australia, New Zealand, the U.K., and Ireland, with operations commencing in the second quarter of 2001. This

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bank is serviced from our card processing operation in Australia, as well as from our card processing operation in the U.K. Card Services plans to pursue further card processing opportunities in the Asian and Pacific Rim markets, utilizing our Australian operation as the processing center.

*Year 2002 compared with Year 2001*

Card Services revenues of \$660.9 million in 2002 increased \$29.2 million, or 4.6 percent (6.2 percent in local currency), over 2001. Excluding \$6.3 million of revenue related to a one-time license sale in our North American card issuer e-banking operations during 2001, Card Services revenue increased by 5.7 percent (7.2 percent in local currency). Our revenue growth is attributable to existing and new card growth in both our domestic and international card operations, as well as increased revenues in our merchant processing business. At December 31, 2002, we were processing 46.7 million cards, which is an increase of 5.0 million cards, or 11.9 percent, over the prior year-end.

North American Card revenues of \$532.3 million in 2002 increased \$22.5 million, or 4.4 percent, over the prior year. Excluding the license sale in 2001, Card Services domestic revenues increased 5.7 percent, driven by an 8.2 percent increase in merchant processing revenues and a 4.2 percent increase in card issuer revenues. Late in the third quarter of 2002, a large merchant processing customer was acquired and moved its account to its new owner's processor. Additionally, in the second half of 2002, we severed relationships with other merchant processing customers whose risk profiles no longer met our requirements. Both of these factors reduced our merchant processing revenue growth during 2002 and will also temper growth in 2003. Card issuer revenue growth is the result of increasing card usage, new card growth, and increased pricing on certain contracts that was fully in place by the fourth quarter of 2002. North American Card transactions increased 8.5 percent over the prior year, with credit card transaction growth of 2.5 percent and debit card transaction growth of 18.7 percent. We added approximately 1.0 million domestic cards during 2002, increasing our domestic card base to 22.5 million at December 31, 2002.

International card issuer revenues of \$119.1 million in 2002 increased \$7.0 million, or 6.3 percent, over the prior year. On a local currency basis, international card issuer revenues increased by 15.1 percent, driven by card growth in our international regions, with the exception of full service new account issuance by certain of our customers in Brazil. Excluding South America, international card issuer revenues increased by 44.6 percent (38.0 percent in local currency). International card growth totaled 4.0 million cards in 2002, increasing our international card base to 24.2 million at December 31, 2002, which represents a 19.8 percent increase over 2001. The start-up of our Australian card operation and conversion of a multi-national Australian-based bank portfolio in the third quarter of 2001 contributed an additional 1.0 million cards in 2002, a 38.2 percent increase over its card base at December 31, 2001.

Card issuer software and support revenue of \$9.5 million decreased by \$0.3 million over the prior year due to our strategic focus away from software sales.

Card Services operating income of \$129.3 million in 2002 increased \$9.6 million, or 8.0 percent (9.4 percent in local currency), while our operating margins were 19.6 percent in 2002 versus 19.0 percent in 2001.

Excluding the severance and other charges of \$6.1 million in 2002, operating income in 2002 increased \$8.1 million, or 6.3 percent (7.6 percent in local currency), compared to non-GAAP 2001 operating income, which is adjusted to exclude goodwill amortization expense. Excluding the severance and other charges in 2002, combined operating margins were 20.5 percent in 2002 and 20.2 percent in 2001 (non-GAAP). The increase in operating margin in 2002 compared to non-GAAP 2001 is attributable to the growth in our North American card issuer revenue, combined with cost improvement initiatives that include renegotiation of certain vendor contracts during 2002 resulting in lower data processing costs, new technology advances, reductions in the workforce, and other process efficiencies that have been placed in service throughout the year. These initiatives helped to offset the

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reduced operating income in our South American operations due to unfavorable currency rates and volatile economic conditions brought on by factors that included the October 2002 Brazilian presidential election.

*Year 2001 compared with Year 2000*

Card Services revenues of \$631.7 million in 2001 increased \$40.7 million, or 6.9 percent (10.4 percent in local currency), over 2000. Excluding \$6.3 million of revenue related to a one-time license sale in our North American card issuer e-banking operations during 2001, Card Services revenue increased by 5.8 percent (9.4 percent in local currency). Our revenue growth is attributable primarily to a 20.7 percent increase in merchant processing revenues and a 24.6 percent increase in our international card issuer business, excluding South America. At December 31, 2001, we were processing 41.7 million cards, which is an increase of 6.6 million cards, or 18.8 percent, over the prior year-end.

North American Card revenues of \$509.9 million in 2001 increased \$41.3 million, or 8.8 percent, over the prior year. Excluding the license sale in 2001, Card Services domestic revenues increased 7.5 percent, driven primarily by a 20.7 percent increase in merchant processing revenues. Merchant volumes increased from \$6.8 billion in 2000 to \$8.2 billion in 2001.

International card issuer revenues of \$112.0 million in 2001 increased \$3.5 million, or 3.2 percent, over the prior year. On a local currency basis, international card issuer revenues increased by 22.5 percent, driven by growth in our account base in Brazil and the U.K. and the start-up of our Australian operation. Excluding South America, international card issuer revenues increased by 24.6 percent (30.2 percent in local currency). International card growth totaled 6.9 million cards in 2001, increasing our international card base to 20.2 million at December 31, 2001, which represents a 51.9 percent increase over 2000.

Card issuer software and support revenue of \$9.8 million decreased by \$4.1 million over the prior year due to our strategic focus away from software sales.

Card Services operating income of \$119.8 million in 2001 increased \$9.0 million, or 8.1 percent (9.6 percent in local currency), while our operating margins were 19.0 percent in 2001 versus 18.7 percent in 2000.



Excluding goodwill amortization expense in 2001 and 2000, non-GAAP operating income in 2001 increased \$9.6 million, or 8.1 percent (9.5 percent in local currency), compared to non-GAAP 2000 operating income. Combined non-GAAP operating margins were 20.2 percent in 2001 and 19.9 percent in 2000. The increase in non-GAAP operating margin is attributable to the growth in our North American and international card issuer revenues, offset by a higher level of lower-margin merchant processing revenues, exchange rate fluctuations, and a reduction in card issuer software and support revenues.

### **Check Services**

We believe check writing has begun to decline as a total percentage of point-of-sale payments due, in part, to the growing use of debit and credit cards. At the same time, however, demand for our services is strong due to factors that include increasing sophistication of check fraud and higher concentration of bad checks written at the point-of-sale due to a trend of higher credit quality consumers paying more with credit and debit cards and writing fewer checks. These factors are contributing to a growing reliance of retailers and other businesses on outside vendors, such as us, to provide check risk management services.

#### *Year 2002 compared with Year 2001*

Check Services revenues of \$347.1 million in 2002 increased \$42.8 million, or 14.1 percent (13.3 percent in local currency), over 2001. Our revenue growth is driven by market share gains in both

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our domestic and international check operations. The face amount of checks authorized totaled \$35.2 billion in 2002 as compared to \$32.1 billion in 2001. Guarantee volumes grew from \$23.3 billion in 2001 to \$26.8 billion in 2002, a 15.0 percent increase over the prior year.

North American Check revenues of \$294.6 million increased \$36.5 million, or 14.1 percent, over 2001, driven by increased volumes largely resulting from the addition of new customers. The face amount of checks authorized in the U.S. totaled \$31.7 billion in 2002 as compared to \$29.0 billion in 2001.

International check revenues of \$52.5 million in 2002 increased \$6.3 million, or 13.6 percent, over 2001, as the face amount of checks authorized increased to \$3.5 billion in 2002 as compared to \$3.1 billion in 2001. On a local currency basis, international check revenues increased by approximately 8.6 percent, as the British pound strengthened against the U.S. dollar.

Check Services operating income of \$41.9 million in 2002 decreased \$1.6 million, or 3.7 percent (5.4 percent in local currency), while our operating margins were 12.1 percent in 2002 and 14.3 percent in 2001.

Excluding the severance and other charges of \$4.6 million in 2002, operating income in 2002 increased \$2.1 million, or 4.8 percent (3.2 percent in local currency), compared to non-GAAP 2001 operating income, which is adjusted to exclude goodwill amortization expense. Excluding the severance and other charges in 2002, combined operating margins were 13.4 percent in 2002 and 14.6 percent in 2001 (non-GAAP). The decline in operating margin in 2002 compared to non-GAAP 2001 is a result of costs associated with the continued investment in our check cashing initiatives, as well as the impact of a higher percentage of business shifting toward lower-priced national accounts, partially offset by the revenue growth in the core check business. Check guarantee net losses have remained relatively stable, even during a difficult economic period for retailers. Improvements in collection methodologies have enhanced recovery rates, helping us to maintain relatively stable net losses. Operating losses of approximately \$1.0 million are anticipated through the first half of 2003 for check cashing, as we roll out the service to additional locations. We expect check cashing to become profitable in the second half of 2003.

#### *Year 2001 compared with Year 2000*

Check Services revenues of \$304.3 million in 2001 increased \$29.4 million, or 10.7 percent (11.6 percent in local currency), over 2000. Our revenue growth is largely attributable to the addition of new customers. The face amount of checks authorized totaled \$32.1 billion in 2001 as compared to \$28.9 billion in 2000. Guarantee volumes grew from \$21.2 billion in 2000 to \$23.3 billion in 2001, a 9.9 percent increase over the prior year.

North American Check revenues of \$258.2 million increased \$29.3 million, or 12.8 percent, over 2000, driven by increased volumes largely resulting from the addition of new customers. The face amount of checks authorized in the U.S. totaled \$29.0 billion in 2001 as compared to \$25.6 billion in 2000.

International check revenues of \$46.1 million in 2001 increased \$0.1 million, or 0.1 percent, over 2000. Currency reduced total U.S. dollar revenue growth by approximately \$2.3 million, or 5.0 percent. On a local currency basis, international check revenues increased by 5.1 percent,

Check Services operating income of \$43.5 million in 2001 decreased \$0.7 million, or 1.6 percent (0.8 percent in local currency), while our operating margins were 14.3 percent in 2001 and 16.1 percent in 2000.

Excluding goodwill amortization expense in 2001 and 2000, non-GAAP operating income in 2001 decreased \$0.7 million, or 1.6 percent (0.8 percent in local currency), compared to non-GAAP 2000 operating income. Combined non-GAAP operating margins were 14.6 percent in 2001 and 16.4 percent

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in 2000. The decline in non-GAAP operating margin is attributable to overall higher check guarantee net loss rates in 2001; however, Check Services profitability and margins progressively improved each quarter throughout 2001 due to the seasonality of revenues, the addition of new customers, and improvement in guarantee loss rates.

### **General Corporate**

#### *Year 2002 compared to Year 2001*

General corporate expense of \$19.3 million in 2002 increased \$7.4 million over 2001. The corporate office was established during the third quarter of 2001 and thus, corporate expenses were lower in that initial year.

Excluding the severance and other charges of \$1.5 million in 2002, general corporate expense increased \$2.7 million, or 18.2 percent, over non-GAAP 2001, due to additional corporate costs we have incurred as a stand-alone public company, one-time costs driven by the conversion of administrative functions which

were previously outsourced to a third-party, and recruiting and relocation expenses for new hires.

#### Year 2001 compared to Year 2000

General corporate expense of \$11.9 million in 2001 increased \$4.1 million over 2000.

Including additional corporate expenses in 2001 and 2000 as if the spin-off from Equifax had occurred as of January 1, 2000, non-GAAP 2001 general corporate expense increased \$0.8 million, or 5.6 percent, over non-GAAP 2000 general corporate expense, due to additional corporate costs we have incurred as a stand-alone public company since the initiation of the corporate office in July 2001.

#### Liquidity and Capital Resources

##### Year 2002 compared with Year 2001

Net cash provided by operating activities amounted to \$126.7 million in 2002 as compared with \$102.9 million in 2001. The 2001 amount was reduced by \$29.0 million, which is related to the timing of settlements in the card and merchant processing clearing system. Prior to the spin-off, Equifax held the cash deposits associated with this settlement process, which were included in our intercompany receivable from Equifax, a component of equity. Operating activities provided cash of \$131.9 million in 2001 before the effect of this settlement activity. We used operating cash flow primarily to reinvest in existing businesses and to contribute to the financing of acquisitions, repurchase of common stock, and repayment of long-term debt.

Net cash used in investing activities amounted to \$59.4 million in 2002 and \$128.4 million in 2001. Capital expenditures, exclusive of acquisitions, amounted to \$49.0 million in 2002 and \$49.3 million in 2001. Total capital expenditures are anticipated to approximate \$40 million to \$45 million in 2003. Cash used for acquisitions, net of cash acquired, totaled \$10.4 million and \$79.0 million in 2002 and 2001, respectively.

Net cash used in financing activities amounted to \$79.8 million in 2002. Net repayments on long-term debt amounted to \$15.8 million, while proceeds from the exercise of employee stock options totaled \$15.9 million. We repurchased 3.4 million shares of common stock at a total cost of \$79.6 million in 2002. Net cash provided by financing activities in 2001 amounted to \$24.9 million. Net borrowings on our revolving credit facility of \$230.0 million were used to fund the \$275 million payment to Equifax in July 2001, and the acquisition of Accu Chek in August 2001. Proceeds from the exercise of employee stock options totaled \$4.0 million, and we repurchased 81,400 shares of common stock at a total cost of \$2.4 million in 2001. Net repayments to Equifax were \$206.6 million in 2001, which includes the \$275 million payment at the time of the Distribution.

##### Year 2001 compared with Year 2000

Net cash provided by operating activities amounted to \$102.9 million in 2001 as compared with \$103.8 million in 2000. These amounts were reduced by \$29.0 million and \$21.4 million in 2001 and 2000, respectively, which are related to the timing of settlements in the card and merchant processing clearing system. Prior to the Distribution, Equifax held the cash deposits associated with this settlement process, which were included in the intercompany receivable from Equifax, a component of the Equifax equity investment. Operating activities provided cash of \$131.9 million in 2001 and \$125.1 million in 2000 before the effect of this settlement activity. Operating cash flow has been sufficient to fund capital expenditures, acquisitions, treasury stock purchases, and long-term debt repayments in 2001 and capital expenditures in 2000.

Net cash used in investing activities amounted to \$128.4 million in 2001 and \$78.2 million in 2000. Capital expenditures, exclusive of acquisitions, amounted to \$49.3 million in 2001 and \$38.8 million in 2000. Cash used for acquisitions, net of cash acquired, totaled \$79.0 million and \$46.3 million in 2001 and 2000, respectively. Cash proceeds from the sale of businesses and other assets amounted to \$6.9 million in 2000.

Net cash provided by (used in) financing activities amounted to \$24.9 million in 2001 and \$(26.8) million in 2000. In July 2001, we borrowed \$275 million on our revolving credit facilities to fund a cash payment to Equifax in conjunction with the Distribution. Net additions to long-term debt in 2001, including this \$275 million and amounts temporarily borrowed for our acquisition of Accu Chek in August 2001, were \$230.0 million. Net borrowings from (repayments to) Equifax, other than the \$275 million payment, amounted to \$68.4 million in 2001 and \$(26.4) million in 2000. Treasury stock purchases in 2001 amounted to \$2.4 million, while other activity, primarily proceeds from the exercise of stock options, provided cash of \$3.9 million in 2001.

#### General

The following table summarizes our significant contractual obligations and commitments as of December 31, 2002:

	Payments due by				
	Total	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter
	(in millions)				
Long-term debt (Note 7)	\$ 214.2	\$ —	\$ 214.2	\$ —	\$ —
Operating leases (Note 11)	42.8	8.6	12.3	10.1	11.8
Data processing agreement obligations (Note 11)	206.5	32.9	61.5	59.1	53.0
Total	\$ 463.5	\$ 41.5	\$ 288.0	\$ 69.2	\$ 64.8

Note: Guaranteed residual values aggregating \$26.2 million related to our synthetic operating leases are not included in the above table.

Other than facility leasing arrangements, we do not engage in off-balance sheet financing activities. We entered into synthetic operating leases in order to provide us with favorable financing arrangements with regard to the facilities subject to the leases. The first synthetic lease of \$10.1 million was entered into in 1997 and the second synthetic lease of \$23.2 million was entered into in 1999, both of which expire in 2009. Under these synthetic lease arrangements, we have

guaranteed the residual value of the leased properties to the lessors. In the event the properties are sold by the lessors at the end of the lease terms, we would be responsible for any shortfall of the sales proceeds under \$26.2 million, which approximates 79 percent of the value of the properties at the beginning of the lease terms. We believe the fair market values of these properties exceed the amount of the guarantees.

As described in Notes 2 and 7 to the consolidated financial statements, we have an interest rate swap arrangement in effect that fixes the interest rate for one of our variable rate synthetic lease obligations. This derivative has been designated as a cash flow hedge, was documented as fully effective, and at December 31, 2002, was valued as a liability totaling \$1.8 million. Additionally, we entered into several interest rate swap arrangements in 2002 that fix the interest rate on \$100 million of our variable rate revolver borrowings from January 2003 to July 2003 at 2.865 percent, an additional \$50 million from April 2003 to July 2003 at 2.940 percent, and \$100 million from July 2003 to January 2004 at 3.350 percent. These derivatives have been designated as cash flow hedges, were documented as fully effective, and at December 31, 2002, were valued as a liability totaling \$0.8 million.

Other than our transactions with Equifax, which are described in Note 6 to the consolidated financial statements, we do not have any material related party transactions.

In July 2001, we obtained a three-year \$300 million unsecured revolving credit facility and a 364-day \$100 million revolving credit facility, a portion of which was used to fund a cash payment to Equifax of \$275 million in conjunction with the spin-off. Given that our current level of cash and cash equivalents, \$14.2 million as of December 31, 2002, future cash flows from operations, and the amounts available under our three-year revolving credit facility, which totaled \$85.8 million as of December 31, 2002, will be sufficient to meet the needs of our existing businesses, we did not renew the 364-day facility upon its expiration in July 2002. The \$300 million unsecured facility bears interest at an annual rate of LIBOR plus 100 basis points. Amortization of deferred financing costs for the \$300 million revolving credit facility averages approximately \$0.7 million per year.

We regularly evaluate cash requirements for current operations, development activities, and acquisitions. We may elect to raise additional funds for these purposes, either through further bank financing or the public capital markets, as appropriate. Based on our recent financial results and current financial position, we believe that additional funding will be available if required to meet our capital requirements.

### Critical Accounting Policies

The Company's significant accounting policies are described in Note 2 to the consolidated financial statements. We believe that the following accounting policies involve a higher degree of complexity and warrant specific description:

*Reserve for Card Merchant Processing and Check Guarantee Losses.* In our direct card merchant processing business, in the event that we are not able to collect amounts from our merchant customers that have been properly "charged back" by the cardholders due to insolvency or bankruptcy of the merchant, or for another reason, we must bear the credit risk for the full amount of the cardholder transaction. We require cash deposits and other types of collateral from certain merchants to minimize any such risk. In addition, we utilize a number of systems and procedures to manage merchant risk and believe that the diversification of our merchant portfolio among industries and geographic regions minimizes our risk of loss. We recognize a reserve for estimated merchant credit losses based on historical experience and other relevant factors. This reserve amount is subject to risk that actual losses may be greater than our estimates.

In our check guarantee business, if a guaranteed check presented to a merchant customer is dishonored by the check writer's bank, we reimburse our merchant customer for the check's face value and pursue collection of the amount from the delinquent check writer. We recognize a reserve for estimated check returns, net of anticipated recoveries, based on historical experience and other relevant factors. The estimated check returns and recovery amounts are subject to risk that actual amounts returned and recovered may be different than our estimates.

*Valuation of Goodwill and Other Long-Lived Assets.* We regularly evaluate whether events and circumstances have occurred which indicate that the carrying amounts of goodwill and other long-lived

assets (primarily property and equipment, other intangible assets, and systems development and other deferred costs) may warrant revision or may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, we perform an impairment test in accordance with SFAS 142 for goodwill and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" for other long-lived assets. In the opinion of management, goodwill and other long-lived assets are appropriately valued at December 31, 2002 and 2001.

*Income Taxes.* We record income taxes in accordance with the provisions of SFAS No. 109 "Accounting for Income Taxes" using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that exist between the tax bases and financial reporting bases of our assets and liabilities, based on enacted tax rates expected to apply in the years in which the temporary differences are expected to be recovered or settled. A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of a deferred tax asset will not be realized. No provision is made for U.S. income taxes on undistributed earnings of certain foreign subsidiaries because those earnings are considered permanently reinvested in the operations of those subsidiaries.

*Foreign currency translation.* Approximately 17.3 percent of our revenues for the year ended December 31, 2002 and 35.9 percent of our assets at December 31, 2002 are associated with operations outside of the U.S. The U.S. dollar balance sheets and statements of income for these businesses are subject to currency fluctuations. We are most vulnerable to fluctuations in the Brazilian real and the British pound against the U.S. dollar. The cumulative translation adjustment, largely related to our investment in Unnisa, our Brazilian card processing operation, was a \$113.4 million and \$67.6 million reduction of shareholders' equity at December 31, 2002 and 2001, respectively.

### Seasonality, Inflation, and Economic Downturns

We are subject to certain seasonal fluctuations such as peak activity during the holiday buying season. We do not believe that inflation has had a material effect on our operating results; however, inflation could adversely affect our financial results were it to result in a substantial weakening in economic conditions that adversely affects the level of consumer spending. Starting late in the third quarter of 2002, we observed a slowing in consumer spending that mainly impacted

the growth within our core check business. This factor contributed to Check Services revenue growth in the fourth quarter of 2002 being lower than was experienced in the first nine months of 2002.

Our businesses are subject to the impact of general economic conditions; however, historically this has been somewhat mitigated by the continued demand for payment transaction processing. During the second half of 2002, we noted that ongoing political and economic uncertainty in Brazil has weakened its currency, and has begun to unfavorably impact new card issuance rates by certain of our customers. We believe that the long-term prospects offered by the Brazilian market are attractive. The Brazilian card market is projected to produce double-digit growth over the long term. This growth is expected to be driven by a general expansion of credit led by the large market leaders, deeper card issuance into the growing Brazilian consumer base and migration of payment media from paper-based solutions to card products. Also, the trend towards outsourcing is expected to accelerate as issuers strive to reduce costs. Despite these positive trends, the Brazilian market is also characterized by political and economic uncertainty that causes volatility in currency values, and historically has resulted in severe inflationary pressures. Significant changes in bank ownership, as large private banks acquire smaller regional banks and foreign global banks acquire Brazilian banks, can generate both risk of losing customers as well as opportunities for gaining customers. Our Brazilian strategy is consistent with our global strategy to offer card issuers a broad range of services and card products at competitive prices. The conversion of accounts to our BASE2000 platform and a continued focus on attaining other cost efficiencies should provide us with a cost structure that can withstand short-term declines in business driven by the uncertain market and the loss of our largest card issuer customer in Brazil (see Note 3 to the

consolidated financial statements). Our Brazilian operations had net assets of approximately \$204.0 million, which is net of \$116.3 million of cumulative translation equity reduction, at December 31, 2002. These assets are subject to regular evaluations to assess their recoverability. In the opinion of management, these assets are appropriately valued at December 31, 2002; however, future events and circumstances may have an impact on this assessment.

## SEC Filings

We provide access to our SEC reports (i.e., Form 10-K, Form 10-Q and Form 8-K) and related amendments free of charge on or through our website as soon as practicable after the report is electronically filed with, or furnished to, the SEC. Our website address is [www.certery.com](http://www.certery.com). We will voluntarily provide electronic or paper copies of our SEC filings free of charge upon request.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Based on analysis completed and described below, we do not believe that we are exposed to material market risk from changes in interest rates or foreign currency exchange rates.

*Interest rates.* We have an unsecured revolving credit facility that has variable interest rates based on LIBOR plus 100 basis points; therefore, we are exposed to the impact of interest rate fluctuations. This risk is somewhat mitigated by our ability to fix the base LIBOR rate for periods of up to six months and by using interest rate swap arrangements. At January 31, 2003, we have approximately \$20 million fixed at a rate of 2.38 percent, \$8 million fixed at a rate of 2.74 percent, \$50 million fixed at a rate of 2.68 percent, \$12 million fixed at a rate of 2.45 percent, \$27 million fixed at a rate of 2.41 percent, and \$100 million fixed at a rate of 2.865 percent for periods ranging from February 10, 2003 to July 8, 2003. We have performed an interest rate sensitivity analysis assuming a 100 basis point increase in LIBOR for the periods subsequent to these dates and no additional reduction of debt levels. Based on this interest rate increase, interest expense would increase by approximately \$0.7 million per year.

*Foreign currency exchange rates.* Approximately 17.3 percent of our revenues for the year ended December 31, 2002 and 35.9 percent of our assets at December 31, 2002 are associated with operations outside of the U.S. The U.S. dollar balance sheets and statements of income for these businesses are subject to currency fluctuations. We are most vulnerable to fluctuations in the Brazilian real and the British pound against the U.S. dollar. Historically, we have not entered into derivative financial instruments to mitigate this risk, as it has not been cost-effective. The impact of currency fluctuations on profitability has not been significant since both revenues and costs of these businesses are denominated in local currency. If the U.S. dollar had a 10 percent higher appreciation against our non-U.S. dollar denominated businesses in 2002, revenues and operating income would have been reduced by \$16.9 million and \$1.6 million, respectively. We may use derivative financial instruments in the future if we deem it useful in mitigating an exposure to foreign currency exchange rates. The cumulative translation adjustment, largely related to our investment in Unnisa, our Brazilian card processing operation, was a \$113.4 million and \$67.6 million reduction of shareholders' equity at December 31, 2002 and 2001, respectively.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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We have audited the accompanying consolidated balance sheet of Certegy Inc. as of December 31, 2002, and the related consolidated statement of income, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Certegy Inc. for the years ended December 31, 2001 and 2000 were audited by other auditors who have ceased operations and whose report dated February 8, 2002 expressed an unqualified opinion on those statements before the reclassification adjustments described in Note 2 and the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, "Goodwill and Other Intangible Assets," described in Note 2.

As discussed above, the financial statements of Certegy Inc. as of December 31, 2001 and for the two years then ended were audited by other auditors who have ceased operations. As described in Note 2, the Company reclassified claims recoverable amounts from current liabilities to current assets. As described in Note 2, the Company reclassified reimbursements received for out-of-pocket expenses from operating expenses to revenues as required by Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred." We audited the adjustments that were applied to reclassify the balances reflected in the 2001 and 2000 financial statements. Our procedures included (a) agreeing the reclassification amounts to the Company's underlying accounting records, and (b) testing the mathematical accuracy of the reclassification adjustments. In our opinion, such adjustments are appropriate and have been properly applied. As described in Note 2, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of January 1, 2002. Our audit procedures with respect to the disclosures in Note 2 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill that is no longer being amortized to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 and 2000 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such adjustments and disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Certegy Inc. as of December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, in 2002 the Company ceased amortization of goodwill in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

/s/ Ernst & Young LLP

Atlanta, Georgia  
January 24, 2003

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## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Certegy Inc.:

We have audited the accompanying consolidated balance sheets of Certegy Inc. and Subsidiaries (the "Company") as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Certegy Inc. and Subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia  
February 8, 2002

THIS IS A COPY OF AN ACCOUNTANTS' REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP, AND HAS NOT BEEN REISSUED BY ANDERSEN. SEE EXHIBIT 23.2 FOR FURTHER INFORMATION.

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**CERTEGY INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share amounts)

	Year Ended December 31,		
	2002	2001	2000
Revenues (Note 2)	\$ 1,007,968	\$ 935,971	\$ 865,907
Operating expenses:			
Costs of services (Note 2)	730,440	686,588	623,096
Selling, general and administrative	113,349	97,964	95,652
Severance and other charges (Note 3)	12,230	—	—
	856,019	784,552	718,748
Operating income	151,949	151,419	147,159
Other income, net	1,119	78	1,309
Interest expense	(7,120)	(7,200)	(1,301)
Income before income taxes and minority interests	145,948	144,297	147,167
Provision for income taxes	(55,964)	(56,276)	(57,609)
Minority interests in earnings, net of tax	—	(945)	(1,096)
Net income	\$ 89,984	\$ 87,076	\$ 88,462
Basic:			
Earnings per share	\$ 1.32	\$ 1.27	\$ 1.32
Average shares outstanding	68,254	68,317	67,200
Diluted:			
Earnings per share	\$ 1.30	\$ 1.26	\$ 1.30
Average shares outstanding	69,033	69,063	67,933

*The accompanying notes are an integral part of these consolidated financial statements.*

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**CERTEGY INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except par values)

	December 31,	
	2002	2001
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,166	\$ 27,674
Settlement deposits	27,104	26,477
Trade accounts receivable, net of allowance for doubtful accounts of \$2,628 and \$2,538, respectively	104,597	102,511
Settlement receivables	78,636	100,114
Claims recoverable (Note 2)	50,309	38,630
Other current assets (Note 8)	37,188	26,130
Total current assets	312,000	321,536
Property and equipment, net (Note 2)	38,637	34,340
Goodwill, net (Note 2)	168,956	207,001
Other intangible assets, net (Note 2)	31,342	33,629
Systems development and other deferred costs (Note 2)	96,706	96,357
Other assets, net (Notes 2 and 8)	54,500	43,340
Total assets	\$ 702,141	\$ 736,203
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		

<b>Current liabilities:</b>		
Trade accounts payable	\$ 22,916	\$ 22,005
Settlement payables	105,740	126,591
Claims payable (Note 2)	48,306	38,658
Accrued salaries and bonuses	10,639	13,164
Income taxes payable	8,545	11,703
Other current liabilities	54,784	48,445
	<u>250,930</u>	<u>260,566</u>
Total current liabilities	250,930	260,566
Long-term debt	214,200	230,000
Deferred income taxes (Note 8)	32,801	24,629
Other long-term liabilities	5,767	9,143
	<u>503,698</u>	<u>524,338</u>
Total liabilities	503,698	524,338
<b>Commitments and contingencies (Note 11)</b>		
<b>Shareholders' equity:</b>		
Preferred stock, \$0.01 par value; 100,000 shares authorized; none issued and outstanding	—	—
Common stock, \$0.01 par value; 300,000 shares authorized; 69,507 and 68,836 shares issued and 66,396 and 68,836 shares outstanding in 2002 and 2001, respectively	695	688
Paid-in capital	249,115	232,099
Retained earnings	140,552	50,568
Deferred compensation	(9,116)	(3,651)
Accumulated other comprehensive loss	(114,799)	(67,839)
Treasury stock, at cost; 3,111 shares at December 31, 2002	(68,004)	—
	<u>198,443</u>	<u>211,865</u>
Total shareholders' equity	198,443	211,865
Total liabilities and shareholders' equity	\$ 702,141	\$ 736,203

The accompanying notes are an integral part of these consolidated financial statements.

**CERTEGY INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31,		
	2002	2001	2000
<b>Cash flows from operating activities:</b>			
Net income	\$ 89,984	\$ 87,076	\$ 88,462
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization	39,050	45,677	42,698
Asset impairment charges	5,059	—	—
Other, net	7,260	2,350	(1,092)
Deferred income taxes	6,849	6,771	(2,961)
<b>Changes in assets and liabilities, excluding effects of acquisitions:</b>			
Accounts receivable, net	(5,450)	(5,659)	1,780
Current liabilities, excluding settlement and claims payables	(5,885)	8,478	2,607
Claims accounts, net	(2,031)	(2,990)	(4,059)
Other current assets	(3,660)	(1,657)	(335)
Other long-term liabilities	(279)	3,710	(168)
Other assets	(4,242)	(11,840)	(1,795)
	<u>126,655</u>	<u>131,916</u>	<u>125,137</u>
Settlement accounts, net	—	(29,040)	(21,353)
Net cash provided by operating activities	<u>126,655</u>	<u>102,876</u>	<u>103,784</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(48,961)	(49,349)	(38,789)
Acquisitions, net of cash acquired	(10,433)	(79,038)	(46,257)
Proceeds from sale of investments	—	—	6,850
Net cash used in investing activities	<u>(59,394)</u>	<u>(128,387)</u>	<u>(78,196)</u>

<b>Cash flows from financing activities:</b>			
Net repayments to Equifax	—	(206,646)	(26,353)
Net (repayments of) additions to long-term debt	(15,800)	230,000	—
Treasury stock purchases	(79,554)	(2,353)	—
Proceeds from exercise of stock options	15,935	3,992	—
Other	(359)	(122)	(466)
<b>Net cash (used in) provided by financing activities</b>	<b>(79,778)</b>	<b>24,871</b>	<b>(26,819)</b>
Effect of foreign currency exchange rates on cash	(991)	(1,480)	(2,592)
<b>Net cash used</b>	<b>(13,508)</b>	<b>(2,120)</b>	<b>(3,823)</b>
Cash and cash equivalents, beginning of year	27,674	29,794	33,617
<b>Cash and cash equivalents, end of year</b>	<b>\$ 14,166</b>	<b>\$ 27,674</b>	<b>\$ 29,794</b>

The accompanying notes are an integral part of these consolidated financial statements.

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**CERTEGY INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(In thousands)

	Equifax Equity Investment	Common Stock	Paid-in Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity	Comprehensive Income
Balance, December 31, 1999	\$ 319,952	\$ —	\$ —	\$ —	\$ —	\$ (48,462)	\$ —	\$ 271,490	
2000 changes:									
Net income	88,462							88,462	\$ 88,462
Foreign currency translation adjustment						(8,826)		(8,826)	(8,826)
Net transactions with Equifax	(27,508)							(27,508)	
Balance, December 31, 2000	380,906	—	—	—	—	(57,288)	—	323,618	\$ 79,636
2001 changes:									
Net income	36,508			50,568				87,076	\$ 87,076
Foreign currency translation adjustment						(10,323)		(10,323)	(10,323)
Net transactions with Equifax	83,678							83,678	
Distribution(1)	(501,092)	686	225,406					(275,000)	
Restricted stock issued(2)		1	4,326		(4,327)			—	
Treasury stock purchased(3)							(2,353)	(2,353)	
Stock options exercised(4)		1	1,638				2,353	3,992	
Income tax benefit from stock options			729					729	
Amortization of deferred compensation					676			676	
Cash flow hedging activities, net of taxes of \$146						(228)		(228)	(228)
Balance, December 31, 2001	—	688	232,099	50,568	(3,651)	(67,839)	—	211,865	\$ 76,525
2002 changes:									
Net income				89,984				89,984	\$ 89,984
Foreign currency translation adjustment						(45,787)		(45,787)	(45,787)
Restricted stock issued, net of cancellations(2)		2	7,286		(9,056)		1,577	(191)	
Treasury stock purchased(3)							(79,554)	(79,554)	
Stock options exercised(4)		5	5,958				9,973	15,936	
Income tax benefit from stock options			3,772					3,772	
Amortization of deferred compensation					3,591			3,591	
Cash flow hedging activities, net of taxes of \$849						(1,173)		(1,173)	(1,173)
Balance, December 31, 2002	\$ —	\$ 695	\$ 249,115	\$ 140,552	\$ (9,116)	\$ (114,799)	\$ (68,004)	\$ 198,443	\$ 43,024

- (1) 68,600 shares  
(2) 264 shares (40 shares from treasury stock) in 2002 and 133 shares in 2001  
(3) 3,407 shares in 2002 and 81 shares in 2001  
(4) 703 shares (256 shares from treasury stock) in 2002 and 184 shares (81 shares from treasury stock) in 2001

The accompanying notes are an integral part of these consolidated financial statements.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1—Spin-Off and Basis of Presentation

In October 2000, the Board of Directors of Equifax Inc. ("Equifax") announced its intent to spin off its Payment Services division, subject to certain conditions, into a separate publicly traded company with its own management and Board of Directors (the "Distribution"). This Distribution occurred on July 7, 2001 (the "Distribution Date") and was accomplished by consolidating all of the assets and liabilities of the businesses that comprised the Payment Services division into Certegy Inc. ("Certegy" or the "Company") and then distributing all of the outstanding shares of Certegy common stock to Equifax shareholders. (The term "Company" is also used to refer to the Equifax Payment Services division prior to the Distribution.) The Equifax shareholders received one share of Certegy common stock for every two shares of Equifax common stock held as of the Distribution Date. In conjunction with the Distribution, Certegy made a cash payment to Equifax in the amount of \$275 million to reflect Certegy's share of Equifax's pre-distribution debt used to establish the Company's initial capitalization. This was funded through \$400 million of unsecured revolving credit facilities obtained by Certegy in July 2001. Certegy was incorporated on March 2, 2001, under the name Equifax PS, Inc., as a wholly-owned subsidiary of Equifax. Certegy did not have any operations, assets, or liabilities until the contribution by Equifax to Certegy of the Payment Services division prior to the Distribution.

The Company provides credit and debit card processing and check risk management services to financial institutions and merchants in the U.S. and internationally through two segments, Card Services and Check Services (see Note 13 for segment information). Card Services provides card issuer services in the U.S., the U.K., Brazil, Chile, Australia, New Zealand, Ireland, and the Dominican Republic. Additionally, Card Services provides merchant processing and e-banking services in the U.S. and card issuer software, support, and consulting services in numerous countries. Check Services provides check risk management services and related processing services in the U.S., the U.K., Canada, France, Ireland, Australia, and New Zealand.

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Prior to the Distribution Date, the financial statements included the accounts of the Equifax businesses that comprised its Payment Services division. All significant intercompany transactions and balances have been eliminated.

The consolidated financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the U.S. ("GAAP"), and present the Company's financial position, results of operations, and cash flows. Through the Distribution Date, these amounts were derived from Equifax's historical financial statements. As further described in Note 6, certain Equifax corporate expenses were allocated to the Company through the Distribution Date. These allocations were based on an estimate of the proportion of corporate expenses allocable to the Company, utilizing such factors as revenues, number of employees, and other relevant factors. In the opinion of management, these allocations were made on a reasonable basis; however, the costs of these services charged to the Company may not reflect the actual costs the Company would have incurred for similar services had it been operating as a stand-alone company. The consolidated financial statements do not include any allocation of Equifax corporate debt or related interest expense, as historically, these amounts were not allocated to the operating divisions by Equifax.

### Note 2—Significant Accounting Policies

**Use of Estimates.** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

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**Revenue Recognition.** The Company recognizes revenues from its credit and debit card processing and related services based on a specified amount per account, per card, or per transaction when processed or as services are rendered.

Within the card merchant processing business, the Company provides a range of processing services, including authorizing card transactions at the point-of-sale, capturing and transmitting data affecting settlement of payments, and assisting merchants in resolving billing disputes with their customers. Revenues for card merchant processing services are recognized in the period the transactions are processed or when the services are performed, based on a percentage of the gross amount charged. The Company contracts directly with merchants, as well as with the merchants' financial institutions. When the Company has a direct relationship with the merchant, revenues collected for services are based primarily on a discount rate, which considers the cost of interchange fees, which are processing fees paid to credit card associations. When the Company's relationship is with the merchant's financial institution, it collects the interchange fees in addition to transaction fees. In both instances, the Company is responsible for collecting the interchange fees after settling with the credit card associations. Interchange fees, which are recorded as a component of revenues and costs of services, were \$162.6 million, \$146.1 million, and \$124.5 million in 2002, 2001 and 2000, respectively.

Check guarantee is the process of electronically authorizing a check being presented to the Company's merchant customer, through an extensive database, and guaranteeing the face value of the check to the merchant customer. Revenues for check guarantee services are based on a percentage of the face value of each guaranteed check and are recognized when the obligations to the merchant customer are fulfilled. Check verification services are similar to check guarantee services, except the Company does not guarantee the verified checks, and the risk of loss is retained by the merchant customer. Revenues for check verification services are based on a fixed amount per check and are recognized when the checks are verified.

The Company licenses card issuer software products that allow customers to manage their credit card programs. These products include a complete suite of UNIX and mainframe credit card issuing and acquiring software. Software license revenues are recognized in accordance with Statement of Position 97-2, "Software Revenue Recognition." In certain software arrangements, the Company provides consulting services, which include implementation and upgrades to the existing base software. For license sales that do not include consulting services, and where the license fee is fixed and determinable, collectibility is probable, and evidence of an arrangement exists, revenue is recognized when delivery has occurred. For professional services related to card issuer software and for licenses that include consulting or processing services, revenue is recognized over the period the services are performed. Card issuer software maintenance and support revenues are recognized over the term of the contract or as services are performed.

In January 2002, the Company adopted Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" ("EITF 01-14"), which requires that reimbursements received for out-of-pocket expenses be classified as revenues. Historically, such reimbursements have been netted against costs of services in the consolidated statements of income. As a result of this required adoption and certain similar reclassifications, actual revenues, as previously reported for the years ended December 31, 2001 and 2000 have increased by \$84.8 million and

\$87.3 million, respectively, for reimbursed out-of-pocket expenses that include postage, delivery, telecommunication, and other costs. Revenues reported for the year ended December 31, 2002 include \$92.7 million for such similar reimbursements.

**Reserve for Card Merchant Processing and Check Guarantee Losses.** In the Company's direct card merchant processing business, in the event that the Company is not able to collect amounts from its merchant customers that have been properly "charged back" by the cardholders due to insolvency or bankruptcy of the merchant, or for another reason, the Company must bear the credit risk for the full

amount of the cardholder transaction. The Company requires cash deposits and other types of collateral from certain merchants to minimize any such risk. In addition, the Company utilizes a number of systems and procedures to manage merchant risk and believes that the diversification of its merchant portfolio among industries and geographic regions minimizes its risk of loss. The Company recognizes a reserve for estimated merchant credit losses based on historical experience and other relevant factors. This reserve amount is subject to risk that actual losses may be greater than the Company's estimates. At December 31, 2002 and 2001, the Company had aggregate card merchant processing loss reserves of \$1.0 million and \$5.9 million, respectively, which are included in other current liabilities in the consolidated balance sheets. The decrease in the reserves from 2001 to 2002 was primarily due to the write-off of a merchant settlement that had been previously reserved.

In the Company's check guarantee business, if a guaranteed check presented to a merchant customer is dishonored by the check writer's bank, the Company reimburses its merchant customer for the check's face value and pursues collection of the amount from the delinquent check writer. The Company's merchant customers have approximately 60 days from the check date to present claims for dishonored checks to the Company. The Company has a maximum potential liability equal to the value of all checks presented to its merchant customers; however, through historical experience and thorough analysis, the Company is able to estimate, with reasonable certainty, its liability for check returns. The Company recognizes a reserve for estimated check returns (claims payable), net of anticipated recoveries (claims recoverable), based on historical experience and other relevant factors. The estimated check returns and recovery amounts are subject to risk that actual amounts returned and recovered may be different than the Company's estimates.

Historically, the Company has netted the claims payable and claims recoverable amounts within other current liabilities in the consolidated balance sheets. However, in 2002, the Company reclassified the claims recoverable as a current asset and the claims payable as a current liability. The 2001 amounts have been reclassified to conform to this presentation. Balances as of December 31, 2002 and 2001 are as follows:

	2002	2001
	(In thousands)	
Claims Recoverable	\$ 50,309	\$ 38,630
Claims Payable	\$ 48,306	\$ 38,658

The Company settles its claim obligations with merchants on average within 14 days. Recoverability of claims from the check writers extends beyond this timeframe, but generally occurs within a one-year timeframe.

Expenses of \$146.1 million, \$128.7 million, and \$106.8 million, respectively, were recorded for the years ended December 31, 2002, 2001, and 2000, for card merchant processing losses and check guarantee losses, net of anticipated recoveries. Amounts written-off, or in the case of check guarantee losses, the amounts paid to the Company's merchant customers, net of amounts recovered from check writers, were \$153.0 million, \$130.7 million, and \$107.0 million, respectively, for the years ended December 31, 2002, 2001, and 2000.

**Stock Based Compensation.** As permitted by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"), the Company continues to account for stock based employee compensation plans under APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25").

**Earnings Per Share.** Basic earnings per share ("EPS") is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Prior to the commencement of public trading on July 9, 2001, weighted average shares outstanding were computed

by applying the distribution ratio of 0.5 shares of Certegy common stock to the historical Equifax weighted average shares outstanding for the same periods presented.

Diluted EPS reflects the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding during the period. Diluted EPS in 2002 excludes 1,358 weighted average stock options since these options were antidilutive. As there were no historical market share prices for Certegy's common stock prior to July 9, 2001, the effect of dilutive stock options for periods prior to the Distribution Date were estimated based on the dilutive amounts for the third quarter of 2001. Restricted stock was not issued until after the Distribution Date.

A reconciliation of the average outstanding shares used in the basic and diluted EPS calculations for the years ended December 31, 2002, 2001, and 2000 is as follows:

2002	2001	2000
(In thousands)		

Weighted average shares outstanding (basic)	68,254	68,317	67,200
Effect of dilutive securities:			
Stock options	721	718	733
Restricted stock	58	28	—
	<u>        </u>	<u>        </u>	<u>        </u>
Weighted average shares outstanding (diluted)	69,033	69,063	67,933
	<u>        </u>	<u>        </u>	<u>        </u>

**Cash and Cash Equivalents.** Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased.

**Settlement Deposits, Receivables, and Payables.** Settlement receivables and payables result from timing differences in the Company's settlement process with merchants, financial institutions, and credit card associations related to merchant and card transaction processing and third-party check collections. Cash held by the Company associated with this settlement process is classified as settlement deposits in the consolidated balance sheets. Net cash provided by operating activities for 2001 and 2000 was reduced by \$29.0 million and \$21.4 million related to the timing of such settlements, as prior to the Distribution, settlement deposits were held by Equifax and included in the intercompany receivable from Equifax, a component of the Equifax equity investment.

The Company has an unsecured revolving credit facility that provides advances up to \$130 million to finance its customers' shortfalls in the daily funding requirements associated with the Company's credit and debit card settlement operations. Amounts borrowed are typically repaid within one to two business days, as customers fund the shortfalls. This facility has a variable interest rate equal to LIBOR plus 100 basis points and contains certain financial covenants and events of default customary for financings of this nature. This facility has a term of 364 days and was renewed upon its expiration date in June 2002. Amounts may be repaid at any time within this term. There were no amounts outstanding under this facility at December 31, 2002. Approximately \$10.5 million was outstanding at December 31, 2001, which is included in settlement payables in the consolidated balance sheet. This amount was repaid on January 2, 2002.

**Trade Accounts Receivable.** The Company's provisions for losses on trade accounts receivable were \$1.7 million, \$1.3 million, and \$1.3 million, respectively, and write-offs, net of recoveries, were \$1.6 million, \$0.9 million, and \$1.4 million, respectively, for the years ended December 31, 2002, 2001, and 2000.

**Property and Equipment.** The cost of property and equipment is depreciated on a straight-line basis over estimated useful lives as follows: leasehold improvements—not to exceed lease terms; data

processing equipment—3 to 5 years; and furniture and fixtures—3 to 8 years. Maintenance and repairs are charged to expense as incurred.

Property and equipment at December 31, 2002 and 2001 consist of the following:

	2002	2001
	(In thousands)	
Leasehold improvements	\$ 13,300	\$ 10,914
Data processing equipment and furniture	102,003	91,073
	<u>115,303</u>	<u>101,987</u>
Less accumulated depreciation	(76,666)	(67,647)
	<u>\$ 38,637</u>	<u>\$ 34,340</u>

Depreciation and amortization expense for property and equipment was \$15.3 million in 2002, \$13.8 million in 2001, and \$13.9 million in 2000.

**Goodwill.** The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," ("SFAS 142") effective January 1, 2002 for acquisitions that occurred prior to June 30, 2001. Accordingly, the amortization of goodwill ceased on January 1, 2002. During the second quarter of 2002, the Company completed its first fair value-based impairment test, which resulted in no impairment losses being recorded. The Company will continue to evaluate goodwill for impairment, at least annually, in accordance with SFAS 142. Goodwill by segment, net of accumulated amortization at December 31, 2002 and 2001 recorded prior to the adoption of SFAS 142, is as follows:

	2002	2001
	(In thousands)	
Card Services	\$ 140,644	\$ 179,872
Check Services	28,312	27,129
	<u>\$ 168,956</u>	<u>\$ 207,001</u>

The change in the carrying amount of goodwill from December 31, 2001 to December 31, 2002 was primarily the result of currency translation adjustments.

Adoption of the non-amortization provisions of SFAS 142 as of January 1, 2000 would have increased net income for the years ended December 31, 2001 and 2000, respectively, by \$7.3 million and \$6.8 million, which is net of \$1.3 million and \$1.2 million in income taxes, or \$0.10 per diluted share in each period.

**Other Intangible Assets.** The Company's acquired intangible assets subject to amortization at December 31, 2002 and 2001 is as follows:

	2002		2001	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(In thousands)		(In thousands)	
Merchant contracts	\$ 24,000	\$ 4,833	\$ 24,000	\$ 2,583
Other	12,840	665	12,672	460
	<u>\$ 36,840</u>	<u>\$ 5,498</u>	<u>\$ 36,672</u>	<u>\$ 3,043</u>
Net book value	<u>\$ 31,342</u>		<u>\$ 33,629</u>	

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The Company's other intangible assets consist of data files, customer lists, technology, and other acquired customer contracts, which are amortized on a straight-line basis over their estimated useful lives, which range from 5 to 15 years. Amortization expense associated with the Company's acquired intangible assets totaled \$3.0 million, \$2.4 million, and \$0.3 million for the years ended December 31, 2002, 2001 and 2000, respectively. During 2002, the Company recorded an impairment charge of \$4.2 million associated with an acquired contract due to the loss of the customer in Card Services Brazilian operation (Note 3). Estimated amortization expense for the Company's acquired intangible assets for each of the five succeeding fiscal years is as follows: 2003–\$4.2 million; 2004–\$4.2 million; 2005–\$4.1 million; 2006–\$4.1 million; and 2007–\$4.1 million.

The Company has no intangible assets with indefinite useful lives.

**Systems Development and Other Deferred Costs and Other Assets.** The costs of internally developed systems costs used to provide services to customers or for internal administrative services and other deferred costs are capitalized and amortized on a straight-line basis over five to eight years, as determined by their estimated useful lives. Other assets principally consist of prepaid pension cost, purchased software, and deferred income taxes (see Note 8). The costs of purchased software used to provide services to customers or for internal administrative services are capitalized and amortized on a straight-line basis over five to eight years, as determined by their estimated useful lives. Maintenance and repairs are charged to expense as incurred.

Other assets, net at December 31, 2002 and 2001 consist of the following:

	2002	2001
	(In thousands)	
Prepaid pension cost	\$ 20,678	\$ 20,875
Purchased software	11,139	6,683
Deferred income taxes	4,244	3,946
Other	18,439	11,836
	<u>\$ 54,500</u>	<u>\$ 43,340</u>

Amortization expense for systems development and other deferred costs and other assets was \$20.8 million in 2002, \$20.8 million in 2001, and \$20.6 million in 2000. As of December 31, 2002 and 2001, accumulated amortization was \$84.6 million and \$71.6 million, respectively.

**Impairment of Long-Lived Assets.** Long-lived assets include property and equipment, other intangible assets, systems development and other deferred costs, and other assets. In accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), the Company regularly evaluates whether events and circumstances have occurred which indicate that the carrying amount of long-lived assets may warrant revision or may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the future undiscounted net cash flows of the related business over the remaining life of the asset in measuring whether the carrying amount of the related asset is recoverable. To the extent these projections indicate that future undiscounted net cash flows are not sufficient to recover the carrying amounts of the related assets, the underlying assets are written down by charges to expense so that the carrying amount is equal to fair value, primarily determined based on future discounted cash flows. In the opinion of management, the long-lived assets are appropriately valued at December 31, 2002 and 2001.

**Minority Interests.** Minority interests in earnings of consolidated subsidiaries represent the minority shareholders' share of the after-tax net income or loss of various consolidated subsidiaries. As of December 31, 2002, there were no minority interests in any of the Company's subsidiaries.

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**Foreign Currency Translation.** The Company has foreign subsidiaries whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period in which exchange rates change. The assets and liabilities of foreign subsidiaries, including long-term intercompany balances, are translated at the year-end rate of exchange, and income statement items are translated at the average rates prevailing during the year. The resulting translation adjustment is recorded as a component of shareholders' equity. The effects of foreign currency gains and losses arising from these translations of assets and liabilities are included as a component of other comprehensive income.

**Supplemental Cash Flow Information.** Supplemental cash flow disclosures for the years ended December 31, 2002, 2001, and 2000 are as follows:

	2002	2001	2000
	(In thousands)		
Income taxes paid, net of amounts refunded	\$ 46,169	\$ 28,627	\$ 4,120
Interest paid	\$ 7,186	\$ 5,138	\$ 1,308

Prior to the Distribution, cash paid for income taxes represented only payments for foreign and certain state income taxes. Payments for federal and unitary state income taxes were reflected as a component of net transactions with Equifax in the consolidated financial statements.

**Financial Instruments.** The Company considers the carrying amounts of its financial instruments, including cash and cash equivalents, receivables, accounts payable, and accrued liabilities to approximate their fair market values due to their short maturity. The carrying amount of the Company's long-term debt approximates its fair market value given the debt arrangements have variable interest rates that reflect currently available terms and conditions for similar debt.

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires that a company recognize derivatives as assets or liabilities on its balance sheet, and also requires that the gain or loss related to the effective portion of derivatives designated as cash flow hedges be recorded as a component of other comprehensive income. The Company has an interest rate swap arrangement that, in effect, fixes the interest rate for a related variable rate lease obligation (Note 11). This derivative has been designated as a cash flow hedge, was documented as fully effective, and at December 31, 2002, was valued as a liability totaling \$1.8 million. The notional amount of the debt underlying the swap arrangement at the date of the transaction was \$10.1 million.

Additionally, the Company entered into several interest rate swap arrangements in 2002 that fix the interest rate on \$100 million of variable rate revolver borrowings from January 2003 to July 2003 at 2.865 percent, an additional \$50 million from April 2003 to July 2003 at 2.940 percent, and \$100 million from July 2003 to January 2004 at 3.350 percent. These derivatives have been designated as cash flow hedges, were documented as fully effective, and at December 31, 2002, were valued as a liability totaling \$0.8 million.

The values of these swap arrangements are included in other current liabilities in the consolidated balance sheets, and the related losses are recorded, net of income tax, as a component of accumulated other comprehensive loss.

**Recent Accounting Pronouncements.** In June 2002, the FASB approved SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," ("SFAS 146"). SFAS 146 addresses accounting for costs to terminate contracts that are not capital leases, costs to consolidate facilities or relocate employees, and termination benefits. SFAS 146 requires that the fair value of a liability for penalties for early contract termination be recognized when the entity effectively terminates the contract. The fair value of a liability for other contract termination costs should be recognized when an

entity ceases using the rights conveyed by the contract. The liability for one-time termination benefits should be accrued ratably over the future service period based on when the employees are entitled to receive the benefits and a minimum retention period. SFAS 146 is effective for disposal activities initiated after December 31, 2002. The Company is currently evaluating the impact of the adoption of this statement, but does not expect a material impact from the adoption of SFAS 146 on the consolidated financial statements.

In November 2002, the FASB approved FASB Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," ("FIN 45"). FIN 45 elaborates on the existing disclosure requirements for most guarantees and clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. FIN 45 is effective on a prospective basis to guarantees issued or modified after December 31, 2002. However, the disclosure requirements of FIN 45 are effective for the Company's financial statements for the year ended December 31, 2002 and are included in Note 2 under the heading "Reserve for Card Merchant Processing and Check Guarantee Losses" for the Company's check guarantee business and Note 11 for the Company's guarantees of the residual values of leased properties. The Company is currently evaluating the impact of the application of this interpretation, but does not believe it will have a material impact on the consolidated financial statements as the Company is already employing similar accounting policies.

### Note 3—Severance and Other Charges

During 2002, the Company recorded severance and other charges of \$12.2 million (\$7.7 million after tax, or \$0.11 per diluted share). These charges include: 1) asset impairment charges of \$5.1 million, which consist of a \$4.2 million write-off of the remaining intangible asset value assigned to an acquired customer contract in Brazil, due to the loss of the customer, and a \$0.8 million net write-down of the Company's collateral assignment in life insurance policies held for the benefit of certain employees (the carrying value of our collateral assignment is the lesser of the policies' cash surrender value or the premiums paid; due to a decline in the market value of the assets underlying these policies during 2002, the carrying value of the collateral assignment was reduced to \$6.3 million at December 31, 2002); 2) a \$4.0 million charge for the settlement of a class action lawsuit, net of insurance proceeds (see Note 11); and 3) severance charges of \$3.2 million, due to the reorganization of various departments. Additional severance and related costs will be incurred in 2003 as the Company downsizes its operations in Brazil, which it anticipates will occur during the first quarter of 2003.

### Note 4—Acquisitions

During 2002, 2001 and 2000, the Company acquired or increased its ownership in the following businesses:

Business	Date Acquired	Industry Segment	Percentage Ownership
Netzee, Inc. (U.S.)	December 2002	Card Services	100.0%
Accu Chek, Inc. (U.S.)	August 2001	Check Services	100.0%
Unnisa Ltda. (Brazil)	May 2001	Card Services	100.0%(1)
Equifax Card Solutions Ltd. (U.K.)	September 2000	Card Services	100.0%(2)
Check-A-Cheque Ltd. (U.K.)	March 2000	Check Services	100.0%

Rexora (U.K.)	January 2000	Check Services	100.0%
Procard S.A. (Chile)	January 2000	Card Services	100.0%

- (1) Increased ownership from 59.3 percent acquired in 1998 to 100 percent in 2001.
- (2) Increased ownership from 51 percent when started in 1999 to 100 percent in 2000.

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On December 31, 2002, the Company completed the purchase of substantially all of the assets and liabilities of Netzee, Inc., a provider of Internet banking products and e-commerce solutions to community banks and credit unions, for \$10.4 million in cash. Approximately \$2.6 million of the purchase price was allocated to acquired net assets, while \$7.8 million was allocated to acquired technology and customer contracts. These intangible assets will be amortized over an average of five years. Pro forma results of operations have not been presented for this acquisition because the effect of the transaction was not material to the consolidated financial statements.

In May 2001, the Company increased its ownership in Unnisa Ltda. ("Unnisa"), a card processing business in Brazil, from 59.3 percent to 100 percent. In August 2001, the Company acquired Accu Chek, Inc. ("Accu Chek"), a leading provider of third-party check collection services. These acquisitions had an aggregate cash purchase price of \$79.0 million, net of cash acquired, with \$58.1 million allocated to goodwill, \$12.1 million allocated to other intangibles, including data files and customer lists, \$4.0 million allocated to other current and long-term assets, \$1.0 million of assumed liabilities, and \$5.8 million for the elimination of the minority interests. If these 2001 acquisitions had occurred as of the beginning of 2000, the unaudited pro forma revenues, net income, and diluted EPS of the Company would have been \$941.0 million, \$87.3 million, and \$1.26, respectively, in 2001 and \$873.5 million, \$88.3 million, and \$1.30, respectively in 2000.

In 2000, the Company increased its ownership in Equifax Card Solutions Ltd., a U.K. card processing business, from 51 percent to 100 percent, and acquired Check-A-Cheque Ltd. and Rexora to compliment its check business in Europe and Procard S.A., a card processing business in Chile. The Company also acquired a portfolio of credit card merchant processing accounts from Heartland Payment Systems. These acquisitions had an aggregate cash purchase price of \$46.3 million, net of cash acquired, with \$24.7 million allocated to goodwill, \$22.0 million allocated to merchant contracts, \$1.8 million allocated to assets, and \$2.2 million of assumed liabilities. If these 2000 acquisitions had occurred as of the beginning of 1999, the unaudited pro forma revenues, net income, and diluted EPS of the Company would have been \$917.4 million, \$87.5 million, and \$1.29, respectively, in 2000.

The above acquisitions were accounted for as purchases and their results of operations have been included in the consolidated statements of income from the dates of acquisition. The pro forma information included in this note is based on historical results of the separate companies and may not necessarily be indicative of the results that would have been achieved or of results that may occur in the future.

#### Note 5—Divestitures

In September 2000, the Company sold its 50 percent interest in its card processing operation in India for \$6.9 million, which resulted in a pre-tax gain of \$2.2 million, which was recorded in other income.

#### Note 6—Transactions with Equifax

There were no material intercompany purchase or sale transactions between Equifax and the Company through the Distribution Date. Prior to the Distribution, the Company advanced excess cash to Equifax under Equifax's centralized cash management system.

The Company was charged with incremental corporate costs through the Distribution Date in the amount of \$6.3 million in 2001 and \$11.1 million in 2000. Approximately \$1.9 million and \$3.3 million of these amounts were allocated to the Company's two operating segments in 2001 and 2000, respectively. The Equifax allocations were based on an estimate of the proportion of corporate expenses related to the Company, utilizing such factors as revenues, number of employees, and other relevant factors. Management believes that, had the Company been operating on a full year stand-alone basis, it would have incurred additional expenses of approximately \$3.2 million in 2001 and

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approximately \$6.5 million in 2000 which specifically relate to incremental pension expense, insurance costs, corporate headquarters rent, and stand-alone public company costs for audit, director, and stock exchange fees. Management believes that all other costs allocated to the Company are a reasonable representation of the costs that would have been incurred if the Company had performed these functions as a stand-alone company.

In conjunction with the Distribution, the Company and Equifax entered into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the Distribution, including the distribution agreement, the tax sharing and indemnification agreement, the employee benefits agreement, the intercompany data purchase agreement, the intellectual property agreement, and the transition support agreement.

#### Note 7—Long-Term Debt

In July 2001, the Company entered into a \$300 million unsecured revolving credit facility with a group of commercial banks. This facility bears interest at an annual rate of LIBOR plus 100 basis points. This facility also contains certain financial covenants related to interest coverage and funded debt to cash flow, and borrowings under this facility are guaranteed by the Company's subsidiaries. Borrowings were made on this facility to fund a \$275 million payment to Equifax in conjunction with the Distribution. It is also available to meet working capital and acquisition needs, if necessary. Outstanding amounts are due upon the expiration date of the facility in July 2004; therefore, the Company classifies the outstanding balance as long-term debt. The Company had \$214.2 million and \$230.0 million outstanding under this facility at December 31, 2002 and 2001, respectively.

The Company entered into several interest rate swap arrangements in 2002 that fix the interest rate on \$100 million of variable rate revolver borrowings from January 2003 to July 2003 at 2.865 percent, an additional \$50 million from April 2003 to July 2003 at 2.940 percent, and \$100 million from July 2003 to

January 2004 at 3.350 percent. These derivatives have been designated as cash flow hedges, were documented as fully effective, and at December 31, 2002, were valued as a liability totaling \$0.8 million.

Also in July 2001, the Company entered into a 364-day \$100 million unsecured revolving credit facility with the same group of commercial banks. This facility provided interest rates tied to LIBOR and contained certain financial covenants related to interest coverage and funded debt to cash flow, and borrowings under this facility were guaranteed by the Company's subsidiaries. This facility was not renewed upon its expiration in July 2002. There were no amounts outstanding at December 31, 2001.

The Company also has an unsecured revolving credit facility that provides advances up to \$130 million to finance its customers' shortfalls in the daily funding requirements associated with the Company's credit and debit card settlement operations (Note 2). Outstanding borrowings on this credit facility are classified as part of the Company's settlement payables in the consolidated balance sheets. There were no amounts outstanding under this facility at December 31, 2002. Approximately \$10.5 million was outstanding at December 31, 2001, which was repaid on January 2, 2002.

#### Note 8—Income Taxes

Prior to the Distribution Date, the Company was included in the consolidated federal income tax return of Equifax. Tax provisions were settled through the intercompany accounts and Equifax made income tax payments on behalf of the Company. The Company's provision for income taxes in the consolidated statements of income reflects federal, state, and foreign income taxes for periods through June 30, 2001 calculated using the separate return basis. All income tax amounts related to periods prior to the Distribution Date have been settled with Equifax. Future adjustments, if any, to such periods will be settled in accordance with the Tax Sharing and Indemnification Agreement.

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During 2002, the Company determined that its investments in certain foreign subsidiaries are permanently invested and will not be repatriated to the U.S. in the foreseeable future. Future U.S. tax consequences on the undistributed earnings of these subsidiaries are no longer considered in the tax provision calculation in accordance with APB Opinion No. 23. At December 31, 2002, there are approximately \$4.9 million of undistributed net earnings for which no additional U.S. tax is provided.

The provision for income taxes consists of the following:

	2002	2001	2000
	(In thousands)		
<b>Current:</b>			
Federal	\$ 37,580	\$ 42,187	\$ 47,908
State	3,941	6,138	8,095
Foreign	7,882	5,105	3,343
	<u>49,403</u>	<u>53,430</u>	<u>59,346</u>
<b>Deferred:</b>			
Federal	5,662	1,928	(668)
State	1,137	278	(160)
Foreign	(238)	640	(909)
	<u>6,561</u>	<u>2,846</u>	<u>(1,737)</u>
	<u>\$ 55,964</u>	<u>\$ 56,276</u>	<u>\$ 57,609</u>

The provision for income taxes is based on income before income taxes and minority interests as follows:

	2002	2001	2000
	(In thousands)		
United States	\$ 129,131	\$ 133,552	\$ 141,212
Foreign	16,817	10,745	5,955
	<u>\$ 145,948</u>	<u>\$ 144,297</u>	<u>\$ 147,167</u>

The provision for income taxes is reconciled with the U.S. federal statutory rate as follows:

	2002		2001		2000	
	(In thousands)					
Provision calculated at federal statutory rate	\$ 51,082	35.0%	\$ 50,504	35.0%	\$ 51,508	35.0%
State and local taxes, net of federal benefit	3,301	2.3	4,170	2.9	5,157	3.5
Foreign tax on U.S. income	3,849	2.6	1,596	1.1	504	0.3
Foreign tax credit, current and deferred	(2,418)	(1.7)	(1,596)	(1.1)	(504)	(0.3)

Goodwill	—	—	1,252	0.9	1,392	0.9
Other	150	0.1	350	0.2	(448)	(0.3)
	<u>\$ 55,964</u>	<u>38.3%</u>	<u>\$ 56,276</u>	<u>39.0%</u>	<u>\$ 57,609</u>	<u>39.1%</u>

The Company records deferred income taxes using enacted tax laws and rates for the years in which the taxes are expected to be paid. Deferred income tax assets and liabilities are recorded based on the differences between the financial reporting and income tax bases of assets and liabilities.

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Components of the Company's deferred income tax assets and liabilities at December 31, 2002 and 2001 are as follows:

	2002	2001
	(In thousands)	
<b>Deferred income tax assets:</b>		
Reserves and accrued expenses	\$ 4,990	\$ 5,074
Net operating loss carryforwards	2,744	2,349
Deferred income	4,041	336
Foreign tax credit carryforwards	2,981	—
Valuation allowance	(2,500)	—
Other	2,106	2,504
	<u>14,362</u>	<u>10,263</u>
<b>Deferred income tax liabilities:</b>		
Intangibles and other assets	(22,023)	(13,088)
Employee compensation and benefit plans	(4,503)	(5,006)
Claims recoverable and payable, net	(2,822)	(1,810)
Depreciation	(843)	(865)
Undistributed earnings of certain foreign subsidiaries	(1,271)	(1,271)
Other	(5,887)	(6,352)
	<u>(37,349)</u>	<u>(28,392)</u>
<b>Net deferred income tax liability</b>	<b>\$ (22,987)</b>	<b>\$ (18,129)</b>
Current deferred tax asset (included in other current assets)	\$ 5,570	\$ 2,554
Long-term deferred tax asset (included in other assets)	4,244	3,946
Long-term deferred tax liability	(32,801)	(24,629)
	<u>\$ (22,987)</u>	<u>\$ (18,129)</u>

A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company established a valuation allowance in the amount of \$2.5 million during 2002 for foreign tax credit carryforwards generated in 2002. The level of foreign tax credits in 2002 was higher than normal due to a one time intercompany transaction with Brazil. The Company is reviewing several planning options related to this carryforward, but comparisons of future expected foreign tax credit generation and utilization tend to indicate that the Company may not recover all of the current year foreign tax credit carryforwards. Approximately \$0.5 million of the Company's foreign tax credit carryforwards expire in 2006, while the remaining \$2.5 million of carryforwards expire in 2007. The net operating loss carryforwards do not have an expiration date.

#### Note 9—Shareholders' Equity

**Equifax Equity Investment.** Equifax's equity investment included the original investments in the Company, accumulated income of the Company through the Distribution Date, and the dividend to Equifax arising from the forgiveness of the net intercompany receivable due from Equifax reflecting transactions described in Note 6.

**Treasury Stock.** In September 2001, the Company's Board of Directors authorized \$100 million in common stock repurchases primarily to offset share issuances associated with employee stock-based compensation. During 2002 and 2001, the Company repurchased 3.4 million and 81,400, respectively, of its own common shares through open market transactions at an aggregate investment of \$79.6 million and \$2.4 million, respectively. At December 31, 2002, approximately \$18.0 million remained available

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for future purchases. During 2002 and 2001, the Company reissued 295,900 and 81,400 shares in connection with employee stock option exercises and restricted stock awards.

**Rights Plan.** In June 2001, the Company's Board of Directors adopted a Shareholder Rights Plan (the "Rights Plan"). The Rights Plan contains provisions to protect the Company's shareholders in the event of an unsolicited offer to acquire the Company, including offers that do not treat all shareholders equally, the



acquisition in the open market of shares constituting control without offering fair value to all shareholders, and other coercive, unfair or inadequate takeover bids and practices that could impair the ability of the Board of Directors to represent shareholders' interests fully. Pursuant to the Rights Plan, the Board of Directors declared a dividend of one Share Purchase Right (a "Right") for each outstanding share of the Company's common stock, with distribution to be made to shareholders of record as of July 6, 2001. The Rights, which will expire on July 6, 2011, initially will be represented by, and traded together with, the Company's common stock. The Rights are not currently exercisable and do not become exercisable unless certain triggering events occur. Among the triggering events is the acquisition of 20 percent or more of the Company's common stock by a person or group of affiliated or associated persons. Unless previously redeemed, upon the occurrence of one of the specified triggering events, each Right that is not held by the 20 percent or more shareholder will entitle its holder to purchase one share of common stock or, under certain circumstances, additional shares of common stock at a discounted price.

**Stock Options.** Historically, the Company participated in Equifax's stock option plans, which provided qualified and nonqualified stock options to officers and employees at exercise prices not less than market value on the date of grant. In connection with the Distribution, stock options under these plans held by employees of the Company that were not exercised prior to the Distribution Date were replaced with options of Certegy. In accordance with the provisions of FIN 44, "Accounting for Certain Transactions Involving Stock Compensation" ("FIN 44"), Equifax stock options were replaced with Certegy stock options in amounts and at exercise prices intended to preserve the economic benefit of the Equifax stock options at such time. Accordingly, no compensation expense resulted from the replacement of the options. The exercise price of the replacement options ranges from \$5.79–\$31.52.

In June 2001, the Company's Board of Directors adopted the Certegy Inc. Stock Incentive Plan (the "Employee Stock Plan"), pursuant to which 6.6 million shares of authorized but unissued common stock have been reserved. Under the provisions of the Employee Stock Plan, the number of shares available for grant is increased each January through 2008 based on the number of common shares issued and outstanding. The Employee Stock Plan provides that qualified and nonqualified stock options may be granted to officers and employees at exercise prices not less than market value on the date of grant. Generally, options vest over a three-year period and are exercisable for ten years from the date of grant. The Employee Stock Plan also provides for awards of restricted shares of the Company's common stock. Additionally, the Company adopted the Certegy Inc. Non-Employee Director Stock Option Plan (the "Director Stock Plan"), pursuant to which 200,000 shares of stock are available for grant to non-employee directors in the form of stock options. At December 31, 2002, there were approximately 2.0 million and 174,000 shares available for future option grants and

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restricted stock awards under the Employee Stock Plan and the Director Stock Plan, respectively. The following is a summary of the stock option activity during 2002 and 2001:

	Options	Weighted Average Exercise Price
	(Options in thousands)	
Balance, January 1, 2001	\$ —	—
Replacement options	3,390	21.62
Granted (at market price)	449	28.57
Cancelled	(56)	21.60
Exercised	(184)	22.58
Balance, December 31, 2001	3,599	\$ 22.47
Granted (at market price)	1,547	33.38
Cancelled	(74)	25.36
Exercised	(703)	22.68
Balance, December 31, 2002	4,369	\$ 26.26
Exercisable at December 31, 2002	2,781	\$ 23.65

The following table summarizes information about stock options outstanding at December 31, 2002 (options in thousands):

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Options	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
\$ 7.08–\$15.92	150	2.31	\$ 11.34	150	\$ 11.34
\$17.55–\$18.97	975	7.44	\$ 18.16	831	\$ 18.03
\$19.94–\$22.62	408	6.16	\$ 20.28	402	\$ 20.27
\$23.72	546	8.08	\$ 23.72	350	\$ 23.72
\$24.33–\$28.50	581	7.97	\$ 27.86	336	\$ 27.61
\$28.77–\$32.45	407	5.02	\$ 29.99	297	\$ 29.77
\$33.02–\$33.84	49	8.55	\$ 33.22	1	\$ 33.84
\$34.96	1,222	9.11	\$ 34.96	413	\$ 34.96
\$41.10–\$43.50	31	5.38	\$ 43.28	1	\$ 41.10
	4,369	7.53	\$ 26.26	2,781	\$ 23.65

The weighted-average grant-date fair value per share of options granted in 2002 under the Employee Stock Plan and the Director Stock Plan is \$12.62 and \$15.24, respectively. The weighted-average grant-date fair values per share of replacement options and options granted in 2001 under the Employee Stock Plan and the Director Stock Plan are \$18.29 and \$13.02, respectively. The fair value of all options is estimated on the date of grant using the Black-Scholes option-pricing model based on the following weighted average assumptions:

	2002	2001
Dividend yield	0.0%	0.0%
Expected volatility	40.0%	43.8%
Risk-free interest rate	3.1%	4.4%
Expected life in years	4.7	4.8

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**Pro Forma Information.** In accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company has elected to apply APB Opinion No. 25 and related interpretations in accounting for its stock option plans. Accordingly, the Company does not recognize compensation cost in connection with its stock option plans. If the Company had elected to recognize compensation cost for these plans based on the fair value at the replacement date and grant dates as prescribed by SFAS 123, net income and earnings per share would have been reduced to the following pro forma amounts:

	2002	2001	2000
	(In thousands, except per share amounts)		
<b>Net income:</b>			
As reported	\$ 89,984	\$ 87,076	\$ 88,462
Pro forma	\$ 79,640	\$ 76,471	\$ 79,714
<b>Earnings per share (basic):</b>			
As reported	\$ 1.32	\$ 1.27	\$ 1.32
Pro forma	\$ 1.17	\$ 1.12	\$ 1.19
<b>Earnings per share (diluted):</b>			
As reported	\$ 1.30	\$ 1.26	\$ 1.30
Pro forma	\$ 1.15	\$ 1.11	\$ 1.17

Pro forma net income for 2000 noted above is based on the fair value of Equifax options held by the Company's employees. Because the SFAS 123 fair value disclosure requirements apply only to options granted after December 31, 1994, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

**Long-Term Incentive Plan.** The Company's Board of Directors adopted the Certegy Inc. Key Management Long-Term Incentive Plan for certain key officers that provides for cash awards at the end of various length measurement periods based on the growth in earnings per share and/or various other criteria over the measurement period. For certain awards, the employee may elect to receive some or all of their distribution as an equity interest in the Company. Expense for this plan can vary between years due to revisions of estimates of future distributions under the plan, which are based on the likelihood that the performance criteria will be met. The total expense under this plan was \$0.9 million and \$0.8 million in 2002 and 2001, respectively.

**Deferred Compensation.** In 2002, the Company granted 287,000 shares of performance-accelerated restricted stock to officers and other key employees under the Employee Stock Plan. The shares become fully vested at the end of a 36-month vesting period if certain performance criteria are met. Otherwise, the shares vest at the end of a 72-month period. In August 2001, the Company granted approximately 133,000 shares of restricted stock to officers and other key employees, which become fully vested at the end of a 30-month vesting period. These restricted stock grants were recorded as deferred compensation, a reduction of shareholders' equity, based on the quoted fair market value of the Company's stock on the date of grant. Compensation expense associated with these awards can fluctuate each year based on the likelihood that the performance criteria will be met. During 2002, approximately 22,800 restricted shares were cancelled. Compensation expense for restricted stock was \$3.6 million in 2002 and \$0.7 million in 2001.

#### Note 10—Employee Benefits

Prior to the Distribution, the Company participated in the Equifax employee benefit plans and was allocated a portion of the plans' costs based on an estimate of the proportion of expense related to the Company. In the opinion of management, the expenses were allocated on a reasonable basis. Effective

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on the Distribution Date, the Company established its own plans, which provide benefits similar to those benefits provided under Equifax's plans.

**Retirement Plan.** The Equifax noncontributory qualified retirement plan covered most U.S. salaried employees. Benefits were primarily a function of salary and years of service. The Equifax plan provisions and funding met the requirements of the Employee Retirement Income Security Act of 1974, as amended. Total pension income allocated to the Company and included in the consolidated statements of income was \$2.1 million for the period from January 1, 2001 through the Distribution Date and \$3.3 million in 2000. The components of pension income other than service costs, which were allocated directly, were allocated to the Company in proportion to total payroll costs. Effective on the Distribution Date, the Company established the Certegy noncontributory qualified retirement plan (the "Retirement Plan") and Equifax transferred to this plan a proportionate share of assets allocable to the accrued benefits for the Company's participants under the Equifax plan.

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A reconciliation of the changes in the benefit obligations and fair value of plan assets for the year ended December 31, 2002 and for the period from the Distribution Date through December 31, 2001, and a statement of funded status at December 31, 2002 and 2001 is as follows:

	2002	2001
	(In thousands)	
<b>Changes in benefit obligations:</b>		
Benefit obligation at beginning of year	\$ 27,963	—
Benefit obligation allocated from Equifax	—	\$ 27,340
Service cost	2,595	1,175
Interest cost	1,855	809
Actuarial gain	(232)	(1,361)
Benefits paid	(73)	—
	<u>\$ 32,108</u>	<u>\$ 27,963</u>
<b>Changes in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ 45,045	—
Fair value of plan assets allocated from Equifax	—	\$ 45,000
Actual return on plan assets	(5,835)	45
Benefits paid	(73)	—
	<u>\$ 39,137</u>	<u>\$ 45,045</u>
Prepaid pension cost recognized in the consolidated balance sheets is as follows:		
Funded status	\$ 7,029	\$ 17,082
Unrecognized actuarial loss	13,686	3,812
Unrecognized prior service cost	(37)	(19)
	<u>\$ 20,678</u>	<u>\$ 20,875</u>
Net pension expense includes the following components:		
Service cost	\$ 2,595	\$ 1,175
Interest cost	1,855	809
Expected return on plan assets	(4,271)	(1,884)
Amortization of prior service cost	18	44
	<u>\$ 197</u>	<u>\$ 144</u>
Significant assumptions used in accounting for the Plan are as follows:		
Discount rate	7.00%	7.50%
Expected return on plan assets	8.50%	9.00%
Rate of compensation increase	4.25%	4.25%

**Employee Retirement Savings Plan.** The Equifax retirement savings plan provided for annual contributions, within specified ranges, determined at the discretion of the Equifax Board of Directors, for the benefit of eligible employees in the form of cash or shares of Equifax's common stock. Effective on the Distribution Date, the Company established its own employee retirement savings plan, with substantially the same terms as the Equifax plan and annual contributions made in the form of Certegy's common stock. The Company's expense for these plans was \$1.4 million in 2002, \$1.1 million in 2001, and \$1.1 million in 2000.

The Company also maintains various defined contribution plans for certain employees in its international locations. Expenses for these plans were not material.

**Postretirement Benefit Plans.** The Equifax unfunded healthcare and life insurance benefit plans covered eligible retired employees. Substantially all U.S. employees became eligible for these benefits if they reached normal retirement age while working for Equifax and satisfied certain years of service requirements. Equifax accrued the cost of providing these benefits over the active service period of the employee. Expenses of \$0.4 million for the period from January 1, 2001 through the Distribution Date and \$0.5 million in 2000 were allocated to the Company in proportion to total payroll costs. Effective on the Distribution Date, the Company established its own postretirement benefit plans with substantially the same terms as the Equifax plans, and Equifax transferred to this plan a proportionate share of the accrued liability for the Company's participants under the Equifax plans. Expenses for these plans were \$0.3 million for the year ended December 31, 2002, and \$0.1 million for the period from the Distribution Date through December 31, 2001. The accrued liability for these plans at December 31, 2002 and 2001 was \$3.0 million and \$2.7 million, respectively, which is included in other long-term liabilities in the consolidated balance sheets. The assumed discount rate used in accounting for the plan was 7.0 percent in 2002 and 7.5 percent in 2001.

## Note 11—Commitments and Contingencies

**Leases.** The Company's operating leases involve principally office space and office equipment. Rental expense relating to these leases was \$9.4 million in 2002, \$9.1 million in 2001, and \$12.6 million in 2000.

Future minimum payment obligations for noncancelable operating leases exceeding one year are as follows as of December 31, 2002:

	Amount
	(In thousands)
2003	\$ 8,607
2004	6,373
2005	5,913
2006	5,359
2007	4,730
Thereafter	11,785
	<u>\$ 42,767</u>

The Company has two operating leases, under which it has guaranteed the residual value of the leased properties to the lessors. In the event the properties are sold by the lessors at the end of the lease terms, the Company would be responsible for any shortfall of the sales proceeds under \$26.2 million, which approximates 79 percent of the value of the properties at the beginning of the lease terms. Management believes the fair market values of these properties exceed the amount of the guarantees. The Company has entered into an interest rate swap arrangement to fix the variable interest rate on one of these lease obligations (Note 2).

**Data Processing Services Agreements.** The Company has separate agreements with EDS, IBM, and Proceda, which expire between 2006 and 2012, for portions of its computer data processing operations and related functions. The estimated aggregate contractual obligation remaining under these agreements is approximately \$206.5 million as of December 31, 2002. However, this amount could be more or less depending on various factors such as the inflation rate, the introduction of significant new technologies, or changes in the Company's data processing needs as a result of acquisitions or divestitures. Under certain circumstances, such as a change in control of the Company or for the Company's convenience, the Company may terminate these agreements. However, the agreements provide that the Company must pay a termination charge in the event of such a termination.

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**Change in Control Agreements.** The Company has agreements with certain of its officers, which provide certain severance pay and benefits in the event of a termination of the officer's employment under certain circumstances following a "change in control" of the Company. "Change in control" is defined as the accumulation by any person, entity, or group of 20 percent or more of the combined voting power of the Company's voting stock or the occurrence of certain other specified events. In the event of a "change in control," vesting periods and payouts under the Stock Incentive Plan and the Long-Term Incentive Plan are accelerated.

**Litigation.** A number of lawsuits seeking damages are brought against the Company each year in the ordinary course of business. In the opinion of management, the ultimate resolution of these matters, individually or in the aggregate, will not have a materially adverse effect on the Company's financial position, liquidity, or results of operations. The Company provides for estimated legal fees and settlements relating to pending lawsuits.

A class action lawsuit entitled Gary and Nancy Ballard, et. al. v. Equifax Check Services, Inc. (now known as Certegy Check Services, Inc.) was filed against the Company in August 1996 in the U.S. District Court for the Eastern District of California. This lawsuit was based on a claim that, during the period August 1992 through December 31, 1996, the Company improperly assessed a service charge on unpaid checks, which allegedly violated provisions of the Federal Fair Debt Collection Practices Act and California's Unfair Business Practices Act. The action sought, among other remedies, a refund of all service charges collected from California consumers during this period, prejudgment interest, statutory damages under the Fair Debt Collection Practices Act, and attorneys' fees. These amounts in the aggregate could have exceeded \$18 million if the plaintiffs had prevailed in the case. In November 2002, the Company entered into a Memorandum of Understanding with the plaintiffs providing for a settlement whereby the Company will pay \$3.975 million (or \$0.035 per diluted share), net of amounts covered under a Letter of Agreement with its insurance carriers, to the plaintiffs in exchange for a full and final release of all claims asserted. The parties are currently proceeding to obtain approval of the settlement by the Court. Once the Court grants preliminary approval of the settlement, the Company is required to remit the funds to a trust within 30 days, which will then be distributed to the plaintiffs once final approval is granted. The Company accrued the settlement amount, which is included in other current liabilities in the consolidated balance sheet as of December 31, 2002.

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## Note 12—Quarterly Consolidated Financial Information (Unaudited)

Quarterly revenues and operating income by reportable segment (Note 13) and other summarized quarterly financial data for 2002 and 2001 are as follows (in thousands, except per share amounts):

	First	Second	Third	Fourth
<b>2002</b>				
Revenues:				
Card Services	\$ 157,219	\$ 172,512	\$ 167,609	\$ 163,563
Check Services	77,623	82,857	86,897	99,688

	\$ 234,842	\$ 255,369	\$ 254,506	\$ 263,251
Operating income:				
Card Services	\$ 24,644	\$ 31,146	\$ 34,666	\$ 38,920
Check Services	7,336	11,226	8,110	15,211
	31,980	\$ 42,372	\$ 42,776	54,131
General corporate expense	(4,199)	(4,054)	(5,485)	(5,572)
	\$ 27,781	\$ 38,318	\$ 37,291	\$ 48,559
Net income	\$ 16,047	\$ 22,944	\$ 21,983	\$ 29,010
Net income per common share:				
Basic	\$ 0.23	\$ 0.33	\$ 0.32	\$ 0.44
Diluted	\$ 0.23	\$ 0.33	\$ 0.32	\$ 0.44
	First	Second	Third	Fourth

## 2001

Revenues:				
Card Services	\$ 149,022	\$ 157,216	\$ 162,814	\$ 162,613
Check Services	66,676	70,465	75,168	91,997
	\$ 215,698	\$ 227,681	\$ 237,982	\$ 254,610
Operating income:				
Card Services	\$ 22,600	\$ 27,580	\$ 34,837	\$ 34,750
Check Services	6,105	10,482	11,386	15,529
	28,705	38,062	46,223	50,279
General corporate expense	(2,215)	(2,212)	(3,502)	(3,921)
	\$ 26,490	\$ 35,850	\$ 42,721	\$ 46,358
Net income	\$ 15,239	\$ 21,269	\$ 24,059	\$ 26,509
Net income per common share:				
Basic(1)	\$ 0.22	\$ 0.31	\$ 0.35	\$ 0.39
Diluted(2)	\$ 0.22	\$ 0.31	\$ 0.35	\$ 0.38

(1) Prior to the third quarter of 2001, basic weighted average shares outstanding is computed by applying the distribution ratio of one share of Certegy common stock for every two shares of Equifax common stock held to the historical Equifax weighted average shares outstanding.

(2) Prior to the third quarter of 2001, diluted weighted average shares outstanding is estimated based on the dilutive effect of stock options calculated in the third quarter of 2001.

## Note 13—Segment Information

Segment information has been prepared in accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"). The Company has two segments: credit and debit card processing (Card Services) and check risk management services (Check Services). Segments were determined based on products and services provided by each segment (Note 1) and represent components of the Company about which separate internal financial information is maintained and evaluated by senior management in deciding how to allocate resources and in assessing performance. The accounting policies of the segments are the same as those described in the Company's summary of significant accounting policies (Note 2). The Company evaluates the segment performance based on its operating income. Intersegment sales and transfers, which are not material, have been eliminated.

Segment information for 2002, 2001, and 2000 is as follows (dollars in thousands):

	2002		2001		2000	
	Amount	%	Amount	%	Amount	%
Revenues:						
Card Services	\$ 660,903	66%	\$ 631,665	67%	\$ 590,977	68%

Check Services	347,065	34	304,306	33	274,930	32
	<u>\$ 1,007,968</u>	<u>100%</u>	<u>\$ 935,971</u>	<u>100%</u>	<u>\$ 865,907</u>	<u>100%</u>
Operating income:						
Card Services	\$ 129,376	76%	\$ 119,767	73%	\$ 110,757	71%
Check Services	41,883	24	43,502	27	44,205	29
	<u>171,259</u>	<u>100%</u>	<u>163,269</u>	<u>100%</u>	<u>154,962</u>	<u>100%</u>
General corporate expense	(19,310)		(11,850)		(7,803)	
	<u>\$ 151,949</u>		<u>\$ 151,419</u>		<u>\$ 147,159</u>	
Total assets at December 31:						
Card Services	\$ 461,347	66%	\$ 511,149	70%	\$ 419,270	80%
Check Services	202,681	29	172,186	23	103,779	20
Corporate	38,113	5	52,868	7	—	—
	<u>\$ 702,141</u>	<u>100%</u>	<u>\$ 736,203</u>	<u>100%</u>	<u>\$ 523,049</u>	<u>100%</u>
Depreciation and amortization:						
Card Services	\$ 31,886	82%	\$ 38,789	85%	\$ 36,038	84%
Check Services	6,572	17	6,811	15	6,660	16
Corporate	592	1	77	—	—	—
	<u>\$ 39,050</u>	<u>100%</u>	<u>\$ 45,677</u>	<u>100%</u>	<u>\$ 42,698</u>	<u>100%</u>
Capital expenditures:						
Card Services	\$ 36,746	75%	\$ 36,982	75%	\$ 35,478	91%
Check Services	8,700	18	10,139	21	3,311	9
Corporate	3,515	7	2,228	4	—	—
	<u>\$ 48,961</u>	<u>100%</u>	<u>\$ 49,349</u>	<u>100%</u>	<u>\$ 38,789</u>	<u>100%</u>

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Financial information by geographic area is as follows (dollars in thousands):

	2002		2001		2000	
	Amount	%	Amount	%	Amount	%
Revenues (based on location of customer):						
United States	\$ 824,607	82%	\$ 767,031	82%	\$ 694,911	80%
United Kingdom	100,659	10	62,579	7	63,042	7
Brazil	61,033	6	70,046	7	73,419	9
Other	21,669	2	36,315	4	34,535	4
	<u>\$ 1,007,968</u>	<u>100%</u>	<u>\$ 935,971</u>	<u>100%</u>	<u>\$ 865,907</u>	<u>100%</u>
Long-lived assets at December 31:						
United States	\$ 214,285	55%	\$ 200,924	49%	\$ 142,696	47%
United Kingdom	61,098	16	54,481	13	50,351	17
Brazil	89,114	23	133,548	32	87,963	29
Other	25,644	6	25,714	6	22,228	7
	<u>\$ 390,141</u>	<u>100%</u>	<u>\$ 414,667</u>	<u>100%</u>	<u>\$ 303,238</u>	<u>100%</u>

Revenues from external customers by product and service offering are as follows (dollars in thousands):

	2002	2001	2000
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	Amount	%	Amount	%	Amount	%
Card Issuer Services	\$ 448,496	45%	\$ 434,300	46%	\$ 421,651	48%
Check Services	347,065	34	304,306	33	274,930	32
Merchant Processing Services	202,906	20	187,550	20	155,380	18
Card Issuer Software and Support	9,501	1	9,815	1	13,946	2
	<u>\$ 1,007,968</u>	<u>100%</u>	<u>\$ 935,971</u>	<u>100%</u>	<u>\$ 865,907</u>	<u>100%</u>

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The information required by this item has been previously reported on a Form 8-K filed April 5, 2002.

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## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Our Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2003 to be filed with the Securities and Exchange Commission, will contain information relating to our directors, which is incorporated by reference into this report. Information relating to our executive officers is included in Item 10 of this report.

### ITEM 11. EXECUTIVE COMPENSATION

Our Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2003 to be filed with the Securities and Exchange Commission, will contain information relating to director and executive officer compensation, which is incorporated by reference into this report.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Our Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2003, to be filed with the Securities and Exchange Commission, will contain information relating to security ownership of certain beneficial owners and management, which is incorporated by reference into this report.

Our Proxy Statement will also contain information relating to our equity compensation plans, which is incorporated by reference into this report.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Proxy Statement for the Annual Meeting of Shareholders to be held on May 8, 2003 to be filed with the Securities and Exchange Commission, will contain information relating to certain relationships and related transactions between us and certain of our directors and executive officers, which is incorporated by reference into this report.

### ITEM 14. CONTROLS AND PROCEDURES

Based on their most recent evaluation, which was completed within 90 days of the filing of this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective to ensure that information required to be disclosed by the Company in this report is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. There were no significant changes in the Company's internal controls or other factors that could significantly affect these controls subsequent to the date of their evaluation.

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## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

**(1) Financial Statements:**

See Index to Financial Statements on page 31.

**(2) Financial Statement Schedules:**

All schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes to the statements.

### (3) Exhibits

The following is a complete list of exhibits included as part of this report, including those incorporated by reference. A list of those documents filed with this report is set forth on the Exhibit Index appearing elsewhere in this report and is incorporated by reference.

Exhibit No.	Description
2.1	Distribution Agreement, Plan of Reorganization and Distribution, dated as of June 30, 2001, between Equifax Inc. and Certegy Inc., previously filed as Exhibit 2.1 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
3.1	Amended and Restated Articles of Incorporation of Certegy Inc., previously filed as Exhibit 4.1 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
3.2	Amended and Restated Bylaws of Certegy Inc., previously filed as Exhibit 4.2 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
4.1	Amended and Restated Articles of Incorporation of Certegy Inc., previously filed as Exhibit 3.1 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference.
4.2	Amended and Restated Bylaws of Certegy Inc., previously filed as Exhibit 3.2 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference.
4.3	Rights Agreement, dated as of June 29, 2001, between Certegy Inc. and SunTrust Bank, as Rights Agent, previously filed as Exhibit 4.3 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
4.4	Form of certificate representing Certegy Inc. Common Stock, previously filed as Exhibit 4.4 on Amendment No. 2 to Form 10 filed June 11, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.1	Master Agreement previously filed as Exhibit 10.27 on Form 10-K filed March 30, 2000 by Equifax Inc. (SEC File No. 001-06605) and incorporated by reference. (Document omits information pursuant to a Request for Confidential Treatment granted under Rule 24b-2 of the Securities Exchange Act of 1934.)
10.2	Transaction Document #1 previously filed as Exhibit 10.26 on Form 10-K filed March 30, 2000 by Equifax Inc. (SEC File No. 001-06605) and incorporated by reference. (Document omits information pursuant to a Request for Confidential Treatment granted under Rule 24b-2 of the Securities Exchange Act of 1934.)
10.3	Assignment and Assumption of Lease and Other Operative Documents, dated June 25, 2001, among Equifax Inc., Certegy Inc., Prefco VI Limited Partnership, Atlantic Financial Group, Ltd. and SunTrust Bank, previously filed as Exhibit 10.3 on Form 10-Q filed August 14, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.4	Amended and Restated 364-Day Revolving Credit Agreement, dated July 6, 2001, among Certegy Inc., SunTrust Bank, Wachovia Bank, N.A., Fleet National Bank, and Bank of America, N.A., previously filed as Exhibit 10.4 on Form 10-Q filed August 14, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.5	Amended and Restated Revolving Credit Agreement, dated July 6, 2001, among Certegy Inc., SunTrust Bank, Wachovia Bank, N.A., Fleet National Bank, and Bank of America, N.A., previously filed as Exhibit 10.5 on Form 10-Q filed August 14, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.6	\$130,000,000 Credit Agreement, dated June 29, 2001, between Certegy Inc. and First Union National Bank, previously filed as Exhibit 10.6 on Form 10-Q filed August 14, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.7	Acquisition Agreement, dated May 24, 2001, among Equifax Payment Services, Inc., Equifax Do Brasil Holdings Ltda., Andrade Gutierrez Telecomunicacoes Ltda., Andrade Gutierrez S.A., Construtora Andrade Gutierrez S.A. and Unnisa-Solucoes Em Meios De Pagamento Ltda., previously filed as Exhibit 10.7 on Form 10-Q filed August 14, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.8	Acquisition Agreement, dated May 24, 2001, among Equifax Payment Services, Inc., Equifax Do Brasil Holdings Ltda., Socma Americana S.A., Sideco Do Brasil S.A. and Unnisa-Solucoes Em Meios De Pagamento Ltda., previously filed as Exhibit 10.8 on Form 10-Q filed August 14, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.9	Tax Sharing and Indemnification Agreement, dated as of June 30, 2001, between Equifax Inc. and Certegy Inc., previously filed as Exhibit 99.1 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.10	Employee Benefits Agreement, dated as of June 30, 2001, between Equifax Inc. and Certegy Inc., previously filed as Exhibit 99.2 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
10.11	Tier I Change in Control Agreement, previously filed as Exhibit 10.11 on Amendment No. 2 to Form 10 filed June 11, 2001 (SEC file No. 001-16427) and incorporated by reference. (1)
10.12	Tier II Change in Control Agreement, previously filed as Exhibit 10.12 on Amendment No. 2 to Form 10 filed June 11, 2001 (SEC file No. 001-16427) and incorporated by reference. (1)



- 10.13 Certegy Inc. Executive Life and Supplemental Retirement Benefit Plan, previously filed as Exhibit 10.13 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.14 Certegy Inc. Executive Life and Supplemental Retirement Benefit Plan Split Dollar Life Insurance Agreement (New Participant), previously filed as Exhibit 10.14 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.15 Grantor Trust Agreement, dated July 8, 2001, between Certegy Inc. and Wachovia Bank, N.A., previously filed as Exhibit 10.15 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference.
- 10.16 Intercompany Data Purchase Agreement, dated as of June 30, 2001, between Equifax Inc. and Certegy Inc., previously filed as Exhibit 99.3 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
- 10.17 Transition Support Agreement, dated as of June 30, 2001, between Equifax Inc. and Certegy Inc., previously filed as Exhibit 99.4 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
- 10.18 Intellectual Property Agreement, dated as of June 30, 2001, between Equifax Inc. and Certegy Inc., previously filed as Exhibit 99.5 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
- 10.19 Agreement Regarding Leases, dated as of June 30, 2001, between Equifax Inc. and Certegy Inc., previously filed as Exhibit 99.6 on Form 8-K filed July 20, 2001 (SEC File No. 001-16427) and incorporated by reference.
- 10.20 Certegy Inc. 2001 Stock Incentive Plan, previously filed as Exhibit 10.20 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.21 Certegy Inc. Stock Incentive Plan, amended and restated February 28, 2002, previously filed as Exhibit 10.21 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.22 Certegy Inc. 2001 Key Management Long-Term Incentive Plan, previously filed as Exhibit 10.22 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.23 First Amendment to Certegy Inc. 2001 Key Management Long-Term Incentive Plan, effective February 28, 2002, previously filed as Exhibit 10.23 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.24 Certegy Inc. Non-Employee Director Stock Option Plan, previously filed as Exhibit 10.24 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.25 Certegy Inc. Deferred Compensation Plan, previously filed as Exhibit 10.25 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.26 Equifax Inc. Performance Incentive Plan, previously filed as Exhibit 10.26 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
- 10.27 2002 Certegy Inc. Annual Incentive Plan, previously filed as Exhibit 10.27 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)

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- 10.28 Year 2001 Stock Option Exchange Program Terms and Conditions, previously filed as Exhibit 10.28 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
  - 10.29 Certegy 2002 Bonus Deferral Program Terms and Conditions, previously filed as Exhibit 10.29 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
  - 10.30 Certegy Excess Liability Insurance Plan for the Registrant's executive officers, previously filed as Exhibit 10.30 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
  - 10.31 Financial/Tax Planning Services Program for the Registrant's executive officers, previously filed as Exhibit 10.31 on Form 10-K filed March 25, 2002 (SEC File No. 001-16427) and incorporated by reference. (1)
  - 10.32 Certegy Inc. Deferred Compensation Plan. (1)
  - 10.33 Asset Purchase Agreement, dated December 5, 2002, between Down Acquisition Corporation and Netzee, Inc.
  - 21 Subsidiaries of the Registrant.
  - 23.1 Consent of Ernst & Young LLP.
  - 23.2 Notice Regarding Consent of Arthur Andersen LLP.
  - 99.1 Certification of Lee A. Kennedy, Chief Executive Officer of Certegy Inc., pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  - 99.2 Certification of Michael T. Vollkommer, Chief Financial Officer of Certegy Inc., pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  - 99.3 Non-GAAP Consolidated Statements of Income for the Years Ended December 31, 2001 and 2000.

(b) Reports filed on Form 8-K:

During the fourth quarter of 2002, the Company filed the following reports on Form 8-K:

1. On October 22, 2002, the Company filed a report on Form 8-K submitting to the Commission a copy of a press release that it issued on October 22, 2002 announcing its earnings for the quarter ended September 30, 2002.
2. On November 12, 2002, the Company filed a report on Form 8-K submitting to the Commission a copy of a press release that it issued on November 12, 2002 announcing the settlement of the Gary and Nancy Ballard, et. al. v. Equifax Check Services, Inc. (now known as Certegy Check Services, Inc.) lawsuit for \$3.975 million, net of amounts covered under a Letter of Agreement with its insurance carriers.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized officer.

Date: February 7, 2003

CERTEGY INC.

By: /s/ LEE A. KENNEDY

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Lee A. Kennedy  
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 7, 2003

By: /s/ LEE A. KENNEDY

---

Lee A. Kennedy  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

Date: February 7, 2003

By: /s/ MICHAEL T. VOLLKOMMER

---

Michael T. Vollkommer  
Corporate Vice President and Chief Financial Officer  
(Principal Financial Officer)

Date: February 7, 2003

By: /s/ PAMELA A. TEFFT

---

Pamela A. Tefft  
Corporate Vice President and Controller  
(Principal Accounting Officer)

Date: February 7, 2003

By: /s/ ROBERT H. BOHANNON

---

Robert H. Bohannon, Director

Date: February 7, 2003

By: /s/ RICHARD N. CHILD

---

Richard N. Child, Director

Date: February 7, 2003

By: /s/ CHARLES T. DOYLE

---

Charles T. Doyle, Director

Date: February 7, 2003

By: /s/ KEITH W. HUGHES

---

Keith W. Hughes, Director

Date: February 7, 2003

By: /s/ DAVID K. HUNT

---

David K. Hunt, Director

Date: February 7, 2003

By: /s/ PHILLIP B. LASSITER

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Phillip B. Lassiter, Director

Date: February 7, 2003

By: /s/ KATHY BRITTAIN WHITE

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**CERTIFICATION**

I, Lee A. Kennedy, certify that:

1. I have reviewed this annual report on Form 10-K of Certegy Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 7, 2003

/s/ LEE A. KENNEDY

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Lee A. Kennedy  
 Chairman, President, and Chief Executive Officer

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**CERTIFICATION**

I, Michael T. Vollkommer, certify that:

7. I have reviewed this annual report on Form 10-K of Certegy Inc.;
8. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
9. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
10. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a)

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
11. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
12. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 7, 2003

/s/ MICHAEL T. VOLLKOMMER

Michael T. Vollkommer  
Corporate Vice President and Chief Financial Officer

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**CERTEGY INC.  
FORM 10-K  
INDEX TO EXHIBITS**

The following documents are being filed with this Report:

Exhibit No.	Description
10.32	Certegy Inc. Deferred Compensation Plan. (1)
10.33	Asset Purchase Agreement, dated December 5, 2002, between Down Acquisition Corporation and Netzee, Inc.
21	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
23.2	Notice Regarding Consent of Arthur Andersen LLP.
99.1	Certification of Lee A. Kennedy, Chief Executive Officer of Certegy Inc., pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of Michael T. Vollkommer, Chief Financial Officer of Certegy Inc., pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.3	Non-GAAP Consolidated Statements of Income for the Years Ended December 31, 2001 and 2000.

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(1) Management Contract or Compensatory Plan.

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**Certegy Inc.**  
Deferred Compensation Plan  
Master Plan Document

Effective January 1, 2003

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Executive Benefits Practice  
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**CERTEGY INC.**  
**DEFERRED COMPENSATION PLAN**  
Effective January 1, 2003

**Purpose**

The purpose of this Plan is to provide specified benefits to a select group of management or highly compensated Employees who contribute materially to the continued growth, development and future business success of Certegy Inc., a Georgia corporation, and its subsidiaries, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

**ARTICLE 1**  
**Definitions**

For the purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

1.1 "Account Balance" shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the Deferral Account balance, (ii) the Chief Executive Officer's Discretionary Bonus Account balance, (iii) the Restricted Stock Account balance, and (iv) the Stock Option Gain Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.

1.2 "Annual Bonus" shall mean any compensation, in addition to Base Annual Salary, commissions and LTIP Amounts payable to a Participant during a Plan Year, under the Annual Incentive Plan, or under any Employer's annual bonus and cash incentive plans, excluding stock options.

1.3

"Annual Chief Executive Officer's Discretionary Bonus Amount" shall mean, for any one Plan Year, the amount determined in accordance with Section 3.5.

- 1.4 "Annual Deferral Amount" shall mean that portion of a Participant's Base Annual Salary, Annual Bonus and LTIP Amounts that a Participant defers in accordance with Article 3 for any one Plan Year. In the event of a Participant's Retirement, Disability (if deferrals cease in accordance with Section 9.1), death or a Termination of Employment prior to the end of a Plan Year, such year's Annual Deferral Amount shall be the actual amount withheld prior to such event.
- 1.5 "Annual Installment Method" shall be an annual installment payment over the number of years selected by the Participant in accordance with this Plan, calculated as follows: (a) for the first annual installment, the vested Account Balance of the Participant shall be calculated as of the close of business on or around the earlier of (i) the July 1 following the date on which the Participant Retires, or (ii) the January 1 following the date on which the Participant Retires, as determined by the Committee in its sole discretion, and (b) for remaining annual installments, the vested Account Balance of the Participant shall be calculated on every anniversary of such calculation date, as applicable. Each annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a ten (10) year Annual Installment Method, the first payment shall be  $\frac{1}{10}$  of the vested Account Balance, calculated as described in this definition. The following year, the payment shall be  $\frac{1}{9}$  of the vested Account Balance, calculated as described in this definition. Shares of Stock that shall be distributable from the Stock Option Gain Account

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and the Restricted Stock Account shall be distributable in shares of actual Stock in the same manner previously described. However, the Committee may, in its sole discretion, (i) adjust the annual installments in order to distribute whole shares of actual Stock and/or (ii) accelerate the distribution of such actual shares of Stock by payment of a lump sum.

- 1.6 "Annual Restricted Stock Amount" shall mean, with respect to a Participant for any one Plan Year, the amount of Restricted Stock deferred in accordance with Section 3.6 of this Plan, calculated using the closing price of Stock at the end of the business day closest to the date such Restricted Stock would otherwise vest, but for the election to defer. In the event of a Participant's Retirement, Disability (if deferrals cease in accordance with Section 9.1), death or a Termination of Employment prior to the end of a Plan Year, such year's Annual Restricted Stock Amount shall be the actual amount withheld prior to such event.
- 1.7 "Annual Stock Option Gain Amount" shall mean, with respect to a Participant for any one Plan Year, the portion of Qualifying Gains deferred with respect to an Eligible Stock Option exercise, in accordance with Section 3.7 of this Plan. In the event of a Participant's Retirement, Disability (if deferrals cease in accordance with Section 9.1), death or a Termination of Employment prior to the end of a Plan Year, such year's Annual Stock Option Gain Amount shall be the actual amount withheld prior to such event.
- 1.8 "Base Annual Salary" shall mean the annual cash compensation relating to services performed during any calendar year, excluding bonuses, commissions, overtime, fringe benefits, stock options, relocation expenses, incentive payments, non-monetary awards, director fees and other fees, and automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee's gross income). Base Annual Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant's gross income under Code Sections 125, 402(e)(3), 402(h), or 403(b) pursuant to plans established by any Employer; provided, however, that all such amounts will be included in compensation only to the extent that had there been no such plan, the amount would have been payable in cash to the Employee.
- 1.9 "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 11, that are entitled to receive benefits under this Plan upon the death of a Participant.
- 1.10 "Beneficiary Designation Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.
- 1.11 "Board" shall mean the board of directors of the Company.
- 1.12 "Change in Control" shall mean the first to occur of any of the following events:
- (a) The accumulation by any Person of Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Company's Voting Stock; provided that for purposes of this section 1.12(a), a Change in Control will not be deemed to have occurred if the accumulation of twenty percent (20%) or more of the voting power of the Company's Voting Stock results from any acquisition of Voting Stock (i) directly from the Company that is approved by the Incumbent Board, (ii) by the Company, (iii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company, or (iv) by any Person pursuant to a Business Combination that complies with all of clauses (i), (ii) and (iii) of 1.12(b), below;

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- (b) The Consummation of a Business Combination, unless, immediately following that Business Combination, (i) all or substantially all of the Persons who were the beneficial owners of Voting Stock of the Company immediately prior to that Business Combination beneficially own, directly or indirectly, more than sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the entity resulting from that Business Combination (including, without limitation, an entity that as a result of that transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions relative to each other as their ownership, immediately prior to that Business Combination, of the Voting Stock of the Company, (ii) no Person (other than the Company, that entity resulting from that Business Combination, or any employee benefit plan (or related trust) sponsored or maintained by the Company, any Eighty Percent (80%) Subsidiary or that entity resulting from that Business Combination) beneficially owns, directly or indirectly, twenty percent (20%) or more of the then outstanding shares of common stock of the entity resulting from that



Business Combination or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of that entity, and (iii) at least a majority of the members of the board of directors of the entity resulting from that Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for that Business Combination;

- (c) A sale or other disposition of all or substantially all of the assets of the Company; or
- (d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company, except pursuant to a Business Combination that complies with all of clauses (i), (ii) and (iii) of 1.12(b), above.

Solely for purposes of section 1.12, the following definitions will apply:

- (1) "Beneficial Ownership" means beneficial ownership as that term is used in Rule 13(d)(3) promulgated under the Exchange Act.
- (2) "Business Combination" means a reorganization, merger or consolidation of the Company.
- (3) "Eighty Percent (80%) Subsidiary" means an entity in which the Company directly or indirectly beneficially owns eighty percent (80%) or more of the outstanding Voting Stock.
- (4) "Exchange Act" means the Securities Exchange Act of 1934, including amendments, or successor statutes of similar intent.
- (5) "Incumbent Board" means a board of directors, at least a majority of whom consist of individuals who either are (a) members of the Board as of the effective date of this Plan or (b) become members of the Board subsequent to the effective date of this Plan and whose election, or nomination for election, by the Company's shareholders was approved by a vote of at least two-thirds ( $\frac{2}{3}$ ) of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which that person is named as a nominee for director, without objection to that nomination), but excluding, for that purpose, any individual whose initial assumption of office occurs as a result of an actual or threatened election contest (within the meaning of Rule 14a-11 of the Exchange Act) with respect to the election or removal of directors or other actual or

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threatened solicitation of proxies or consents by or on behalf of a Person other than the board of directors.

- (6) "Person" means any individual, entity or group (within the meaning of Section 13(d)(3) or 14 (d)(2) of the Exchange Act).
  - (7) "Voting Stock" means the then outstanding securities of an entity entitled to vote generally in the election of members of that entity's board of directors.
- 1.13 "Change in Control Benefit" shall have the meaning set forth in Article 6.
  - 1.14 "Chief Executive Officer's Discretionary Bonus Account" shall mean (i) the sum of the Participant's Annual Chief Executive Officer's Discretionary Bonus Amounts, plus (ii) amounts credited or debited in accordance with all the applicable crediting and debiting provisions of this Plan that relate to the Participant's Chief Executive Officer's Discretionary Bonus Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Chief Executive Officer's Discretionary Bonus Account.
  - 1.15 "Claimant" shall have the meaning set forth in Section 16.1.
  - 1.16 "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.
  - 1.17 "Committee" shall mean the committee described in Article 14.
  - 1.18 "Company" shall mean Certegy Inc., a Georgia corporation, and any successor to all or substantially all of the Company's assets or business.
  - 1.19 "Deduction Limitation" shall mean the limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan, as set forth in Article 4.
  - 1.20 "Deferral Account" shall mean (i) the sum of all of a Participant's Annual Deferral Amounts, plus (ii) amounts credited in accordance with all the applicable crediting and debiting provisions of this Plan that relate to the Participant's Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.
  - 1.21 "Disability" or "Disabled" shall mean a determination that a Participant is disabled made by either (i) the carrier of any individual or group disability insurance policy, sponsored by the Participant's Employer, or (ii) the Social Security Administration. Upon request by the Employer, the Participant must submit proof of the carrier's or Social Security Administration's determination.
  - 1.22 "Disability Benefit" shall mean the benefit set forth in Article 9.
  - 1.23 "Election Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to make an election under the Plan.
  - 1.24 "Eligible Stock Option" shall mean one or more non-qualified stock option(s) (including incentive stock options disqualified as such and treated as non-qualified options) selected by the Committee in its sole discretion and exercisable under a plan or arrangement of Certegy Inc. or any Employer, which permits a Participant under this Plan to defer gain with respect to such option.

1.25 "Employee" shall mean a person who is an employee of any Employer.

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- 1.26 "Employer(s)" shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.
- 1.27 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.
- 1.28 "In-Service Distribution" shall mean the distribution set forth in Section 5.1.
- 1.29 "LTIP Amounts" shall mean any compensation payable, whether in the form of Stock or cash, to a Participant as an Employee under the Cash Long-Term Incentive Plan, or under any Employer's long-term incentive plan or any other long-term incentive arrangement designated by the Committee.
- 1.30 "Participant" shall mean any Employee (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs a Plan Agreement, an Election Form and a Beneficiary Designation Form, (iv) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee, (v) who commences participation in the Plan, and (vi) whose Plan Agreement has not terminated. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an account balance under the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.
- 1.31 "Plan" shall mean the Certegy Inc. Deferred Compensation Plan, which shall be evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.
- 1.32 "Plan Agreement" shall mean a written agreement, as may be amended from time to time, which is entered into by and between an Employer and a Participant. Each Plan Agreement executed by a Participant and the Participant's Employer shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer shall supersede all previous Plan Agreements in their entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Employer and the Participant.
- 1.33 "Plan Year" shall mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.
- 1.34 "Qualifying Gain" shall mean the incremental value inuring to a Participant upon the exercise of an Eligible Stock Option, using a Stock-for-Stock payment method, during any Plan Year. For purposes of this section, the phrase "Stock-for-Stock payment method" shall, in all events, be limited to the Participant's delivery of a properly executed statement in which he or she attests to ownership of the number of shares required to exercise the Eligible Stock Option, rather than actual delivery of such shares. Such incremental value shall be deliverable to the Participant in the form of additional shares of Stock and shall be computed as follows: (i) the total fair market value of the shares of Stock held/acquired as a result of the exercise of an Eligible Stock Option using a Stock-for-Stock payment method, minus (ii) the total exercise price. For example, assume a Participant elects to exercise an Eligible Stock Option to purchase 1,000 shares of Stock at an exercise price of \$20 per share (i.e., a total exercise price of \$20,000), when the Stock has a current fair market value of \$25 per share (i.e., a total current fair market value of \$25,000) and elects to defer one hundred (100) percent of the Qualifying Gain (i.e., \$5,000). Using the Stock-for-Stock payment method, the Participant

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would deliver a properly executed statement attesting to ownership of 800 shares of Stock (worth \$20,000 at exercise) to exercise the Eligible Stock Option and would receive, in return, a Qualifying Gain, in the form of an unfunded and unsecured promise by the Company for 200 shares of Stock in the future (worth \$5,000 at exercise). The number of additional shares of Stock deliverable to the Participant in the future as a result of the Qualifying Gain shall be fixed and determined as of the date of the exercise of the Eligible Stock Option using the closing price of the Stock as of the end of the business day closest to the date of such exercise.

- 1.35 "Restricted Stock" shall mean rights to receive unvested shares of restricted stock selected by the Committee in its sole discretion and awarded to the Participant under any Certegy Inc. stock incentive plan.
- 1.36 "Restricted Stock Account" shall mean the aggregate value, measured on any given date, of (i) the number of shares of Restricted Stock deferred by a Participant as a result of all Annual Restricted Stock Amounts, plus, less (ii) the number of shares of Restricted Stock previously distributed to the Participant or his or her Beneficiary pursuant to this Plan, subject in each case to any adjustments to the number of such shares determined by the Committee with respect to the Certegy Inc. Stock Unit Fund pursuant to Section 3.9. This portion of the Participant's Account Balance shall only be distributable in actual shares of Stock.
- 1.37 "Retirement", "Retire(s)" or "Retired" shall mean, with respect to an Employee, severance from employment from all Employers for any reason other than a leave of absence, death or Disability on or after the earlier of the attainment of (a) age sixty-five (65), (b) age fifty-five (55) with five (5) Years of Service, or (c) age fifty (50), provided the sum of such Participant's age and Years of Service equals or exceeds seventy-five (75). Notwithstanding the preceding sentence, if a Participant's employment terminates, and such Participant is not otherwise eligible to Retire, the Committee may, in its sole discretion, deem such Participant to have Retired for purposes of this Plan.
- 1.38 "Retirement Benefit" shall mean the benefit set forth in Article 7.
- 1.39 "Stock" shall mean Certegy Inc. common stock, \$.01 par value, or any other equity securities of the Company designated by the Committee.
- 1.40

"Stock Option Gain Account" shall mean the aggregate value, measured on any given date, of (i) the number of shares of Stock deferred by a Participant as a result of all Annual Stock Option Gain Amounts, less (ii) the number of such shares of Stock previously distributed to the Participant or his or her Beneficiary pursuant to this Plan, subject in each case to any adjustments to the number of such shares determined by the Committee with respect to the Certegy Inc. Stock Unit Fund pursuant to Section 3.9. This portion of the Participant's Account Balance shall only be distributable in actual shares of Stock.

- 1.41 "Survivor Benefit" shall mean the benefit set forth in Article 10.
- 1.42 "Termination Benefit" shall mean the benefit set forth in Article 8.
- 1.43 "Termination of Employment" shall mean the severing of employment with all Employers, voluntarily or involuntarily, for any reason other than Retirement, Disability, death or an authorized leave of absence.
- 1.44 "Trust" shall mean one or more trusts established pursuant to that certain trust agreement, between the Company and the trustee named therein, as amended from time to time.
- 1.45 "Unforeseeable Financial Emergency" shall mean an unanticipated emergency that is caused by an event beyond the control of the Participant that would result in severe financial

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hardship to the Participant resulting from (i) a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, (ii) a loss of the Participant's property due to casualty, or (iii) such other extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, all as determined in the sole discretion of the Committee.

- 1.46 "Years of Service" shall mean the sum of (i) the total number of full years in which a Participant has been employed by one or more Employers, and (ii) the total number of full years in which a Participant was employed by Equifax Inc. For purposes of this definition, a year of employment shall be a 365 day period (or 366 day period in the case of a leap year) that, for the first year of employment, commences on the Employee's date of hiring and that, for any subsequent year, commences on an anniversary of that hiring date. The Committee shall make a determination as to whether any partial year of employment shall be counted as a Year of Service.

## ARTICLE 2 Selection, Enrollment, Eligibility

- 2.1 **Selection by Committee.** Participation in the Plan shall be limited to a select group of management and highly compensated Employees, as determined by the Committee in its sole discretion. From that group, the Committee shall select, in its sole discretion, Employees to participate in the Plan.
- 2.2 **Enrollment Requirements.** As a condition to participation, each selected Employee shall complete, execute and return to the Committee a Plan Agreement, an Election Form and a Beneficiary Designation Form, all within thirty (30) days after he or she is selected to participate in the Plan. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary.
- 2.3 **Eligibility; Commencement of Participation.** Provided an Employee selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Committee, including returning all required documents to the Committee within the specified time period, that Employee shall commence participation in the Plan on the first day of the month following the month in which the Employee completes all enrollment requirements. If an Employee fails to meet all such requirements within the period required, in accordance with Section 2.2, that Employee shall not be eligible to participate in the Plan until the first day of the Plan Year following the delivery to and acceptance by the Committee of the required documents.
- 2.4 **Termination of Participation and/or Deferrals.** If the Committee determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee shall have the right, in its sole discretion, to (i) terminate any deferral election the Participant has made for the remainder of the Plan Year in which the Participant's membership status changes, (ii) prevent the Participant from making future deferral elections and/or (iii) immediately distribute the Participant's then vested Account Balance as a Termination Benefit and terminate the Participant's participation in the Plan.

## ARTICLE 3 Deferral Commitments/Chief Executive Officer's Discretionary Bonus Amounts/ /Restricted Stock Amounts/Stock Option Gain Amounts/Vesting/Crediting/Taxes

- 3.1 **Minimum Deferrals.**

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- (a) **Annual Deferral Amount.** For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Base Annual Salary, Annual Bonus and/or LTIP Amounts in the following minimum amounts for each deferral elected:

Deferral	Minimum Amount
Base Annual Salary, Annual Bonus and/or LTIP Amounts	\$5,000 aggregate

If an election is made for less than the stated minimum amounts, or if no election is made, the amount deferred shall be zero.

- (b) **Annual Restricted Stock Amount.** For each grant of Restricted Stock, a Participant may elect to defer, as his or her Annual Restricted Stock Amount, Restricted Stock in the following minimum amount:

Deferral	Minimum Percentage
Restricted Stock	0%

If no election is made, the amount deferred shall be zero.

- (c) **Annual Stock Option Gain Amount.** For each Eligible Stock Option, a Participant may elect to defer, as his or her Annual Stock Option Gain Amount, the following minimum percentage of Qualifying Gain with respect to exercise of the Eligible Stock Option:

Deferral	Minimum Percentage
Qualifying Gain	0%

If no election is made, the amount deferred shall be zero.

- (d) **Short Plan Year.** Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, the minimum Annual Deferral Amount shall be an amount equal to the minimum set forth above, multiplied by a fraction, the numerator of which is the number of complete months remaining in the Plan Year and the denominator of which is 12.

### 3.2 Maximum Deferral.

- (a) **Annual Deferral Amount.** For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Base Annual Salary, Annual Bonus and/or LTIP Amounts up to the following maximum percentages for each deferral elected:

Deferral	Maximum Amount
Base Annual Salary	90%
Annual Bonus	100%
LTIP Amounts	100%

- (b) **Annual Restricted Stock Amount.** For each Plan Year, a Participant may elect to defer, as his or her Annual Restricted Stock Amount, Restricted Stock in the following maximum percentage:

Deferral	Maximum Percentage
Restricted Stock	100%

- (c) **Annual Stock Option Gain Amount.** For each Eligible Stock Option, a Participant may elect to defer, as his or her Annual Stock Option Gain Amount, Qualifying Gain up to the following maximum percentage with respect to exercise of the Eligible Stock Option:

Deferral	Maximum Percentage
Qualifying Gain	100%

Annual Stock Option Gain Amounts may also be limited by other terms or conditions set forth in the stock option plan or agreement under which such options are granted.

- (d) **Short Plan Year.** Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, the maximum Annual Deferral Amount (i) with respect to Base Annual Salary shall be limited to the amount of compensation not yet earned by the Participant as of the date the Participant submits a Plan Agreement and Election Form to the Committee for acceptance, and (ii) with respect to Annual Bonus and LTIP Amounts shall be limited to those amounts deemed eligible for deferral, in the sole discretion of the Committee.

### 3.3 Election to Defer; Effect of Election Form.

- (a) **First Plan Year.** In connection with a Participant's commencement of participation in the Plan, the Participant shall make an irrevocable deferral election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Committee (in accordance with Section 2.2 above) and accepted by the Committee.
- (b) **Subsequent Plan Years.** For each succeeding Plan Year, an irrevocable deferral election for that Plan Year, and such other elections as the Committee deems necessary or desirable under the Plan, shall be made by timely delivering a new Election Form to the Committee, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made. If no such Election Form is

timely delivered for a Plan Year, the Annual Deferral Amount shall be zero for that Plan Year.

- (c) **Restricted Stock Deferral.** For an election to defer Restricted Stock to be valid: (i) a separate irrevocable Election Form must be completed and signed by the Participant, with respect to such Restricted Stock; and (ii) such Election Form must be timely delivered to the Committee and accepted by the Committee at least six (6) months prior to the date such Restricted Stock vests under the terms of the Certegy Inc. stock incentive plan.
- (d) **Stock Option Gain Deferral.**
- (i) For an election to defer gain upon the exercise of an Eligible Stock Option exercise to be valid: (i) a separate Election Form must be completed and signed by the Participant with respect to the Eligible Stock Option; (ii) such election must be irrevocable; (iii) the executed Election Form must be timely delivered to the Committee or its designee at least six (6) months prior to the date the Participant elects to exercise the Eligible Stock Option; (iv) the Participant must agree not to exercise the Eligible Stock Option prior to six (6) months from the date the executed, irrevocable Election Form is submitted to the Committee or its designee; (v) the Eligible Stock Option must be exercised using the "Stock-for-Stock payment method"; and (vi) the Stock constructively delivered by the Participant to exercise the Eligible Stock Option must have been owned by the Participant during the entire six (6) month period prior to its delivery and/or otherwise qualify the Eligible Stock Option for favorable accounting treatment, as determined in the sole discretion of the Committee.
- (ii) Notwithstanding any other provision of this Plan to the contrary, (i) an Eligible Stock Option may be exercised prior to the end of the six (6) month period following the date on which the executed Election Form is delivered to the Committee or its designee, and (ii) the resulting Qualifying Gain will not be deferred into this Plan, if (a) a Change in Control occurs, or (b) the Participant Retires, dies while an Employee, or experiences a Termination of Employment, and the Eligible Stock Option would otherwise expire prior

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to the end of the six (6) month period following the date on which the executed Election Form was delivered to the Committee or its designee.

- 3.4 **Withholding and Crediting of Annual Deferral Amounts.** For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld from each regularly scheduled Base Annual Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Base Annual Salary. The Annual Bonus and/or LTIP Amounts portion of the Annual Deferral Amount shall be withheld at the time the Annual Bonus or LTIP Amounts are or otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself. Annual Deferral Amounts shall be credited to a Participant's Deferral Account at the time such amounts would otherwise have been paid to the Participant.
- 3.5 **Annual Chief Executive Officer's Discretionary Bonus Amount.**
- (a) For each Plan Year, an Employer may be required to credit amounts to a Participant's Chief Executive Officer's Discretionary Bonus Account in accordance with employment or other agreements entered into between the Participant and the Employer. Such amounts shall be credited on the date or dates prescribed by such agreements.
- (b) For each Plan Year, the Chief Executive Officer ("CEO") of the Company may, but is not required to, credit any amount of cash he or she desires to any Participant's Chief Executive Officer's Discretionary Bonus Account under this Plan, which amount shall be for that Participant the Annual Chief Executive Officer's Discretionary Bonus Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Chief Executive Officer's Discretionary Bonus Amount for that Plan Year. The Annual Chief Executive Officer's Discretionary Bonus Amount described in this Section 3.5(b), if any, shall be credited on a date or dates to be determined by the Committee, in its sole discretion.
- 3.6 **Annual Restricted Stock Amount.** Subject to any terms and conditions imposed by the Committee, Participants may elect to defer, under the Plan, Restricted Stock, which amount shall be for that Participant the Annual Restricted Stock Amount for that Plan Year. The portion of any Restricted Stock deferred shall, at the time the Restricted Stock would otherwise vest under the terms of the Certegy Inc. stock incentive plan, but for the election to defer, be reflected on the books of the Company as an unfunded, unsecured promise to deliver to the Participant a specific number of actual shares of Stock in the future.
- 3.7 **Annual Stock Option Gain Amount.** Subject to any terms and conditions imposed by the Committee, Participants may elect to defer, under the Plan, all or some portion of Qualifying Gains attributable to an Eligible Stock Option exercise, which amount shall be for that Participant the Annual Stock Option Gain Amount for that Plan Year. The portion of any Qualifying Gains shall be reflected on the books of the Company as an unfunded, unsecured promise to deliver to the Participant a specific number of actual shares of Stock in the future. Such shares of Stock would otherwise have been delivered to the Participant, pursuant to the Eligible Stock Option exercise, but for the Participant's election to defer.
- 3.8 **Vesting.**
- (a) A Participant shall at all times be 100% vested in his or her Deferral Account, Restricted Stock Account and Stock Option Gain Account.
- (b) A Participant shall be vested in his or her Chief Executive Officer's Discretionary Bonus Account in accordance with the vesting schedule(s) set forth in his or her Plan Agreement, employment agreement or any other agreement entered into between the Participant and his

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or her Employer. If not addressed in such agreements, a Participant shall vest in his or her Chief Executive Officer's Discretionary Bonus Account in accordance with the schedule declared by the Committee in its sole discretion.

(c)

Notwithstanding anything to the contrary contained in this Section 3.8, in the event of a Change in Control, or upon a Participant's Retirement, death while employed by an Employer, or Disability, a Participant's Chief Executive Officer's Discretionary Bonus Account shall immediately become 100% vested (if it is not already vested in accordance with the above vesting schedules).

- (d) Notwithstanding subsection 3.8(c) above, the vesting schedule for a Participant's Chief Executive Officer's Discretionary Bonus Account shall not be accelerated to the extent that the Committee determines that such acceleration would cause the deduction limitations of Section 280G of the Code to become effective. In the event that all of a Participant's Chief Executive Officer's Discretionary Bonus Account is not vested pursuant to such a determination, the Participant may request independent verification of the Committee's calculations with respect to the application of Section 280G. In such case, the Committee must provide to the Participant within ninety (90) days of such a request an opinion from a nationally recognized accounting firm selected by the Participant (the "Accounting Firm"). The opinion shall state the Accounting Firm's opinion that any limitation in the vested percentage hereunder is necessary to avoid the limits of Section 280G and contain supporting calculations. The cost of such opinion shall be paid for by the Company.
- (e) Section 3.8(d) shall not prevent the acceleration of the vesting schedule applicable to a Participant's Chief Executive Officer's Discretionary Bonus Account if such Participant is entitled to a "gross-up" payment, to eliminate the effect of the Code section 4999 excise tax, pursuant to his or her employment agreement or other agreement entered into between such Participant and the Employer.

3.9 **Crediting/Debiting of Account Balances.** In accordance with, and subject to, the rules and procedures that are established from time to time by the Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

- (a) **Measurement Funds.** Subject to the restrictions found in Section 3.9(c), below, the Participant may elect one or more of the measurement funds selected by the Committee, in its sole discretion, which are based on certain mutual funds (the "Measurement Funds"), for the purpose of crediting or debiting additional amounts to his or her Account Balance. As necessary, the Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund. Each such action will take effect as of the first day of the first calendar quarter that begins at least thirty (30) days after the day on which the Committee gives Participants advance written notice of such change.
- (b) **Election of Measurement Funds.** Subject to the restrictions found in Section 3.9(c) below, a Participant, in connection with his or her initial deferral election in accordance with Section 3.3(a) above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.9(a) above) to be used to determine the amounts to be credited or debited to his or her Account Balance. If a Participant does not elect any of the Measurement Funds as described in the previous sentence, the Participant's Account Balance shall automatically be allocated into the lowest-risk Measurement Fund, as determined by the Committee, in its sole discretion. Subject to the restrictions found in Section 3.9(c) below, the Participant may (but is not required to) elect, by submitting an Election Form to the Committee that is accepted by the Committee, to add or delete, on a daily basis, one or more Measurement Fund(s) to be used to determine the amounts to be credited or debited to his or her Account Balance, or to change the portion of his or her Account Balance allocated to

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each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall apply as of the first business day deemed reasonably practicable by the Committee, in its sole discretion, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence.

(c) **Certegy Inc. Stock Unit Fund.**

- (i) A Participant's Restricted Stock Account, Stock Option Gain Account and those LTIP Amounts that are payable in Stock will be automatically allocated to the Certegy Inc. Stock Unit Fund Measurement Fund. Participants may not select any other Measurement Fund to be used to determine the amounts to be credited or debited to their Restricted Stock Account, Stock Option Gain Account or those LTIP Amounts that are payable in Stock. Furthermore, no other portion of the Participant's Account Balance can be either initially allocated or re-allocated to the Certegy Inc. Stock Unit Fund. Notwithstanding the preceding sentence, the Committee may postpone any transfer which would otherwise be made in a period in which the Participant would be prohibited (by Company policy or otherwise) from acquiring or disposing of equity securities of the Company until after such period has expired.
  - (ii) The number of shares of Stock credited to the Participant's Account Balance may be adjusted by the Committee, in its sole discretion, to prevent dilution or enlargement of Participants' rights with respect to the portion of his or her Account Balance allocated to the Certegy Inc. Stock Unit Fund, in the event of any reorganization, reclassification, stock split, or other unusual corporate transaction or event which affects the value of the Stock, provided that any such adjustment shall be made taking into account any crediting of shares of Stock to the Participant under Section 3.9.
  - (iii) For purposes of this Section 3.9(c), the fair market value of the Stock shall be determined by the Committee in its sole discretion.
- (d) **Proportionate Allocation.** In making any election described in Section 3.9(b) above, the Participant shall specify on the Election Form, in increments of one percent (1%), the percentage of his or her Account Balance to be allocated to a Measurement Fund (as if the Participant was making an investment in that Measurement Fund with that portion of his or her Account Balance).
  - (e) **Crediting or Debiting Method.** The performance of each Measurement Fund (either positive or negative) will be determined by the Committee, in its sole discretion. A Participant's Account Balance shall be credited or debited on a daily basis based on the manner in which such Participant's Account Balance has been actually allocated among the Measurement Funds.
  - (f) **No Actual Investment.** Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only, and a Participant's election of any such Measurement Fund, the allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the investments on which the Measurement Funds are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf

by the Company or the Trust; the Participant shall at all times remain an unsecured creditor of the Company.

### 3.10 **FICA and Other Taxes.**

- (a) **Annual Deferral Amounts.** For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall withhold from that portion of the Participant's Base Annual Salary, Annual Bonus and LTIP Amounts that are not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Annual Deferral Amount. If necessary, the Committee may reduce the Annual Deferral Amount in order to comply with this Section 3.10.
- (b) **Chief Executive Officer's Discretionary Bonus Account.** When a Participant becomes vested in a portion of his or her Chief Executive Officer's Discretionary Bonus Account, the Participant's Employer(s) shall withhold from the Participant's Base Annual Salary, Annual Bonus and/or LTIP Amounts that are not deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes. If necessary, the Committee may reduce the vested portion of the Participant's Chief Executive Officer's Discretionary Bonus Account, as applicable, in order to comply with this Section 3.10.
- (c) **Annual Restricted Stock Amounts and Annual Stock Option Gain Amounts.** For each Plan Year in which an Annual Restricted Stock Amount or Annual Stock Option Gain Amount is being first withheld from a Participant, the Participant's Employer(s) shall withhold from that portion of the Participant's Base Annual Salary, Annual Bonus, LTIP Amounts, Restricted Stock and Qualifying Gains that are not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Annual Stock Option Gain Amount or Annual Restricted Stock Amount. If necessary, the Committee may reduce the Annual Stock Option Gain Amount or the Annual Restricted Stock Amount in order to comply with this Section 3.10.
- (d) **Distributions.** The Participant's Employer(s), or the trustee of the Trust, shall withhold from any payments made to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust.

## ARTICLE 4 Deduction Limitation

- 4.1 **Deduction Limitation on Benefit Payments.** If an Employer determines in good faith prior to a Change in Control that there is a reasonable likelihood that any compensation paid to a Participant for a taxable year of the Employer would not be deductible by the Employer solely by reason of the limitation under Code Section 162(m), then to the extent deemed necessary by the Employer to ensure that the entire amount of any distribution to the Participant pursuant to this Plan prior to the Change in Control is deductible, the Employer may defer all or any portion of a distribution under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.9 above, even if such amount is being paid out in installments. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m), or if earlier, the effective date of a Change in Control. Notwithstanding anything to the contrary in this Plan, the Deduction Limitation shall not apply to any distributions made after a Change in Control.

## ARTICLE 5 In-Service Distribution; Unforeseeable Financial Emergencies; Withdrawal Election

- 5.1 **In-Service Distribution.** In connection with each election to defer an amounts into this Plan, a Participant may irrevocably elect to receive an In-Service Distribution from the Plan with respect to all or a portion of (i) his or her deferrals of Base Annual Salary, Annual Bonus and LTIP Amounts payable in cash, (collectively referred to as "Annual Cash Deferral Amounts"), and (ii) the Annual Chief Executive Officer's Discretionary Bonus Amount. The In-Service Distribution shall be a lump sum payment in an amount that is equal to the portion of the Annual Cash Deferral Amount and the vested portion of the Annual Chief Executive Officer's Discretionary Bonus Amount that the Participant elected to have distributed as an In-Service Distribution, plus amounts credited or debited in the manner provided in Section 3.9 above on that amount, calculated as of the close of business on or around the date on which the In-Service Distribution becomes payable, as determined by the Committee in its sole discretion. Subject to the other terms and conditions of this Plan, each In-Service Distribution elected shall be paid out during a sixty (60) day period commencing immediately after the first day of any Plan Year designated by the Participant. The Plan Year designated by the Participant must be at least three Plan Years after the end of the Plan Year in which the Annual Cash Deferral Amount is actually deferred, or the vested portion of the Annual Chief Executive Officer's Discretionary Bonus Amount is actually contributed. By way of example, if an In-Service Distribution is elected for Annual Cash Deferral Amounts that are deferred in the Plan Year commencing January 1, 2003, the In-Service Distribution would become payable during a sixty (60) day period commencing January 1, 2007. Notwithstanding the language set forth above, the Committee shall, in its sole discretion, adjust the amount distributable as an In-Service Distribution if any portion of the Annual Chief Executive Officer's Discretionary Bonus Amount is unvested on the In-Service Distribution Date.
- 5.2 **Other Benefits Take Precedence Over In-Service Distributions.** Should an event occur that triggers a benefit under Sections 5.3 or 5.4, or Articles 6, 7, 8, 9 or 10, any Annual Cash Deferral Amount and/or Chief Executive Officer's Discretionary Bonus Amount, plus amounts credited or debited thereon, that are subject to an In-Service Distribution election under Section 5.1 shall not be paid in accordance with Section 5.1, but shall be paid in accordance with the other applicable Section or Article.
- 5.3 **Withdrawal Payout/Suspensions for Unforeseeable Financial Emergencies.** If the Participant experiences an Unforeseeable Financial Emergency, the Participant may petition the Committee (i) to suspend deferrals of Base Annual Salary, Annual Bonus, LTIP Amounts, Restricted Stock and Qualifying Gains required to be made by such Participant, to the extent deemed necessary by the Committee to satisfy the Unforeseeable Financial Emergency, or (ii) to suspend deferrals of Base Annual Salary, Annual Bonus, LTIP Amounts, Restricted Stock and Qualifying Gains required to be made by such Participant, to the extent deemed necessary by the Committee to satisfy the Unforeseeable Financial Emergency, and receive a partial or full payout from the Plan. The payout shall not exceed the lesser of the Participant's vested Account Balance, excluding the portion of the Account Balance, which has

been irrevocably allocated to the Certegy Inc. Stock Unit Fund, calculated as if such Participant were receiving a Termination Benefit, or the amount reasonably needed to satisfy the Unforeseeable Financial Emergency. A Participant may not receive a payout from the Plan to the extent that the Unforeseeable Financial Emergency is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (iii) by suspension of deferrals under this Plan.

If the Committee, in its sole discretion, approves a Participant's petition for suspension, the Participant's deferrals under this Plan shall be suspended as of the date of such approval. If the Committee, in its sole discretion, approves a Participant's petition for suspension and payout, the

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Participant's deferrals under this Plan shall be suspended as of the date of such approval and the Participant shall receive a payout from the Plan no later than sixty (60) days after the earlier of the (i) July 1 following the date of such approval, or (ii) January 1 following the date of such approval, as determined by the Committee in its sole discretion.

- 5.4 **Withdrawal Election.** A Participant may elect, at any time, to withdraw all or a portion of his or her vested Account Balance, excluding the portion of the Account Balance which has been irrevocably allocated to the Certegy Inc. Stock Unit Fund. For purposes of this Section 5.4, the value of a Participant's vested Account Balance, excluding the portion of the Account Balance which has been irrevocably allocated to the Certegy Inc. Stock Unit Fund, shall be calculated as of the close of business on or around the earlier of the (i) July 1 following the date on which receipt of the Participant's election is acknowledged by the Committee, or (ii) January 1 following the date on which receipt of the Participant's election is acknowledged by the Committee, as determined by the Committee in its sole discretion, less a withdrawal penalty equal to 10% of the amount withdrawn (the net amount shall be referred to as the "Withdrawal Amount"). This election can be made at any time, before or after Retirement or Disability, and whether or not the Participant is in the process of being paid pursuant to an installment payment schedule. The Participant shall make this election by giving the Committee advance written notice of the election in a form determined from time to time by the Committee. The Participant shall be paid the Withdrawal Amount no later than sixty (60) days after the earlier of the (i) July 1 following the date of his or her election, or (ii) January 1 following the date of his or her election, as determined by the Committee in its sole discretion. Once the Withdrawal Amount is paid, the Participant's participation in the Plan shall be suspended for the remainder of the Plan Year in which the withdrawal is elected and for one (1) full Plan Year thereafter (the "Suspension Period"). During the Suspension Period, the Participant will continue to be eligible for the benefits provided in Articles 5, 6, 7, 8, 9 or 10 in accordance with the provisions of those Articles, and any previously elected deferrals of Restricted Stock and Qualifying Gains will continue to be withheld. However, the portion of such Participant's Annual Deferral Amount which is attributable to Base Annual Salary, Annual Bonus and/or LTIP Amounts shall not be withheld during the Suspension Period, and the Participant shall not be allowed to make any deferral elections during the Suspension Period.

## ARTICLE 6 Change in Control Benefit

- 6.1 **Change in Control Benefit.** The Participant will receive a Change in Control Benefit, which shall be equal to the Participant's vested Account Balance, calculated as of the close of business on or around the date of the Change in Control, as selected by the Committee in its sole discretion, if (i) the Participant has elected to receive a Change in Control Benefit, as set forth in Section 6.2 below, and (ii) a Change in Control occurs.
- 6.2 **Payment of Change in Control Benefit.** A Participant, in connection with his or her commencement of participation in the Plan, shall irrevocably elect on an Election Form whether to (i) receive a Change in Control Benefit, or (ii) have his or her Account Balance remain in the Plan upon the occurrence of a Change in Control. If a Participant does not make any election with respect to the payment of the Change in Control Benefit, then such Participant's Account Balance shall remain in the Plan upon a Change in Control and shall remain subject to the terms and conditions of the Plan.

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A Participant who has irrevocably elected to receive a Change in Control Benefit, shall elect to have such Change in Control Benefit paid in either a lump sum or pursuant to an Annual Installment Method in accordance with the following:

- (a) If a Change in Control occurs after a Participant's actual Retirement or deemed Retirement under Article 9, but before the applicable benefit is paid in full, the optional forms of payment shall be a lump sum payment or a continuation of the annual installments. The lump sum payment shall be made no later than sixty (60) days after the earlier of (i) July 1 following the Change of Control, or (ii) January 1 following the Change of Control, as determined by the Committee in its sole discretion.
- (b) If a Change in Control occurs at any other time and the Participant's Account Balance has not been fully distributed, the optional forms of payment shall be a lump sum or annual installments over 10 years. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the earlier of (i) July 1 following the Change of Control, or (ii) January 1 following the Change of Control, as determined by the Committee in its sole discretion. Remaining installments, if any, shall be paid no later than sixty (60) days after each anniversary of the date on which the Participant's benefits commenced in accordance with the preceding sentence.

If a Participant elects to receive a Change in Control Benefit and does not make any election with respect to the form of payment of the Change in Control Benefit, then such benefit shall be payable in a lump sum.

## ARTICLE 7 Retirement Benefit

- 7.1 **Retirement Benefit.** A Participant who Retires shall receive, as a Retirement Benefit, his or her vested Account Balance, calculated as of the close of business on or around the earlier of the (i) July 1 following the date on which the Participant Retires, or (ii) January 1 following the date on which the Participant Retires, as determined by the Committee in its sole discretion.

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**Payment of Retirement Benefit.** A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Retirement Benefit in a lump sum or pursuant to an Annual Installment Method over 5 or 10 years. The Participant may change his or her election to an allowable alternative payout period by submitting a new Election Form to the Committee, provided that any such Election Form is submitted to and accepted by the Committee in its sole discretion at least thirteen (13) months prior to the Participant's Retirement. The Election Form most recently accepted by the Committee shall govern the payout of the Retirement Benefit. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than sixty (60) days after the earlier of (i) July 1 following the date on which the Participant Retires, or (ii) January 1 following the date on which the Participant Retires, as determined by the Committee in its sole discretion. Remaining installments, if any, shall be paid no later than sixty (60) days after each anniversary of the date on which the Participant's benefits commenced in accordance with the preceding sentence.

## ARTICLE 8 Termination Benefit

- 8.1 **Termination Benefit.** A Participant who experiences a Termination of Employment shall receive a Termination Benefit, which shall be equal to the Participant's vested Account Balance, calculated as of the close of business on or around the earlier of the (i) July 1 following the date on which the Participant experiences the Termination of Employment, or (ii) January 1 following the date on

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which the Participant experiences the Termination of Employment, as determined by the Committee in its sole discretion.

- 8.2 **Payment of Termination Benefit.** The Termination Benefit shall be paid to the Participant in a lump sum payment no later than sixty (60) days after the earlier of the (i) July 1 following the date on which the Participant experiences the Termination of Employment, or (ii) January 1 following the date on which the Participant experiences the Termination of Employment, as determined by the Committee in its sole discretion.

## ARTICLE 9 Disability Waiver and Benefit

- 9.1 **Disability Waiver.**

- (a) **Waiver of Deferral.** If a Participant is determined to be both (i) suffering from a Disability, and (ii) receiving 100 percent of his or her Base Annual Salary during the period of Disability, then the Participant's Annual Deferral Amount Restricted Stock and Qualifying Gains shall continue to be withheld during such period of Disability. If a Participant is determined to be both (i) suffering from a Disability, and (ii) receiving less than 100 percent of his or her Base Annual Salary during the period of such Disability, then such Participant shall be excused from fulfilling that portion of the Annual Deferral Amount commitment that would otherwise have been withheld from a Participant's Base Annual Salary, Annual Bonus and/or LTIP Amounts for the Plan Year during which the Participant first suffers a Disability. However, any previously elected deferrals of Restricted Stock and Qualifying Gains shall continue to be withheld during such Disability. During the period of Disability, the Participant shall not be allowed to make any additional deferral elections, but will continue to be eligible for the benefits provided in Articles 5, 6, 7, 8, 9 or 10 in accordance with the provisions of those Articles.
- (b) **Deferral Following Disability.** If a Participant (i) returns to employment with an Employer after a Disability ceases, and (ii) payment of 100 percent of his or her Base Annual Salary recommences, the Participant may elect to defer an Annual Deferral Amount, Annual Restricted Stock Amount and Annual Stock Option Gain Amount for the Plan Year following his or her return to employment or service and for every Plan Year thereafter while a Participant in the Plan; provided such deferral elections are otherwise allowed and an Election Form is delivered to and accepted by the Committee for each such election in accordance with Section 3.3 above.

- 9.2 **Continued Eligibility; Disability Benefit.**

- (a) **Continued Eligibility.** A Participant suffering a Disability shall, for benefit purposes under this Plan, continue to be considered to be employed and shall be eligible for the benefits provided for in Articles 5, 6, 7, 8 or 10 in accordance with the provisions of those Articles. Notwithstanding the above, the Committee shall have the right to, in its sole and absolute discretion and for purposes of this Plan only, deem the Participant's employment to have terminated at any time after such Participant is determined to be suffering a Disability.
- (b) **Deemed Termination of Employment.** If, in the Committee's discretion, the Disabled Participant's employment has terminated, and such Participant is not otherwise eligible to Retire, the Participant shall be deemed to have experienced a Termination of Employment for purposes of this Plan and will receive a Disability Benefit. The Disability Benefit shall be equal to his or her vested Account Balance, calculated as of the close of business on or around the earlier of the (i) July 1 following the date on which the Disabled Participant is deemed to have experienced a Termination of Employment, as determined by the Committee in its sole

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discretion, or (ii) January 1 following the date on which the Disabled Participant is deemed to have experienced a Termination of Employment, as determined by the Committee in its sole discretion. The Participant shall receive his or her Disability Benefit in a lump sum payment no later than sixty (60) days after the earlier of the (A) July 1 following the date on which the Disabled Participant is deemed to have experienced a Termination of Employment, or (B) January 1 following the date on which the Disabled Participant is deemed to have experienced a Termination of Employment.

- (c) **Deemed Retirement.** If, in the Committee's discretion, the Disabled Participant's employment has terminated, and such Participant is otherwise eligible to Retire, the Participant shall be deemed to have Retired for purposes of this Plan and will receive a Disability Benefit. The Disability Benefit shall be equal to his or her vested Account Balance, calculated as of the close of business on or around the earlier of the (i) July 1 following the date on which the Participant is deemed to have Retired, as determined by the Committee in its sole discretion, or (ii) January 1 following the date on which the Participant is deemed to have Retired, as determined by the Committee in its sole discretion. The Participant shall receive his or her Disability Benefit in the same form in which such Participant elected to receive his or her Retirement Benefit. The lump sum

payment shall be made, or installment payments shall commence, no later than sixty (60) days after the earlier of the (A) July 1 following the date on which the Disabled Participant is deemed to have Retired, or (B) January 1 following the date on which the Disabled Participant is deemed to have Retired, as determined by the Committee in its sole discretion. Remaining installments, if any, shall be paid no later than sixty (60) days after each anniversary of the date on which the Participant's benefits commenced in accordance with the preceding sentence.

## **ARTICLE 10 Survivor Benefit**

- 10.1 **Survivor Benefit.** The Participant's Beneficiary(ies) shall receive a Survivor Benefit upon the Participant's death which will be equal to (i) the Participant's vested Account Balance, calculated as of the close of business on or around the earlier of the (A) July 1 following the date of the Participant's death, or (B) January 1 following the date of the Participant's death, as selected by the Committee in its sole discretion, if the Participant dies prior to his or her Retirement, Termination of Employment or Disability, or (ii) the Participant's unpaid Retirement Benefit or Disability Benefit, calculated as of the close of business on or around the earlier of the (A) July 1 following the date of the Participant's death, or (B) January 1 following the date of the Participant's death, as selected by the Committee in its sole discretion, if the Participant dies before his or her Retirement Benefit or Disability Benefit is paid in full.
- 10.2 **Payment of Survivor Benefit.** The Survivor Benefit shall be paid to the Participant's Beneficiary(ies) in a lump sum payment no later than sixty (60) days after the earlier of the (i) July 1 following the date on which the Committee is provided with proof that is satisfactory to the Committee of the Participant's death, or (ii) January 1 following the date on which the Committee is provided with proof that is satisfactory to the Committee of the Participant's death, as determined by the Committee in its sole discretion.

## **ARTICLE 11 Beneficiary Designation**

- 11.1 **Beneficiary.** Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may

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be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.

- 11.2 **Beneficiary Designation; Change of Beneficiary Designation.** A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. Upon the acceptance by the Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his or her death.
- 11.3 **Acknowledgment.** No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Committee or its designated agent.
- 11.4 **No Beneficiary Designation.** If a Participant fails to designate a Beneficiary as provided in Sections 11.1, 11.2 and 11.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 11.5 **Doubt as to Beneficiary.** If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Committee's satisfaction.
- 11.6 **Discharge of Obligations.** The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

## **ARTICLE 12 Leave of Absence**

- 12.1 **Paid Leave of Absence.** If a Participant is authorized by the Participant's Employer to take a paid leave of absence from the employment of the Employer, (i) the Participant shall continue to be considered eligible for the benefits provided in Articles 5, 6, 7, 8, 9 or 10 in accordance with the provisions of those Articles, and (ii) the Annual Deferral Amount and any previously elected deferrals of Restricted Stock and Qualifying Gains shall continue to be withheld during such paid leave of absence in accordance with Section 3.3.
- 12.2 **Unpaid Leave of Absence.** If a Participant is authorized by the Participant's Employer to take an unpaid leave of absence from the employment of the Employer for any reason, such Participant shall continue to be eligible for the benefits provided in Articles 5, 6, 7, 8, 9 or 10 in accordance with the provisions of those Articles, and any previously elected deferrals of Restricted Stock and Qualifying Gains shall continue to be withheld during such unpaid leave of absence in accordance with Section 3.3. However, the Participant shall be excused from fulfilling that portion of the Annual Deferral Amount commitment that would otherwise have been withheld from such Participant's Base Annual Salary, Annual Bonus and/or LTIP Amounts during the remainder of the Plan Year in which the unpaid leave of absence is taken. During the unpaid leave of absence, the Participant shall not be allowed to make any additional deferral elections. However, if the Participant returns to employment, the Participant may elect to defer an Annual Deferral Amount, Annual Restricted Stock Amount and Annual Stock Option Gain Amount for the Plan Year

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following his or her return to employment and for every Plan Year thereafter while a Participant in the Plan; provided such deferral elections are otherwise allowed and an Election Form is delivered to and accepted by the Committee for each such election in accordance with Section 3.3 above.

### **ARTICLE 13** **Termination, Amendment or Modification**

- 13.1 **Termination.** Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees, by action of its board of directors. Upon the termination of the Plan with respect to any Employer, the Plan Agreements of the affected Participants who are employed by that Employer shall terminate and their vested Account Balances shall be determined (i) as if they had experienced a Termination of Employment on the date of Plan termination; or (ii) if Plan termination occurs after the date upon which a Participant was eligible to Retire, then with respect to that Participant as if he or she had Retired on the date of Plan termination. Such benefits shall be paid to the Participants as follows: (i) prior to a Change in Control, if the Plan is terminated with respect to all of its Participants, an Employer shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay such benefits in a lump sum or pursuant to an Annual Installment Method of up to 15 years, with amounts credited and debited during the installment period as provided herein; or (ii) prior to a Change in Control, if the Plan is terminated with respect to less than all of its Participants, an Employer shall be required to pay such benefits in a lump sum; or (iii) after a Change in Control, if the Plan is terminated with respect to some or all of its Participants, the Employer shall be required to pay such benefits in a lump sum. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; provided however, that the Employer shall have the right to accelerate installment payments without a premium or prepayment penalty by paying the vested Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).
- 13.2 **Amendment.** Any Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its board of directors; provided, however, that: (i) no amendment or modification shall be effective to decrease or restrict the value of a Participant's vested Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification, and (ii) no amendment or modification of this Section 13.2 or Section 14.2 of the Plan shall be effective. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; provided, however, that the Employer shall have the right to accelerate installment payments by paying the vested Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

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- 13.3 **Plan Agreement.** Despite the provisions of Sections 13.1 and 13.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer may only amend or terminate such provisions with the written consent of the Participant.
- 13.4 **Effect of Payment.** The full payment of the Participant's vested Account Balance under Articles 5, 6, 7, 8, 9 or 10 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant's Plan Agreement shall terminate.

### **ARTICLE 14** **Administration**

- 14.1 **Committee Duties.** Except as otherwise provided in this Article 14, this Plan shall be administered by a Committee, which shall consist of the Board, or such committee as the Board shall appoint. Members of the Committee may be Participants under this Plan. The Committee shall also have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or the Company.
- 14.2 **Administration Upon Change In Control.** For purposes of this Plan, the Committee shall be the "Administrator" at all times prior to the occurrence of a Change in Control. Within one-hundred and twenty (120) days following a Change in Control, an independent third party "Administrator" may be selected by the individual who, immediately prior to the Change in Control, was the Company's Chief Executive Officer or, if not so identified, the Company's highest ranking officer (the "Ex-CEO"), and approved by the Trustee. The Committee, as constituted prior to the Change in Control, shall continue to be the Administrator until the earlier of (i) the date on which such independent third party is selected and approved, or (ii) the expiration of the one-hundred and twenty (120) day period following the Change in Control. If an independent third party is not selected within one-hundred and twenty (120) days of such Change in Control, the Committee, as described in Section 14.1 above, shall be the Administrator. The Administrator shall have the discretionary power to determine all questions arising in connection with the administration of the Plan and the interpretation of the Plan and Trust including, but not limited to benefit entitlement determinations; provided, however, upon and after the occurrence of a Change in Control, the Administrator shall have no power to direct the investment of Plan or Trust assets or select any investment manager or custodial firm for the Plan or Trust. Upon and after the occurrence of a Change in Control, the Company must: (1) pay all reasonable administrative expenses and fees of the Administrator; (2) indemnify the Administrator against any costs, expenses and liabilities including, without limitation, attorney's fees and expenses arising in connection with the performance of the Administrator hereunder, except with respect to matters resulting from the gross negligence or willful misconduct of the Administrator or its employees or agents; and (3) supply full and timely information to the Administrator on all matters relating to the Plan, the Trust, the Participants and their Beneficiaries, the Account Balances of the Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of the Participants, and such other pertinent information as the Administrator may reasonably require. Upon and after a Change in Control, the Administrator may be terminated (and a replacement appointed) by the Trustee only with the approval of the Ex-CEO. Upon and after a Change in Control, the Administrator may not be terminated by the Company.
- 14.3 **Agents.** In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly

appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.

- 14.4 **Binding Effect of Decisions.** The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 14.5 **Indemnity of Committee.** All Employers shall indemnify and hold harmless the members of the Committee, any Employee to whom the duties of the Committee may be delegated, and the Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Committee, any of its members, any such Employee or the Administrator.
- 14.6 **Employer Information.** To enable the Committee and/or Administrator to perform its functions, the Company and each Employer shall supply full and timely information to the Committee and/or Administrator, as the case may be, on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Committee or Administrator may reasonably require.

## ARTICLE 15 Other Benefits and Agreements

- 15.1 **Coordination with Other Benefits.** The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

## ARTICLE 16 Claims Procedures

- 16.1 **Presentation of Claim.** Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within sixty (60) days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.
- 16.2 **Notification of Decision.** The Committee shall consider a Claimant's claim within a reasonable time, but no later than ninety (90) days after receiving the claim. If the Committee determines that special circumstances require an extension of time for processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial ninety (90) day period. In no event shall such extension exceed a period of ninety (90) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. The Committee shall notify the Claimant in writing:

- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or

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- (b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:

- (i) the specific reason(s) for the denial of the claim, or any part of it;
- (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary;
- (iv) an explanation of the claim review procedure set forth in Section 16.3 below; and
- (v) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

- 16.3 **Review of a Denied Claim.** On or before sixty (60) days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. The Claimant (or the Claimant's duly authorized representative):

- (a) may, upon request and free of charge, have reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits;
- (b) may submit written comments or other documents; and/or
- (c) may request a hearing, which the Committee, in its sole discretion, may grant.

- 16.4 **Decision on Review.** The Committee shall render its decision on review promptly, and no later than sixty (60) days after the Committee receives the Claimant's written request for a review of the denial of the claim. If the Committee determines that special circumstances require an extension of time for

processing the claim, written notice of the extension shall be furnished to the Claimant prior to the termination of the initial sixty (60) day period. In no event shall such extension exceed a period of sixty (60) days from the end of the initial period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. In rendering its decision, the Committee shall take into account all comments, documents, records and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

- (a) specific reasons for the decision;
- (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based;
- (c) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the Claimant's claim for benefits; and
- (d) a statement of the Claimant's right to bring a civil action under ERISA Section 502(a).

16.5 **Legal Action.** A Claimant's compliance with the foregoing provisions of this Article 16 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

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## ARTICLE 17 Trust

- 17.1 **Establishment of the Trust.** In order to provide assets from which to fulfill the obligations of the Participants and their beneficiaries under the Plan, the Company may establish a Trust by a trust agreement with a third party, the trustee, to which each Employer may, in its discretion, contribute cash or other property, including securities issued by the Company, to provide for the benefit payments under the Plan.
- 17.2 **Interrelationship of the Plan and the Trust.** The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.
- 17.3 **Distributions From the Trust.** Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

## ARTICLE 18 Miscellaneous

- 18.1 **Status of Plan.** The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.
- 18.2 **Unsecured General Creditor.** Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 18.3 **Employer's Liability.** An Employer's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Employer and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.
- 18.4 **Nonassignability.** Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.
- 18.5 **Not a Contract of Employment.** The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer, as an Employee, or to interfere with the right of any Employer to discipline or discharge the Participant at any time.

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18.6 **Furnishing Information.** A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.

18.7 **Terms.** Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they

would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

- 18.8 **Captions.** The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 18.9 **Governing Law.** Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Georgia without regard to its conflicts of laws principles.
- 18.10 **Notice.** Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:
- Certegey Inc.  
Attn: Vice President—Human Resources  
11720 Amber Park Drive, Suite 600  
Alpharetta, Georgia 30004
- Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.
- Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.
- 18.11 **Successors.** The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.
- 18.12 **Spouse's Interest.** The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate succession.
- 18.13 **Validity.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.
- 18.14 **Incompetent.** If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.

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- 18.15 **Court Order.** The Committee is authorized to make any payments directed by court order in any action in which the Plan or the Committee has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.
- 18.16 **Distribution in the Event of Taxation.**
- (a) **In General.** If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Committee before a Change in Control, or the trustee of the Trust after a Change in Control, for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, which grant shall not be unreasonably withheld (and, after a Change in Control, shall be granted), a Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the taxable portion of his or her benefit (which amount shall not exceed a Participant's unpaid vested Account Balance under the Plan). If the petition is granted, the tax liability distribution shall be made within 90 days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.
- (b) **Trust.** If the Trust terminates in accordance with its terms and benefits are distributed from the Trust to a Participant in accordance therewith, the Participant's benefits under this Plan shall be reduced to the extent of such distributions.
- 18.17 **Insurance.** The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

**Legal Fees To Enforce Rights After Change in Control.** The Company and each Employer is aware that upon the occurrence of a Change in Control, the Board or the board of directors of a Participant's Employer (which might then be composed of new members) or a shareholder of the Company or the Participant's Employer, or of any successor corporation might then cause or attempt to cause the Company, the Participant's Employer or such successor to refuse to comply with its obligations under the Plan and might cause or attempt to cause the Company or the Participant's Employer to institute, or may institute, litigation seeking to deny Participants the benefits intended under the Plan. In these circumstances, the purpose of the Plan could be frustrated. Accordingly, if, following a Change in Control, it should appear to any Participant that the Company, the Participant's Employer or any successor corporation has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if the Company, such Employer or any other person takes any action to declare the Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from any Participant the benefits intended to be provided, then the Company and the Participant's Employer irrevocably authorize such Participant to retain counsel of his or her choice at the expense of the Company and the Participant's Employer (who shall be jointly and severally liable) to represent such Participant in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company, the Participant's Employer or any director, officer, shareholder or other person affiliated with the Company, the Participant's Employer or any successor thereto in any jurisdiction.

IN WITNESS WHEREOF, the Company has signed this Plan document as of \_\_\_\_\_, 200 .

"Company"  
Certegey Inc., a Georgia corporation

By: \_\_\_\_\_

Title: \_\_\_\_\_

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QuickLinks

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**ASSET PURCHASE AGREEMENT**  
**BETWEEN**  
**DOWN ACQUISITION CORPORATION**  
**AND**  
**NETZEE, INC.**

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## ASSET PURCHASE AGREEMENT

By this Asset Purchase Agreement, Down Acquisition Corporation ("Certegey") and Netzee, Inc. ("Netzee"), agree as follows:

1. **Introduction.** Netzee desires to sell certain assets that it uses in connection with its Business, including the Material Business Contracts and the Software. Certegey desires to purchase, and Netzee desires to sell, certain of the assets owned, used or held for use by Netzee in connection with the Business and in connection therewith, Certegey has agreed to assume certain specifically identified liabilities of Netzee relating to the Business, all upon the terms and subject to the conditions set forth in this Agreement.

2. **Effective Date.** This Agreement is made and entered on and is effective as of December 5, 2002 ("Effective Date").

3. **Definitions.** When used in this Agreement, the following terms shall have the respective meanings set forth below:

"Accounts Receivable" shall mean all of Netzee's rights in, to and under all purchase orders or receipts for goods or services as maintained in the books and records of Netzee in the ordinary course of business.

"Accounts Receivable Certificate" has the meaning set forth in Subsection 4.3(b).

"Action" means any claim, action, suit or proceeding, arbitral action, governmental inquiry, criminal prosecution or other investigation.

"Affiliate" means, with respect to any Person: (i) any other Person directly or indirectly controlling, controlled by or under common control with, such Person; (ii) any other Person that beneficially owns ten percent (10%) or more of any class of equity securities (including any equity securities issuable upon the exercise of any option or convertible security) of such Person or any of its Affiliates; or (iii) any director, partner, executive officer or manager of such Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with") means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

"Agreement" means this Asset Purchase Agreement and all of its schedules and exhibits, as well as the Operative Agreements.

"Alternative Transaction" has the meaning set forth in Subsection 8.1(b).

"Assigned IP" has the meaning set forth in Subsection 4.1(a)(vi).

"Assumed Liabilities" has the meaning set forth in Subsection 4.2(a).

"Balance Sheet" has the meaning set forth in Subsection 6.10.

"Benefit Plan" means any Plan that is sponsored, maintained or contributed to or required to be contributed to by Netzee or to which Netzee is a party, or with respect to which Netzee has any other similar or comparable obligation or liability (fixed, contingent or otherwise), whether written or oral, for the benefit of any Business Employee.

"Bill of Sale and Assignment Agreement" has the meaning set forth in Subsection 9.1(viii).

"Business" means Netzee's full-service Internet banking, online bill payment, cash management and other business lines, including the Material Business Contracts and the Software.

"Business Day" means any day other than Saturday, Sunday or any day on which any U.S. national banking association is required or authorized to be closed.

"*Business Employees*" has the meaning set forth in Subsection 6.8(b).

"*Business Insurance Policies*" has the meaning set forth in Subsection 6.15.

"*Business Licenses*" has the meaning set forth in Subsection 4.1(a)(iii).

"*Cash Payment*" has the meaning set forth in Subsection 4.3(a).

"*Certery*" has the meaning set forth in the preamble to this Agreement.

"*Certery Indemnified Party*" has the meaning set forth in Subsection 10.3.

"*Claim*" has the meaning set forth in Subsection 10.4.

"*Client Contracts*" means Netzee's agreements to provide Business' services to the customers identified in *Schedule 4.1(a)(vi)*.

"*Closing*" has the meaning set forth in Subsection 5.1.

"*Closing Cash Payment*" has the meaning set forth in Subsection 5.3.

"*Closing Date*" has the meaning set forth in Subsection 5.1.

"*Closing Date Accounts Receivable*" has the meaning set forth in Subsection 4.3(b).

"*Contract*" means any contract, agreement, indenture, note, bond, instrument, lease, conditional sales contract, mortgage, license, franchise agreement, concession agreement, insurance policy, security interest, guaranty, binding commitment or other agreement or arrangement, whether written or oral.

"*Effective Date*" has the meaning set forth in Section 2.

"*Encumbrance*" means any security interest, pledge, mortgage, lien, charge, adverse claim of ownership or use, restriction on transfer (such as a right of first refusal or other similar right), defect of title, or other encumbrance of any kind or character.

"*Environmental Law*" means any applicable law, order, regulation, decree, permit, license, ordinance or other federal, state, county, provincial, local or foreign governmental requirements in effect as of the date hereof and/or the Closing Date relating to pollution, the protection of human health and the environment, or the Spill of any Hazardous Substance into the environment.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended, any successor statute thereto and the rules and regulations promulgated thereunder.

"*Excluded Assets*" has the meaning set forth in Subsection 4.1(b).

"*Excluded Liabilities*" has the meaning set forth in Subsection 4.2(b).

"*Financial Information*" has the meaning set forth in Subsection 6.10.

"*GAAP*" means United States generally accepted accounting principles, as in effect from time to time.

"*Governmental Authority*" means any government, any governmental entity, department, commission, board, agency or instrumentality, and any court, tribunal or judicial body, in each case whether federal, state, county, provincial, local or foreign.

"*Governmental Order*" means any order, judgment, injunction, decree, stipulation or determination issued, promulgated or entered by or with any Governmental Authority of competent jurisdiction.

"*Hazardous Substance*" means petroleum, petroleum by-products, polychlorinated biphenyls and any other chemicals, materials, substances or wastes which are currently defined or regulated as "hazardous substances," "hazardous materials," "hazardous wastes," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "toxic air pollutants," "hazardous air pollutants," "pollutants," or "contaminants" under any Environmental Law.

"*Identified Employees*" has the meaning set forth in Subsection 8.7(a).

"*Indemnified Party*" has the meaning set forth in Subsection 10.4.

"*Indemnifying Party*" has the meaning set forth in Subsection 10.4.

"*Indemnity Escrow Amount*" has the meaning set forth in Subsection 5.3.

"*Indemnity Escrow Agent*" has the meaning set forth in Subsection 5.3.

"*Indemnity Escrow Agreement*" has the meaning set forth in Subsection 5.3.

"*Independent Accounting Firm*" means: (i) one of the nationally-recognized "big-four" public accounting firms mutually acceptable to Netzee and Certegy; or (ii) if Netzee and Certegy are unable to agree upon such a firm, then each party shall select one such firm and those two firms shall select a third such firm, in which event "Independent Accounting Firm" shall mean such third firm.

"*Intellectual Property*" means any: (i) patents, patent applications, invention disclosures and any inventions and improvements described therein, whether patentable or unpatentable; (ii) Marks; (iii) copyrights and copyrightable works, and any registrations and applications for registration thereof; (iv) trade secrets, confidential business information, know-how, research and development information; (v) technical drawings, technical specifications, technical designs and technical data; (vi) software, software systems, databases and database systems, and documentation associated therewith; (vii) website applications and Internet web sites, including any domain names, URLs, hypertext markup language ("HTML") files, graphics, text files and documentation associated with such website applications and Internet websites; (viii) licenses granting Netzee any rights with respect to any of the foregoing; and (ix) where appropriate, copies and tangible embodiments of any of the foregoing in an appropriate form or medium.

"*Internal Revenue Code*" means the Internal Revenue Code of 1986, as amended, any successor statute, and the rules and regulations promulgated thereunder.

"*knowledge of Netzee*" means the actual knowledge of either Donny R. Jackson, Jarett J. Janik, Kevin R. Lee, Mike Upton, Leslie Owen, Luke Balding, Jara Keskeska, Jim Avena, Tammy Martindale or Richard Campbell, or knowledge that either of them should have gained through the reasonable performance of their respective job functions.

"*Law*" means any federal, state, county, provincial, local or foreign statute, law, ordinance, regulation, rule, code or rule of common law.

"*Leased Real Property*" has the meaning set forth in Subsection 4.1(a)(i).

"*Liability*" means any indebtedness, obligation or other liability (whether absolute, accrued, matured, contingent, known or unknown, fixed or otherwise, or whether due or to become due), including, without limitation, any fine, penalty, judgment, award or settlement respecting any judicial administrative or arbitration proceeding, damage, loss, claim or demand with respect to any Law.

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"*License*" means any franchise, approval, permit, order, authorization, consent, license, registration or filing, certificate, variance and any other similar right obtained from or filed with any Governmental Authority or private organization.

"*Losses*" has the meaning set forth in Subsection 10.2.

"*Marks*" means all imprints, titles, names, trade name, service marks, trade dress, logos, trade names and corporate names, the goodwill associated therewith, and any registrations and applications for registration thereof.

"*Material Adverse Change*" means any change in or effect on the Purchased Assets or the Business that is, individually or in the aggregate, materially adverse to the business, assets, operation, prospects, condition (financial or otherwise) or results of operations of the Business or the Purchased Assets; provided, however, that a Material Adverse Change shall not include any change in or effect to the extent that it results indirectly or directly from (i) the loss of any customer, the cancellation or termination of any Material Business Contract with any customer of Netzee, or any potential or threatened customer loss or cancellation or termination of such Material Business Contract where such loss or threatened loss, cancellation or termination (a) has been disclosed on *Schedule 6.6(b)* or (b) was directly or indirectly caused by any communication by or on behalf of Certegy, or any of its Affiliates, to such customer or other party to such Material Business Contract; (ii) any changes in Law; or (iii) any change in generally applicable economic, business or financial market conditions.

"*Material Business Contracts*" has the meaning set forth in Subsection 6.6(a).

"*Netzee Indemnified Party*" has the meaning set forth in Subsection 10.2.

"*Netzee*" has the meaning set forth in the preamble to this Agreement.

"*Netzee Marks*" means all Marks of Netzee used in connection with the Business including those names and logos set forth on *Schedule 4.1(a)(vi)*.

"*Nondisclosure Agreement*" means the two (2) September 18, 2002 Confidentiality Agreements executed by Certegy and Netzee.

"*Operating Software*" means the processing software used by Netzee to operate and manage the Business, but excludes personal computer based software licensed to consumers and businesses to perform electronic banking and/or electronic bill payment transactions, and as more fully described in *Schedule 4.1(a)(vi)*.

"*Operative Agreements*" means, collectively; (i) the Bill of Sale and Assignment Agreement; (ii) all transfer documents described in Subsection 9.1(v); (iii) the instruments effecting the assumption by Certegy of the Assumed Liabilities as described in Subsection 9.2(v); and (iv) a mutually acceptable voting agreement among Certegy, John H. Harland Company, InterCept, Inc. and the owner of all shares of Series B 8% Convertible Preferred Stock of Netzee concerning the approval of the transactions contemplated by this Agreement and the other Operative Agreements.

"*Permitted Encumbrances*" means: (i) Encumbrances for mechanics' and materialmen's liens and workmen's, repairmen's, warehousemen's, landlord's, laborer's and carriers' liens arising in the ordinary course of business, the obligations of which are not overdue or otherwise delinquent; and (ii) Encumbrances for Taxes not yet due and payable or being contested in good faith (it being understood that all Tax Liabilities of Netzee are Excluded Liabilities).

"*Person*" means any individual, general or limited partnership, firm, corporation, limited liability company or partnership, association, trust, unincorporated organization or other entity.

"Plan" means any deferred compensation, bonus or other incentive compensation plan, program, agreement or arrangement; any severance or termination pay, medical, surgical, hospitalization, life insurance and other "welfare" plan, fund or program (within the meaning of Section 3(1) of ERISA); any profit-sharing, stock bonus or other "pension" plan, fund or program (within the meaning of Section 3(2) of ERISA); any employment, termination or severance agreement or arrangement; and any other employee benefit plan, fund, program, agreement or arrangement.

"Purchase Price" has the meaning set forth in Subsection 4.3(a).

"Purchased Assets" has the meaning set forth in Subsection 4.1(a).

"Real Property Lease" has the meaning set forth in Subsection 4.1(a)(i).

"SEC" has the meaning set forth in Subsection 8.16.

"Software" means Netzee's proprietary software and website applications used to operate the Business as more fully described in *Schedule 4.1(a)(vi)*.

"Spill" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Substance into the environment.

"Sub Statements" has the meaning set forth in Subsection 6.10.

"Subsidiary" means, with respect to any Person, any corporation, general or limited partnership, limited liability company, joint venture or other legal entity of any kind of which such Person (either alone or through or together with one or more of its other Subsidiaries) owns, directly or indirectly, more than fifty percent (50%) of the stock or other equity interests, the holders of which are: (i) generally entitled to vote for the election of the board of directors or other governing body of such legal entity; or (ii) generally entitled to share in the profits or capital of such legal entity.

"Tax" means any federal, state, county, provincial, local or foreign income, gross receipts, sales, use, ad valorem, employment, severance, transfer, gains, profits, excise, franchise, property, capital stock, premium, minimum and alternative minimum or other taxes, fees, levies, duties, assessments or charges of any kind or nature whatsoever imposed by any Governmental Authority (whether payable directly or by withholding), together with any interest, penalties (civil or criminal), additions to or additional amounts imposed by, any Governmental Authority with respect thereto.

"Tax Return" means a report, return or other information required to be supplied to a Governmental Authority with respect to any Tax.

"Termination Date" has the meaning set forth in Subsection 11.1.

"Transferred Employees" has the meaning set forth in Subsection 8.7.

Except as otherwise expressly provided in this Agreement, or unless the context otherwise requires: (i) words using the singular or plural number also include the plural or singular number, respectively, and the use of any gender herein shall be deemed to include the other genders; (ii) references in this Agreement to "Sections," "Subsections" and other subdivisions without reference to a document are to the specified Sections, Subsections and other subdivisions of this Agreement; (iii) a reference to a subsection without further reference to a Section is a reference to the subsection contained in the same Section in which the reference appears, and this rule shall also apply to other subdivisions within a Section or Subsection; and (iv) the words "include," "includes" and "including" are to be read as being followed by the phrase "without limitation." All accounting terms used in this Agreement that are not

expressly defined shall have the meanings given to them under GAAP. All references to dollars or "\$" shall mean United States dollars.

#### 4. Purchase and Sale.

##### 4.1 Purchase and Sale of Purchased Assets.

(a) *Purchase and Sale.* Subject to the terms and conditions set forth in this Agreement, at the Closing Certegy shall purchase from Netzee, and Netzee shall irrevocably sell, convey, transfer, assign and deliver to Certegy, free and clear of all Encumbrances other than Permitted Encumbrances, all right, title and interest of Netzee in and to all of Netzee's tangible and intangible rights, properties and assets of every kind, nature and description, wherever located, whether arising by contract, law or otherwise that relate to the Business except for the Excluded Assets (collectively, "Purchased Assets"), including without limitation the following assets of Netzee relating to the Business (except for the Excluded Assets): (i) all rights under the lease of real property ("Real Property Lease"), as more fully described in *Schedule 4.1(a)(i)*, as to which Netzee is the lessee ("Leased Real Property"), together with any leasehold improvements thereon, and in each case all other rights, subleases, licenses, permits and profits appurtenant or related to such lease; (ii) all tangible assets including machinery, equipment, furniture, office equipment, fixtures, computer equipment (including all hardware and software, but subject, in the case of software, to any restrictions by the vendor or licensor on the assignment thereof), facsimile machines, copying machines, communications equipment, vehicles and spare and replacement parts, as more fully described in *Schedule 6.4*; (iii) all Licenses issued to or possessed by Netzee or required for the operation of the Business or use of the Purchased Assets that are not, by Law or their terms, unassignable by Netzee to Certegy, and all rights thereunder (each, a "Business License" and, collectively, the "Business Licenses"); (iv) all of Netzee's rights in, to and under the Material Business Contracts; (v) all marketing, sales and promotional literature, market research studies, subscriber research, books, operating manuals, databases, customer and supplier lists and files, including customer lists, documents and records relating to past, present and prospective subscribers, such lists to be in both printed form and computer media; (vi) all Intellectual Property owned by Netzee and used in the Business (including the Software set forth in *Schedule 4.1(a)(vi)*), and all goodwill associated therewith, rights thereunder, remedies against infringements thereof, and rights under applicable Laws of all jurisdictions ("Assigned IP"), except that each of Netzee and its applicable Subsidiaries shall, for a period of one hundred eighty (180) days following the Closing Date, be permitted to continue to use the word "Netzee" (and its derivatives) in or as its legal corporate name to undertake

any acts or activities in connection with the liquidation and dissolution of Netzee and its Subsidiaries; (vii) all accounts, accounts receivable and notes receivable of Netzee relating to the Business, (including any collateral or security held by Netzee for the payment thereof and accrued but unpaid interest thereon); (viii) all prepaid expenses and charges paid by Netzee prior to the Closing Date and pertaining to periods after the Closing Date; (ix) all of Netzee's rights, claims, credits, causes of action or rights of set-off against third parties, including claims pursuant to all warranties, awards, advances, bonds, deposits, retentions, representations and guarantees made by suppliers, manufacturers, contractors and other third parties in connection with the Purchased Assets but not, in any event claims under the Business Insurance Policies or any Contracts not included in the Purchased Assets; (x) all claims, rights and choses in action of Netzee against any Person, whether matured or unmatured, direct or indirect, known or unknown, absolute or contingent relating to the Purchased Assets and/or the Material Business Contracts; (xi) all accepted bids, work in process and outstanding proposals; (xii) all goodwill associated with Netzee, the Business or the Purchased Assets; (xiii) the Software, in both electronic and paper form, and all rights thereunder, remedies against infringements

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thereof and rights to protection of interests therein under the applicable Laws of all jurisdictions; and (xiv) all reference materials used in connection with the Software.

(b) *Excluded Assets.* Notwithstanding anything to the contrary in this Agreement, the Purchased Assets shall not include the following assets of Netzee (collectively, the "Excluded Assets"): (i) all cash, restricted cash, cash equivalents and securities of Netzee; (ii) all bank and other depository accounts of Netzee (excluding any client trust accounts used in connection with the operation of Netzee's electronic bill payment business), and all books, records, stock books, share records, shareholder agreements, files, documents, financial records, bills, accounting, internal and audit records, operating manuals, personnel records, Tax Returns, corporate or organizational records, and minute books of Netzee and its Subsidiaries; (iii) refunds of Taxes and Tax loss carry forwards; (iv) all Business Insurance Policies or other insurance policies relating to the Business, any refunds paid or payable in connection with the cancellation or discontinuance of any insurance policies applicable to the Business, and any claims made under any such insurance policies (other than "occurrence" based claims which are subject to Subsection 8.9 hereof); (v) all rights in any assets associated with or allocated to the Benefit Plans; (vi) all rights of Netzee under this Agreement, the Purchase Price, or any agreement, certificate, instrument or other document executed and delivered by Certegy in connection with the transactions contemplated by this Agreement; and (vii) the right, for a period of one hundred eighty (180) days following the Closing, of each of Netzee and its applicable Subsidiaries to continue to use the word "Netzee" (and its derivatives) in or as its legal corporate name to undertake any acts or activities in connection with the liquidation and dissolution of Netzee and its Subsidiaries; (viii) claims under the Business Insurance Policies or any Contracts not included in the Purchased Assets; (ix) all claims, rights and choses in action of Netzee against any Person, whether matured or unmatured, direct or indirect, known or unknown, absolute or contingent that do not relate to the Purchased Assets and/or the Material Business Contracts; and (x) those assets specifically identified in Schedule 4.1(b)(x) which are needed for the dissolution and liquidation of Netzee after the Closing.

#### 4.2 Assumption of Liabilities.

(a) *Assumption.* Subject to the terms and conditions set forth in this Agreement, at the Closing Certegy shall assume from Netzee and agree to pay when due, perform and discharge in accordance with the terms thereof, the following Liabilities of Netzee existing at Closing to the extent that they relate to the Business or the Purchased Assets (collectively, the "Assumed Liabilities"): (i) all Liabilities of Netzee arising after the Closing Date under: (A) the Material Business Contracts; or (B) Contracts not required to be listed on Schedule 6.6(a) entered into by Netzee after the Effective Date of this Agreement; except to the extent those Liabilities should have been paid, performed or otherwise discharged on or prior to the Closing Date or to the extent the same arise out of any breach or default by Netzee; and (ii) all obligations to fulfill unfulfilled terms of the Client Contracts outstanding on the Closing Date. It is understood and agreed that nothing in this Subsection 4.2(a) shall constitute a waiver or release of any claims arising out of the contractual relationships between Netzee and Certegy.

(b) *Excluded Liabilities.* Except for the Assumed Liabilities specifically identified in this Agreement, Certegy shall not assume or in any way be responsible for any Liabilities of Netzee or its Affiliates relating to or arising out of the operation of the Business or the ownership of the Purchased Assets on or prior to the Closing Date (whether or not disclosed on a schedule), and Netzee shall indemnify Certegy from and against all such Liabilities. Without limiting the foregoing sentence, and notwithstanding anything in Subsection 4.2(a) to the contrary, the Assumed Liabilities shall not include, and Certegy shall not assume, any of the following Liabilities (collectively, "Excluded Liabilities") of Netzee or its Affiliates relating to or arising out of the

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operation of the Business or the ownership of the Purchased Assets on or prior to the Closing Date, including those that relate to or arise out of: (i) any of the Excluded Assets; (ii) Taxes of any nature, other than transfer Taxes as described in Subsection 8.6; (iii) any Liabilities or responsibilities relating to the employment or termination of employment by Netzee or its Affiliates of any Person attributable to any action or inaction by Netzee or its Affiliates on or prior to the Closing Date, including with respect to any Benefit Plan or arrangement of Netzee or its Affiliates, or any severance retention, stay bonus or similar obligations owed by Netzee or its Affiliates to any Person (including the Transferred Employees), subject to Subsection 8.7; (iv) any Liability of Netzee in connection with this Agreement or any Operative Agreement for legal, accounting or broker's fees, Taxes (other than as set forth in Subsection 8.6) or other transaction costs incurred by Netzee or its Affiliates in connection with this Agreement or the consummation of the transactions contemplated by this Agreement; (v) any Liability owed by Netzee to any shareholder or former shareholder of Netzee or to any Affiliate or former Affiliate of Netzee; (vi) any Liability relating to Netzee's bank accounts that accrued or relate to events that occur prior to the Closing Date; (vii) any Liabilities resulting from any Action (whether or not pending or threatened on the date hereof and whether or not disclosed on any schedule), including but not limited to any claim related to noncompliance by Netzee with any applicable Law or the failure of Netzee to comply with or the breach of or default by Netzee under any Contract; (viii) any Liabilities for indebtedness of borrowed money, letters of credit, capital leases or installment purchases; (ix) any Liabilities relating to the Business, the Purchased Assets or Netzee under any applicable Environmental Law with respect to the time period prior to the Closing Date; and (x) any other Liabilities not expressly assumed by Certegy in this Agreement.

#### 4.3 Consideration for Purchased Assets.

(a) *Consideration.* Subject to Subsection 4.3(b), the purchase price ("Purchase Price") for the Purchased Assets shall be: (i) ten million, four hundred thousand dollars (\$10,400,000.00) in cash, subject to adjustment as provided in Subsection 4.3(b) ("Cash Payment"); and (ii) the assumption by Certegy

(b) *Accounts Receivable Adjustment.* On the Closing Date, Netzee shall execute and deliver to Certegy a certificate ("Accounts Receivable Certificate") in the form attached to this Agreement as *Schedule 4.3(b)*. The Accounts Receivable Certificate shall set forth the total outstanding balance of all Accounts Receivable in existence for the Business as of the Closing Date ("Closing Date Accounts Receivable") and the name of the account debtor thereon. If the Closing Date Accounts Receivable are less than eight hundred thousand dollars (\$800,000.00), the Purchase Price shall be reduced, dollar for dollar, by the amount by which the Closing Date Accounts Receivable are less than eight hundred thousand dollars (\$800,000.00). If the Closing Date Accounts Receivable are equal to or greater than eight hundred thousand dollars (\$800,000.00) there shall be no upwards adjustment of the Purchase Price.

(c) *Allocation of Purchase Price.* The Purchase Price will be allocated by the parties in writing, through arm's-length negotiation, prior to Closing and will properly reflect the fair market value of the Purchased Assets. The allocations under this subsection will be binding on all parties for all tax purposes in connection with the purchase and sale of the Purchased Assets and will be consistently reflected by each party on its respective tax returns.

## 5. *Closing.*

5.1 *Time and Place.* The consummation of the transactions contemplated by this Agreement shall take place at a closing ("Closing") at the offices of Netzee, 6190 Powers Ferry Road, Suite 400, Atlanta, Georgia 30339, to be held on the third Business Day after satisfaction and fulfillment or, if possible, of the conditions set forth in Section 9 pursuant to the terms thereof (other than those conditions to be satisfied simultaneously at the Closing), but, in any event, on or prior to

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January 15, 2003 unless another time, date or place is mutually agreed upon in writing by Netzee and Certegy. The date of the Closing is referred to as the "Closing Date."

5.2 *Closing Deliveries of Netzee.* At the Closing, upon satisfaction or waiver of the conditions set forth in Subsection 9.2, Netzee shall deliver, or cause to be delivered, to Certegy each of the instruments, certificates and other documents set forth in Subsection 9.2.

5.3 *Closing Deliveries of Certegy.* At the Closing, upon satisfaction or waiver of the conditions set forth in Subsection 9.1, Certegy shall pay and deliver, or cause to be paid and delivered, to Netzee: (i) nine million six hundred thousand dollars (\$9,600,000.00) of the Cash Payment ("Closing Cash Payment") by wire transfer of immediately available funds to a bank account of Netzee, the instructions for which are attached as *Exhibit A*; (ii) eight hundred thousand dollars (\$800,000.00), representing the balance of the Cash Payment, ("Indemnity Escrow Amount") by wire transfer of immediately available funds to a separate, segregated account of a financial institution selected by Certegy ("Indemnity Escrow Agent"), the wire transfer instructions for which shall be set forth in an indemnity escrow agreement by and among Certegy, Netzee and the Escrow Agent in the form attached as *Exhibit B* ("Indemnity Escrow Agreement") (The Indemnity Escrow Amount shall be held and disbursed by the Indemnity Escrow Agent as provided in the Indemnity Escrow Agreement); and (iii) deliver, or cause to be delivered, to Netzee each of the instruments, certificates and other documents set forth in Subsection 9.1.

## 6. *Representations and Warranties of Netzee.* Netzee represents and warrants to Certegy that each of the following is true and correct:

6.1 *Organization.* Netzee is a corporation duly organized, validly existing, and in good standing under the Laws of the State of Georgia, with all requisite corporate authority to own, operate or lease the Purchased Assets as they are now owned, operated or leased, and to conduct the Business as presently conducted. Netzee has furnished to Certegy true and complete copies of its Articles of Incorporation and Bylaws, updated copies of each to be provided to Certegy by Netzee if amended prior to the Closing Date. *Schedule 6.1* sets forth a complete and accurate list of all of Netzee's Subsidiaries and all jurisdictions in which Netzee or its Subsidiaries are qualified as foreign corporations. Netzee is not required to so qualify in any jurisdiction other than those listed in *Schedule 6.1*, except where any failure to so qualify would have an adverse affect on Certegy or the Purchased Assets.

6.2 *Authority.* Netzee has all requisite corporate power and authority to enter into and deliver this Agreement and the Operative Agreements, to perform its obligations under this Agreement and the Operative Agreements, and, subject to obtaining the approval of Netzee's shareholders, to consummate the transactions contemplated by this Agreement and the Operative Agreements. The execution and delivery by Netzee of this Agreement and the Operative Agreements, the performance by Netzee of its obligations under this Agreement and the Operative Agreements and the consummation by Netzee of the transactions contemplated by this Agreement and the Operative Agreements have been duly authorized by the Board of Directors of Netzee in accordance with the Articles of Incorporation and Bylaws of Netzee. This Agreement has been, and the Operative Agreements shall be, duly executed and delivered by Netzee. This Agreement constitutes, and each of the Operative Agreements to which Netzee is a party when so executed and delivered will constitute, a legal, valid and binding obligation of Netzee, enforceable against it in accordance with its terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws that affect the enforcement of creditor's rights against Netzee generally or general principles of equity, whether considered in a proceeding at law or in equity.

6.3 *Required Consents.* Except for the consents specified on *Schedule 6.3*, no consent, order, authorization, approval, declaration or filing, including, without limitation, any consent, approval or

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authorization of or declaration or filing with any Governmental Authority or other Person or any party to a Material Business Contract or other Contract which will be an Assumed Liability, is required on the part of Netzee for or in connection with the execution, delivery or performance of this Agreement or the Operative Agreements or to the knowledge of Netzee, the conduct of the Business by Certegy after the Closing, or to prevent a default under any Contract. Netzee has no reason to believe that any of the required consents and approvals will not be obtained. Subject to obtaining the consents specified on *Schedule 6.3*, and except for material defaults which have been waived or which are cured or rendered moot by payment or discharge of the obligation at Closing, the execution, delivery and performance of this Agreement and the other instruments and agreements contemplated by this Agreement by Netzee will not result in any violation of, be in conflict with, or constitute a default (with or without the giving of notice and/or passage of time) under, any Articles of Incorporation, bylaw, License, Law, Contract, or Governmental Order to which Netzee is a party or by which Netzee is bound.

6.4 *Equipment and Tangible Property.* Schedule 6.4 contains a list of all equipment and tangible personal property (except for non-capitalized leased equipment) of Netzee included in the Purchased Assets with a value in excess of one thousand dollars (\$1,000.00). All such property is adequate and usable for the purpose for which it is currently used.

6.5 *Intellectual Property and Proprietary Rights.* Schedule 4.1(a)(vi) contains a complete and accurate list of all Intellectual Property owned by Netzee that is used in the Business, and all such Intellectual Property is included in the Assigned IP and the Purchased Assets. Other than as listed in Schedule 6.5 and expiration by operation of Law, there is no reasonably foreseeable or threatened expiration of any Assigned IP. Netzee has taken commercially reasonable and appropriate actions to maintain and protect against known or suspected infringements of the Assigned IP. Netzee has title to, or valid and continuing licenses to use, all Assigned IP. As of Closing, Netzee assigns all ownership in the Assigned IP to Certegy. Except as set forth in Schedule 6.5, none of the Assigned IP is subject to any Encumbrances. The Assigned IP includes all of the proprietary rights necessary to conduct the Business as currently conducted. Except as set forth in Schedule 6.5, the use of the Assigned IP in the Business does not infringe upon the proprietary rights of any Person and there are no present or, to Netzee's knowledge, threatened Actions relating to the Assigned IP by any Person. Except as set forth in Schedule 6.5, there are no pending, or to Netzee's knowledge, threatened proceedings or litigation or other adverse claims by any Person against Netzee relating to its ownership or use of any Assigned IP. Except as listed on Schedule 6.5, no Person has or is materially infringing or diluting any of Netzee's rights in or to the Assigned IP. Except as set forth on Schedule 6.5, none of the Netzee Marks included in the Purchased Assets has been abandoned, and the Netzee Marks and copyrights included in the Purchased Assets are not subject to any outstanding Governmental Order, written restriction or agreement restricting their scope of use. Each of the registered Netzee Marks and copyrights set forth in Schedule 4.1(a)(vi) were duly registered, and such registrations will remain in full force and effect as of the Closing. Except as set forth on Schedule 6.5, Netzee has not granted any license (other than such licenses and permissions for one-time or limited use granted in the ordinary course of business) to any Person to use any of the Assigned IP. Except as set forth in Schedule 6.5, no Assigned IP is subject to any transfer, assignment, or site limitations. All Assigned IP includes, to the extent applicable, the source code, system documentation, statements of principles of operation and schematics, as well as any pertinent commentary, explanation, program (including compilers), techniques, tools, and higher level or "proprietary" language used for development, maintenance, implementation and/or use, so that a trained computer programmer could develop, maintain, support, compile and use all releases or separate versions. There are no agreements or arrangements in effect with respect to the marketing, distribution, licensing or promotion of the Assigned IP by any Person other than as disclosed in Schedule 4.1(a)(vi). All employees, agents, consultants or contractors who contributed to or participated in the creation or

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development of any of the Assigned IP: (i) are a party to a "work-for-hire" agreement under which Netzee or its predecessor in interest is deemed to be the original owner/author of all property rights therein; or (ii) have executed an assignment or an agreement to assign to Netzee or its predecessor in interest all right, title and interest in such material.

#### 6.6 *Material Business Contracts.*

(a) Schedule 4.1(a)(vi) contains a complete and accurate list of all Contracts of Netzee to be assigned to, or assumed by, Certegy that relate to the Business, including all Client Contracts and Real Property Leases, (each, a "Material Business Contract" and, collectively, the "Material Business Contracts"). Other than as disclosed by Netzee in any public filings made to the SEC, Schedule 6.6(a) contains a complete and accurate list of the following Contracts that relate to the Business: (i) Real Property Leases; (ii) Contracts with respect to which Netzee has any Liability that equals or exceeds ten thousand dollars (\$10,000.00), contingent or otherwise, or which may extend for a term of greater than one (1) year after the Closing Date; (iii) Contracts with any Person which purport to restrict the business activities of Netzee, restrict the use of the Business's information or restrict the use of the Software in any location, including any covenant not to compete or any Contracts imposing exclusive dealing obligations; (iv) employment, collective bargaining, severance, stay bonuses, retention, consulting, employee benefit and similar plans and agreements; (v) agreements under which Netzee is obligated to indemnify or hold harmless, or entitled to indemnification from, any other Person, or agreements under which Netzee is obligated to pay liquidated damages; (vi) Contracts under which the amount payable by Netzee is dependent on the revenues or income or similar measure of the Business, or in which Netzee is obligated to pay royalties, commissions or similar payments to any person or entity; (vii) pledges, security agreements, sale/leaseback arrangements and equipment leases; (viii) material license and other similar arrangements where Netzee is either licensee or licensor with respect to any Proprietary Rights, the Software or any Business's databases; (ix) Contracts to which Netzee is a party relating to the borrowing of money, the capital lease or purchase on an installment basis of any asset, or the guarantee of any of the foregoing, if any of the foregoing has or could create a security interest, lien or other encumbrance on the Purchased Assets; (x) joint venture, strategic alliance, partnership or other similar agreements; (xi) any Contracts relating to the lease, license or rental of any data, information or lists, whether Netzee is the provider or consumer of such information; (xii) to the extent not already specifically listed, any other Contract or agreement material to Netzee or the Business; (xiii) the forms of Netzee's standard form service agreement and a complete and accurate list of all clients that are a party to such agreements; (xiv) all Client Contracts; and (xv) all material agreements with suppliers, vendors, manufacturers, contractors and other third parties in connection with the Business. Schedule 6.6(a) includes with respect to each Material Business Contract, the names of the parties, the date thereof (to the extent readily available to Netzee), and the title or other general description of the Agreement. Netzee has furnished Certegy with copies of all Material Business Contracts (or written summaries, in the case of Material Business Contracts that are oral) and any further information that Certegy has reasonably requested in connection therewith.

(b) Except as set forth in Schedule 6.6(b): (i) each Material Business Contract represents a valid, binding and enforceable obligation of Netzee in accordance with the respective terms thereof and, to the knowledge of Netzee, represents a valid, binding and enforceable obligation of each of the other parties thereto; (ii) there have been no amendments, modifications or supplemental arrangements to or in respect of any Material Business Contract; (iii) with respect to each Client Contract, there are no Client Contracts that materially vary from the master form or forms provided to Certegy; and (iv) there is no event

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which has occurred or an existing condition (including the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement) that constitutes or that, with notice, the happening of an event and/or the passage of time, would constitute a default or breach under any Material Business Contract by Netzee, or would cause the acceleration of any obligation of Netzee, give rise to any right of termination or cancellation by any party other than Netzee, or cause the creation of any Encumbrance on any of the Purchased Assets. To



the knowledge of Netzee there is no reason to expect that a party to a Material Business Contract will not fulfill its obligations thereunder in all material respects after the Closing.

6.7 *Business Licenses.* Netzee owns or possesses all right, title and interest in and to all Business Licenses which are necessary as of the Effective Date to conduct the Business as currently conducted. *Schedule 6.7* contains a list of all Business Licenses. All such Business Licenses are in full force and effect, and Netzee is not in material violation of the terms of any such Business License. No loss or expiration of any such Business License is pending or, to the knowledge of Netzee, threatened.

6.8 *Business Employees.*

(a) *Schedule 6.8(a)* lists all employees of Netzee who, as of the Effective Date, have employment duties primarily related to the Business, including (and designating as such) any such employee who is an inactive employee on paid or unpaid leave of absence, short-term disability or long-term disability, and indicating date and location of employment, current title, compensation, and other benefits accrued as of a recent date. To Netzee's knowledge, no employee of Netzee is obligated under any Contract, or subject to any Governmental Order, that would interfere with that employee's duties to Netzee or Certegy (if such employee is a Transferred Employee) or that would conflict or interfere with the Business.

(b) None of the Transferred Employees is or has been covered by union or collective bargaining agreements or are represented by a labor organization with respect to their employment by Netzee. There are no existing, pending or threatened strikes, work stoppages or lockouts related to the Transferred Employees. There are no union organizational campaigns in progress with respect to the Transferred Employees or any questions concerning representation with respect to such Transferred Employees. There are no unfair labor practice charges or complaints pending or threatened against Netzee with the National Labor Relations Board. Netzee complies in all material respects with all applicable Laws regarding employment and employment practices.

6.9 *Employee Benefit Plans.* No Netzee Benefit Plan is or has ever been subject to Title IV of ERISA. Netzee does not and will not have any liability under or with respect to any Benefit Plan that would (i) impose a lien on the Purchased Assets on or after the Closing Date, or (ii) affect Certegy's right, title or interest in the Purchased Assets on and after the Closing Date.

6.10 *Financial Information.* Set forth as *Schedule 6.10* are (i) the consolidated balance sheets, statements of income and statements of cash flows of Netzee and its Subsidiaries as of and for each of the years ended December 31, 2000 and December 31, 2001, as audited by Arthur Andersen LLP (collectively, the "Year-End Statements"); (ii) the unaudited consolidated statements of income of Netzee and its Subsidiaries as of and for the ten (10) month period ended October 31, 2002 ("Stub Statements"), and an unaudited consolidated balance sheet for Netzee and its Subsidiaries as of October 31, 2002 ("Balance Sheet") and together with all of the foregoing financial information, collectively, the "Financial Information". The Financial Information has been prepared from books and records maintained by Netzee consistent with past practice and in accordance with GAAP, except that: (i) footnotes have been omitted from the Stub Statements; (ii) software capitalization for the month ended October 31 2002 has not been

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recorded; and (iii) the Stub Statements are subject to normal year-end adjustments, accruals and cut-offs which, except as set forth in *Schedule 6.10*, are not material in the aggregate. Each of the Year-End Statements and the Stub Statements fairly present in all material respects the financial condition of Netzee and its consolidated Subsidiaries at the respective dates thereof and the results of operations of Netzee and its consolidated Subsidiaries for the years ended December 31, 2000 and December 31, 2001, and for the ten (10) month period ended October 31, 2002, respectively, all in accordance with GAAP as described in the Year-End Statements.

6.11 *Real Property.* The Purchased Assets do not include any owned real property. *Schedule 4.1(a)(i)* sets forth each interest in real property leased or subleased by Netzee and used in the Business. Copies of each Real Property Lease listed in *Schedule 4.1(a)(i)* have been delivered to Certegy. With respect to each such lease or sublease, Netzee is the sole tenant for the space leased or subleased and does not share with or sublet to any other Person any such space. Netzee is not in default under any such lease or sublease and has not been informed that the lessor or sublessor, as the case may be, under any of the leases or subleases has taken action or threatened to terminate the lease or sublease before the expiration date specified in the lease or sublease.

6.12 *Litigation; Governmental Orders.* Except as set forth in *Schedule 6.12*, there are no, and since January 1, 2000 there have not been any, pending or, to the knowledge of Netzee, threatened Actions (or any basis therefor) by any Person or Governmental Authority against or relating to Netzee or the Business or to which any of the Purchased Assets are subject, or against any Affiliate, director or executive officer of Netzee with respect to the Business or the Purchased Assets. Except as set forth in *Schedule 6.12*, Netzee is not subject to or bound by any Governmental Order relating to the Business or the Purchased Assets. No director, executive officer or Affiliate of Netzee is subject to or bound by any Governmental Order which relates to the affairs of the Business. Except as set forth in *Schedule 6.12*, there are no facts or circumstances that may result in the institution of any Action involving or affecting Netzee, or the transactions contemplated by this Agreement and the Operative Agreements. Except as set forth on *Schedule 6.12*, there is no Action by Netzee pending or threatened against others.

6.13 *Compliance with Laws.* Except as set forth on *Schedule 6.13*, Netzee has complied in all material respects with all applicable Laws and all Governmental Orders applicable to it and Netzee has not received any claim or notice that it is not in compliance with any such Law or Governmental Order.

6.14 *Environmental Matters.* Except as disclosed in *Schedule 6.14*: (i) the use by Netzee of the Leased Real Property, the occupancy and operation thereof, and the conduct of Netzee's operations are in compliance in all material respects with all Environmental Laws; (ii) Netzee has obtained all Licenses, kept all records and made all filings required by applicable Environmental Laws with respect to a Spill of a Hazardous Substance; (iii) Netzee has never knowingly permitted the Spill of a Hazardous Substance on the Leased Real Property nor is there, to Netzee's knowledge, a basis for any Action by any Person or Governmental Authority alleging a violation of or Liability under any Environmental Law; (iv) Netzee has not received any notice from any Governmental Authority concerning the violation or alleged violation of any Environmental Law; and (v) Netzee has not transported or arranged for the treatment, storage, or disposal of any Hazardous Substances in connection with the Business that has resulted in a Liability or is reasonably likely to lead to any Liability to Netzee under applicable Environmental Laws.

6.15 *Insurance.* Netzee maintains insurance on the Purchased Assets and the Business, covering such risks, in such amounts, with such terms and with such insurers as Netzee has determined is appropriate in light of the Business ("Business Insurance Policies"). *Schedule 6.15* contains a list and brief

by or on behalf of Netzee that provide coverage for any of the Purchased Assets or assets used in connection with the Business (in each case specifying the insurer, the amount of coverage, and the type of insurance). All premiums due under the Business Insurance Policies have been paid and Netzee is not in any material default under or in material breach of its obligations under any of the Business Insurance Policies.

6.16 *Transactions with Affiliates.* Except as set forth in *Schedule 6.16* or as reported in Netzee's filings with the SEC, no Affiliate of Netzee (a) has an outstanding loan of money from or to Netzee; (b) has any interest in any of the Purchased Assets; (c) provides any services to Netzee; (d) is a party with Netzee to any Contract which relates to the Business or the Purchased Assets; or (e) competes with the Business.

6.17 *Taxes.*

(a) Except as set forth in *Schedule 6.17(a)*, all Tax Returns required to be filed by or on behalf of Netzee have been duly filed on a timely basis. All copies of such Tax Returns that have been provided to Purchaser are true and correct. Except as set forth in *Schedule 6.17(a)*, all Taxes owed by Netzee for or with respect to any taxable period or partial taxable period of Netzee ending on or before the Closing Date have been paid or will be timely paid by Netzee prior to the Closing to the extent due. Certegy has been supplied with true and complete copies of each Tax Return of Netzee based on income filed for the last three (3) taxable years. Netzee: (i) has never been audited or received notice of initiation thereof by any governmental taxing authority for which the statute of limitations for assessment of Taxes remains open; (ii) has never extended any applicable statute of limitations regarding Taxes for which the statute of limitations for assessment of Taxes remains open; (iii) is not, contractually or otherwise, liable for the Taxes of any other Person (other than Taxes arising in the ordinary course of business); (iv) is not a "consenting corporation" under Section 341(f) of the Code; (v) has not agreed to nor is required to make any adjustment under Code Section 481(a) or 263A (in each case as a result of any examination by a taxing authority); (vi) has never made any payments, is obligated to make any payments, or is a party to any agreement or arrangement that under certain circumstances could obligate it to make any payments that may not be deductible under Section 280G of the Code; (vii) is not a party to any allocation or sharing agreement with respect to Taxes; and (viii) is a "United States person" as such term is used in Code Section 1445.

(b) No property used by Netzee is "tax-exempt use property" within the meaning of Section 168(h) of the Code. None of the Purchased Assets secures any debt the interest on which is tax-exempt under Section 103(a) of the Code.

(c) There are no security interests in any of the Purchased Assets that arose in connection with any failure (or alleged failure) to pay any Tax.

6.18 *Absence of Changes or Events.* Except as set forth in *Schedule 6.18*, Netzee has operated the Business only in the usual and ordinary course since November 1, 2002, and since November 1, 2002 there has not been: (i) any event, circumstance or condition which has had or which would reasonably be expected to have a Material Adverse Change in the Purchased Assets or the Business prior to the Closing; (ii) any damage, destruction or casualty loss, whether covered by insurance or not, which individually or in the aggregate exceeds twenty-five thousand dollars (\$25,000.00); (iii) any acquisition or sale, transfer or other disposition of assets other than in the ordinary course of business consistent with past practice or any Encumbrances placed upon any assets of Netzee; (iv) any increase in compensation of any Transferred Employees except in the usual and ordinary course of business; and (v) except as expressly contemplated by this Agreement, any entry into any agreement, commitment or transaction (including, without limitation, any borrowing or capital financing) by Netzee, which is material to the Business or operations of the

Purchased Assets, except agreements, commitments or transactions in the ordinary course of business consistent with past practices. Except as disclosed in *Schedule 6.18*, since November 1, 2002, Netzee has not taken any action that would have been prohibited under Subsection 8.1 of this Agreement had this Agreement been in effect.

6.19 *Sufficiency of Assets.* The Purchased Assets include all assets necessary for the conduct of the Business and are adequate to conduct the operations of the Business as currently conducted. The Material Business Contracts include all Contracts necessary for the conduct of the Business. Except as set forth in *Schedule 6.19*, Netzee has title to or a valid leasehold or license interest in each item of personal property used by it in the Business and included in the Purchased Assets free and clear of any Encumbrances other than Permitted Encumbrances. The consummation of the Transactions contemplated by the Agreement and the Operative Agreements will not impair the ability of Certegy to use the Purchased Assets. Without limiting the foregoing, and except as disclosed on *Schedule 6.19*, no assets used in the Business are owned by any Affiliates of Netzee. Netzee's current ownership, use and/or occupancy of the Purchased Assets does not violate any instrument, agreement, restriction or Law affecting the Purchased Assets.

6.20 *Brokers.* Except for Jeffrey P. John, CFA (whose fees shall be paid by Netzee), no finder, broker, or financial advisor has acted on behalf of Netzee in connection with the negotiation or consummation of this Agreement or the transactions contemplated herein.

6.21 *Accounts Receivable.* The accounts receivable (net of any reserves) of Netzee as reflected in the Financial Information are, and the accounts receivable (net of any reserves) of Netzee as reflected in the Accounts Receivable Certificate will be, valid and enforceable claims, subject to no set-off or counterclaim. All such accounts receivable represent monies due for services rendered or goods sold and delivered in bona fide transactions in the ordinary course of business. *Schedule 6.21* contains a complete and accurate list of all accounts receivable as of the date of the Stub Statement.

6.22 *Prepaid Subscriptions.* *Schedule 6.22* is a list, as of the date of the Stub Statement, of the outstanding prepaid subscription payments relating to the Business, the dollar amount of services to be performed, and the type of services to be performed in consideration of such prepayment, all segregated by the year for which the related subscription are to be fulfilled. Netzee shall not, between the Effective Date and the Closing Date, bill for or accept prepayment for services that represent more than twelve (12) months of prepayment from any customer or client.

6.23 *Absence of Undisclosed Liabilities.* Except as set forth in *Schedule 6.23*, Netzee has no liabilities other than: (a) the Excluded Liabilities; (b) the liabilities reflected in the Stub Statement; (c) liabilities of future performance under the Material Business Contracts and Business Licenses; (d) liabilities

that have arisen since November 1, 2002 in the ordinary course of business or otherwise in accordance with this Agreement; and (e) liabilities disclosed on the schedules to this Agreement.

6.24 *Books and Records.* Netzee has made available to Certegy the minute books of Netzee, and such minute books contain true and correct, in all material respects, records of all material corporate action taken by the shareholders and directors of Netzee.

6.25 *Bank Accounts; Lock Boxes.* With respect to any bank or lock box account used by the Business that is among the Purchased Assets, *Schedule 6.25* sets forth a true, correct and complete list showing the name and address of the banking institution at which Netzee maintains such account or lock box, the account numbers or box numbers relating thereto, and the name of each person authorized to draw thereon or to have access thereto. *Schedule 6.25* also sets forth any powers of attorney granted by or to Netzee or any other Person with respect to such accounts.

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6.26 *Projections.* The projections set forth on *Schedule 6.26* relating to the Business were prepared by Netzee in good faith and were based on assumptions Netzee believed were reasonable.

6.27 *Disclosure.* The representations, warranties and other statements of Netzee contained in this Agreement, the Operative Documents and the other documents, certificates and written statements furnished to Certegy by or on behalf of Netzee pursuant hereto or thereto, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein and therein not misleading in light of the circumstances in which they were made.

6.28 *Business Performance.* The Business has in excess of seven hundred and fifty (750) current financial institution customers (the determination of this number shall be consistent with Netzee's past counting practices) unless the failure to have such number was caused by any communication by or on behalf of Certegy, or one of its Affiliates, to such customers. For the immediately preceding twelve (12) month period, the Business shall have generated in excess of fifteen million dollars (\$15,000,000.00) in revenue, as determined in accordance with past business practice. The Business has had positive earnings before interest, taxes, depreciation and amortization during the immediately preceding twelve (12) month period, as determined in accordance with past business practice.

7. *Representations and Warranties of Certegy.* Certegy represents and warrants to Netzee that each of the following is true and correct:

7.1 *Organization.* Certegy is a corporation duly organized, validly existing and in good standing under the Laws of the State of Georgia, and has the corporate power and authority to own all its properties and assets and to carry on its business as it is conducted, or is proposed to be conducted after the consummation of the transactions contemplated by the Agreement and the Operative Agreements.

7.2 *Authority.* Certegy has all requisite corporate power and authority to enter into and deliver this Agreement and the Operative Agreements to which it is a party, to perform its obligations under this Agreement and the Operative Agreements, and to consummate the transactions contemplated by this Agreement and the Operative Agreements. The execution and delivery by Certegy of this Agreement and the Operative Agreements to which it is a party, the performance by Certegy of its obligations under this Agreement and the Operative Agreements to which it is a party, and the consummation by Certegy of the transactions contemplated by this Agreement and the Operative Agreements have been duly authorized by all necessary corporate action of Certegy. No other corporate or shareholder action on the part of Certegy is necessary to authorize the execution and delivery of this Agreement and the Operative Agreements to which Certegy is or shall be a party. This Agreement has been, and the Operative Agreements to which Certegy is a party shall be, duly executed and delivered by Certegy. This Agreement constitutes, and each of the Operative Agreements to which Certegy is a party when so executed and delivered, will constitute, a legal, valid and binding obligation of Certegy, enforceable against Certegy in accordance with its terms.

7.3 *Required Consents.* No consent, order, authorization, approval, declaration or filing, including, without limitation, any consent, approval or authorization of or declaration or filing with any Governmental Authority or other Person or other Contract, is required on the part of Certegy for or in connection with the execution, delivery or performance of this Agreement or the Operative Agreements. The execution, delivery and performance of this Agreement and the other instruments and agreements contemplated by this Agreement by Certegy will not result in any violation of, be in conflict with, or constitute a default (with or without the giving of notice and/or passage of time) under, the Articles of Incorporation or Bylaws of Certegy, or under any License,

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Law, Contract, or Governmental Order to which Certegy is a party or by which it is bound, the impact of which would adversely affect Certegy's ability to perform its obligations pursuant to this Agreement or the Operative Agreements to which it is a party.

7.4 *Brokers.* No finder, broker, or financial advisor has acted on behalf of Certegy in connection with the negotiation or consummation of this Agreement or the Operative Agreements or the transactions contemplated herein or therein.

7.5 *Litigation; Governmental Orders.* There are no pending or, to the knowledge of Certegy, threatened Actions by any Person or Governmental Authority against Certegy, or against any director or executive officer of Certegy, which would adversely affect Certegy's ability to perform its obligations pursuant to this Agreement or the Operative Agreements to which it is a party. No director or executive officer of Certegy is subject to or bound by any Governmental Order which would adversely affect Certegy's ability to perform its obligations pursuant to this Agreement or the Operative Agreements to which it is a party.

7.6 *Financial Capability.* Certegy has or will have on the Closing Date sufficient cash to pay the Purchase Price to Netzee as required by Subsection 5.3.

8. *Covenants and Agreements.*

## 8.1 *Conduct of Business.*

(a) *Required Conduct.* At all times prior to the Closing, unless Certegy shall otherwise consent in writing, Netzee shall conduct the operations of the Business in the ordinary course of business and consistent with its past practices. Without limiting the foregoing, Netzee shall: (i) use commercially reasonable efforts to maintain its corporate existence; (ii) use commercially reasonable efforts to preserve intact the Purchased Assets and the Business; (iii) use commercially reasonable efforts to retain all related Business Licenses; (iv) use commercially reasonable efforts to preserve its present relationships with customers, suppliers and others having business relations with the Business; (v) maintain the Assigned IP in a manner consistent with past practice; (vi) use commercially reasonable efforts to maintain the books, accounts and records of the Business in the ordinary course of business consistent with past practice; (vii) pay and discharge when due (including extensions) all Taxes, assessments and governmental charges imposed upon any of the Purchased Assets or the Business, or upon the income or profit therefrom (other than those contested in good faith by appropriate proceedings); (viii) comply in all material respects with all Material Business Contracts and any other obligations under Contracts to be included as an Assumed Liability, for so long as such Contracts have not expired or been terminated by any party thereto; (ix) comply in all material respects with applicable Law including, without limitation, with respect to any conduct of Netzee relating to the Transferred Employees; (x) pay all trade payables (other than those contested in good faith by appropriate proceedings) in accordance with their terms and consistent with past practice; (xi) use commercially reasonable efforts to update representatives of Certegy from time to time regarding the general status of the Business; (xii) use commercially reasonable efforts to notify Certegy of any emergency or other material change in the normal course of the operation of the Business; and (xiii) notify Certegy of any Governmental Order or third party complaints or investigations threatened or commenced against Netzee (or communications indicating that such action may be contemplated).

(b) *Prohibited Conduct.* Without limiting the generality of the foregoing, prior to the Closing, without the prior written consent of Certegy, or except as otherwise expressly permitted or required by this Agreement, Netzee shall not, nor shall it permit any of its officers, directors, employees or advisors to: (i) increase the compensation, benefits or severance arrangement of any Transferred Employee, or pay or agree to pay to any

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Transferred Employee any bonus or similar payment, except for such increases in compensation or payments made in the ordinary course of business consistent with past practice; (ii) sell, transfer, or otherwise dispose of, or agree to sell, transfer or otherwise dispose of, any material assets other than sales, transfers or disposals of, or entry into agreements to sell, transfer or otherwise dispose of assets in the ordinary course of business consistent with past practice; (iii) enter into any material agreement that would constitute an Assumed Liability, other than any agreement made in the ordinary course of business consistent with past practice; (iv) amend or terminate any Material Business Contract other than in the ordinary course of business; (v) accept prepaid subscriptions or other advance payments for Business' services, or otherwise modify its accounting and business policies with respect thereto, other than in the ordinary course of business consistent with past practice; (vi) other in the ordinary course of business, make any capital expenditures with respect to the Purchased Assets; (vii) take any other action which would materially and adversely affect or detract from the value of the Purchased Assets or the Business or would reasonably be expected to delay the Closing; (viii) except as otherwise permitted by this Agreement, disclose to any person, other than Certegy, any proprietary or confidential information related to the Business in connection with a possible acquisition of all or substantially all the assets or stock of Netzee; (ix) except for (A) borrowings under any credit facility existing as of November 18, 2002, (B) the accrual of dividends on Netzee's Series B 8% Convertible Preferred Stock or (C) trade or other debts incurred in the ordinary course of business, incur any additional indebtedness; (x) acquire any equity securities or other interest in any Person or acquire all, or substantially all, of the assets of a Person; (xi) notify any Person that such Person's actions may constitute an infringement of the Assigned IP; (xii) sell, pledge, assign, or otherwise dispose of, or impair, or grant any rights with respect to the Assigned IP; (xiii) pay or declare any dividend or distribution on its capital stock; or (xiv) agree to do any of the foregoing.

8.2 *Access and Information.* At all times prior to Closing, Netzee shall permit Certegy and its authorized agents and representatives to have reasonable access, upon reasonable notice and during normal business hours, to the Purchased Assets and all books, records and documents of or relating to the Business and the Purchased Assets, and shall furnish to Certegy such information and data, financial records and other documents in its possession relating to the Business and the Purchased Assets as Certegy may reasonably request. Netzee shall permit Certegy and its agents and representatives reasonable access to its accountants for reasonable consultation or verification of any information obtained by Certegy during the course of any investigation conducted pursuant to this Subsection 8.2. No investigation or findings of Certegy shall diminish or affect the representations and warranties of Netzee hereunder or relieve Netzee of any obligation hereunder.

8.3 *Confidentiality.* The terms of the Nondisclosure Agreements are incorporated into this Agreement by reference and shall continue in full force and effect from the date hereof until the Closing in accordance with their terms.

8.4 *Further Actions.* Subject to the terms and conditions set forth in this Agreement, Netzee and Certegy shall each act in good faith and use their respective commercially reasonable efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, and to assist and cooperate with each other in doing all things necessary, proper or advisable under applicable Laws to consummate the transactions contemplated by this Agreement. For the sake of clarity, it is understood that the use of commercially reasonable efforts by Certegy or Netzee shall not include paying any fee (other than fees to legal and accounting advisors) to obtain a third party's consent to the transactions contemplated by this Agreement. At and after the Closing, and without further consideration, Netzee shall execute and deliver to Certegy such further instruments and certificates of conveyance and transfer and take such further action as Certegy may reasonably request in

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order more effectively to convey and transfer the Purchased Assets from Netzee to Certegy, and to put Certegy in operational control of the Business.

8.5 *Publicity.* Netzee and Certegy shall cooperate with each other in the development and distribution of all news releases, other public disclosures and customer communications relating to the transactions contemplated by this Agreement. Neither Netzee nor Certegy shall issue or make, or allow to be issued or made, any press release or public announcement or customer communications concerning the transactions contemplated by this Agreement

without the consent of the other party, except as otherwise required by applicable Law, but in any event only after giving the other party a reasonable opportunity to comment on such release or announcement in advance, consistent with such applicable legal requirements.

8.6 *Transaction Costs.* Each party shall pay their own transaction costs and expenses (including any legal, accounting and other professional fees) incurred in connection with the negotiation, execution and performance of this Agreement and the consummation of the transactions contemplated by this Agreement, whether or not those transactions are consummated. Notwithstanding the immediately preceding sentence, Certegy shall pay any and all transfer Taxes (including sales, use, recording and real and personal property transfer Taxes) and the fees and costs of recording or filing all applicable conveyance instruments associated with the transfer of the Purchased Assets from Netzee to Certegy at Closing. Netzee and Certegy shall cooperate in the preparation, execution and filing of all Tax Returns regarding any transfer Taxes which become payable as a result of the transfer of the Purchased Assets from Netzee to Certegy pursuant to this Agreement or shall cooperate to seek an available exemption from such Taxes.

8.7 *Employees and Employee Benefit Matters.* Prior to Closing, Certegy shall offer, or cause to be offered, employment, to all individuals listed on Schedule 8.7 who are then Business Employees (such listed employees, the "Identified Employees"), with such employment to be effective as of and subject to the Closing. Certegy will offer such Identified Employees employment at the wage rates or base salary and bonus levels that are reasonably comparable, but not necessarily the same, as those paid by Netzee as of the Closing, and on such other terms and conditions (including benefit plan coverages) that Certegy makes available to its employees generally. The Identified Employees who accept Certegy's offer of employment are referred to collectively as the "Transferred Employees." Certegy shall have no liability or obligation to any employee of Netzee or its Affiliates except as expressly set forth in this subsection. Except as expressly provided in this subsection, this Agreement does not restrict the right of Certegy to review and change its employment policies, terms and benefits at any time or from time to time, or to terminate any employee, including any Transferred Employee.

8.8 *Retention of and Access to Records.* Until Netzee is dissolved in accordance with Law, Netzee shall preserve all books and records of Netzee that may relate to the Business but are not transferred by Netzee to Certegy pursuant to this Agreement. Upon the effective date of such dissolution, Netzee shall provide Certegy a reasonable opportunity to obtain copies, at Certegy's sole expense, of any of such books and records, after which time Netzee shall have no further obligation under this Agreement to preserve such books and records. In addition to the foregoing, from and after the Closing until the effective date of Netzee's dissolution, Netzee shall afford Certegy and its counsel, accountants and other authorized agents and representatives, during normal business hours, reasonable access to the books, records and other data relating to the Purchased Assets, the Assumed Liabilities, the Transferred Employees and the Excluded Liabilities in its possession with respect to periods prior to the Closing, and the right to make copies and extracts therefrom, to the extent that such access may be reasonably required by the requesting party: (a) to facilitate the investigation, litigation and final disposition of any claims which may have been or may be made against any such party or Person, or its Affiliates, and (b) for the preparation of Tax Returns and audits.

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8.9 *Insurance.* Effective 11:59 p.m. (Eastern Standard Time) on the Closing Date, the Business shall cease to be insured by Netzee or its Affiliates' insurance policies; provided, however, that with respect to insurance coverage written on an "occurrence basis", to the extent that the Business was insured under such policies, Certegy shall, with respect to the Business, have rights under such policies to the extent the events giving rise as a claim under such policies occurred prior to 12:00 midnight (Eastern standard time) on the Closing Date. Netzee agrees to cooperate with Certegy in making claims under Netzee's insurance policies in connection with insurable events that occurred prior to 12:00 midnight (Eastern Standard Time) on the Closing Date, and shall remit any associated recoveries promptly to Certegy. Subject to Section 10 regarding indemnification, with respect to events or circumstances covered by insurance coverage written on an "occurrence basis," Netzee and its Affiliates will have no liability for occurrences that take place on and after 12:00 midnight (Eastern Standard Time) on the day following the Closing Date. With respect to events or circumstances covered by insurance coverage written on a "claims made basis," Netzee and its Affiliates will have no liability for claims made after 11:59 p.m. on the Closing Date.

8.10 *Exclusivity.* From the Effective Date until the Closing, Netzee will not (and shall cause its agents and Affiliates not to), directly or indirectly: (a) sell or agree to sell, or solicit any proposal from, or initiate or engage in discussions or negotiations with, any Person or group of Persons other than Certegy and its Affiliates and representatives, concerning any proposal to acquire, directly or indirectly, and through an asset or stock acquisition, merger or other structure, all or substantially all of the assets of Netzee or the Business; (b) provide confidential information concerning the Business or the Purchased Assets to any such person or group for use in the evaluation of a potential acquisition of any of the Purchased Assets; or (c) otherwise cooperate in any way with, assist, participate in, facilitate or encourage, any effort or attempt by any other Person to do or seek any of the foregoing. Netzee will promptly provide Certegy written notice of Netzee's receipt of any proposal described in subpart (a) above.

8.11 *Covenant Not to Compete.* For a period of five (5) years after the Closing Date Netzee covenants and agrees that it will not directly or indirectly (including by licensing or other partial right transfers): (i) induce or influence any Person to terminate a relationship with Certegy or one of its Affiliates; or (ii) engage or participate in, acquire, manage, operate, control or participate in the management, operation or control of, either alone or jointly with any corporation, partnership, joint venture or other business organization or Person that: (a) provides any service that competes with the products and services currently offered by the Business; or (b) solicits to hire or hires any Transferred Employee or other person employed by Certegy, or any of its Affiliates, subsequent to Closing. The parties agree that the restrictive covenants contained in this subsection are reasonable under the circumstances and further agree that these covenants should be interpreted so as to be effective and valid under applicable Law. If any one or more of the provisions contained in this subsection shall be held excessively broad as to duration, geographical scope, activity or subject, such provision shall be construed by limiting or reducing it so as to be enforceable to the maximum extent compatible with applicable Law. For purposes of this subsection, the terms "Netzee" and "Certegy" shall include their respective successors and assigns.

8.12 *Equitable Remedies.* Netzee and Certegy each acknowledge that any breach or threatened breach of the provisions of either of Subsections 8.10 or 8.11 will cause irreparable injury for which an adequate monetary remedy does not exist. Accordingly, in the event of any such breach or threatened breach, Certegy or Netzee, as applicable, shall be entitled, in addition to the exercise of other remedies, to seek and (subject to court approval) obtain injunctive relief, without necessity of posting a bond restraining the applicable party from committing such breach or threatened breach.

8.13 *Intellectual Property.* If Netzee or any Person owned or controlled by it, owns or shall at any time acquire any Assigned IP, such party shall promptly cause such Assigned IP to be

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immediately transferred to Certegy. Such party shall transfer that property for no additional consideration and through the execution and delivery of such instruments and documents as Certegy reasonably requests.

8.14 *Endorsement of Checks.* Following the Closing, Netzee authorizes Certegy to endorse for deposit in its name, and collect for Certegy's account, any checks received in payment of any accounts included in the Purchased Assets, and any refunds of deposits, prepaid expenses and similar amounts included in the Purchased Assets. In the event any payments due Certegy are received by Netzee, Netzee will promptly turn same over to Certegy.

#### 8.15 *Meeting of Shareholders.*

(a) *Proxy Statement.* As soon as practicable following the execution of this Agreement, Netzee shall prepare and file with the Securities and Exchange Commission ("SEC") a proxy statement in preliminary form relating to the Shareholders' Meeting (as defined in Subsection 8.15(b)) (such proxy statement as amended or supplemented from time to time being hereinafter referred to as the "Proxy Statement"). Netzee shall use best efforts to respond to all SEC comments with respect to the Proxy Statement and to have the Proxy Statement cleared by the SEC as promptly as practicable and to cause the definitive Proxy Statement to be mailed to Netzee's shareholders at the earliest practicable date. Netzee shall notify Certegy of the receipt of any comments of the SEC with respect to the Proxy Statement and of any requests by the SEC for any amendment or supplement thereto or for additional information and shall provide to Certegy promptly copies of all correspondence between Netzee or any representative of Netzee and the SEC with respect thereto. Netzee shall give Certegy and its counsel the opportunity to review the Proxy Statement, including all amendments and supplements thereto, prior to its being filed with the SEC and shall give Certegy and its counsel the opportunity to review all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Netzee shall use its reasonable best efforts, after consultation with Certegy, to respond promptly to all such comments of and requests by the SEC.

(b) *Meeting of Shareholders.* As soon as practicable following the execution of this Agreement, Netzee will take all action necessary in accordance with applicable Law and its Articles of Incorporation and Bylaws to: (i) hold a meeting of its shareholders ("Shareholders' Meeting") to be held as soon as reasonably practicable after the execution of this Agreement to consider adoption and approval of: (A) this Agreement; (B) approval of the transactions contemplated hereby and thereby; and (C) a plan of liquidation and dissolution as set forth in *Schedule 8.15(b)*; (ii) seek to cause the Board of Directors of Netzee to recommend, in accordance with applicable Law, that the shareholders of Netzee approve and adopt this Agreement and the transactions contemplated hereby; (iii) include the recommendation of the Board of Directors in the Proxy Statement; and (iv) use its reasonable best efforts to obtain such approval and adoption by the shareholders.

#### 8.16 *Filings; Other Actions.*

(a) Subject to applicable Laws relating to the exchange of information, Certegy and Netzee shall have the right to review in advance, and to the extent practicable each will consult the other on, all the information relating to Certegy or Netzee, as the case may be, that appear in any filing made with, or written materials submitted to, any third party and/or any Governmental Authority in connection with the transactions contemplated by this Agreement or the other Operative Agreements. In exercising the foregoing right, each of Netzee and Certegy shall act reasonably and as promptly as practicable.

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(b) Netzee and Certegy each shall, upon request by the other, furnish the other with all information concerning itself, its Subsidiaries, directors, officers and shareholders and such other matters as may be reasonably necessary or advisable in connection with the Proxy Statement, or any other statement, filing, notice or application made by or on behalf of Certegy, Netzee or any of their respective Subsidiaries to any third party and/or any Governmental Authority in connection with the transactions contemplated by this Agreement or the other Operative Agreements.

8.17 *Use of Proceeds.* Netzee shall distribute the Closing Cash Payment, which shall be deposited at Closing as provided in Section 5.3(i) and in the manner provided on *Schedule 8.15(b)*.

### 9. *Conditions to Closing.*

9.1 *Conditions to Obligations of Certegy.* The obligations of Certegy to consummate the transactions contemplated by this Agreement and the Operative Agreements are subject to the satisfaction or fulfillment at or prior to Closing of the following conditions, any of which may be waived in whole or in part by Certegy in writing: (i) all representations and warranties of Netzee contained in this Agreement or the Operative Agreements being true and correct in all material respects at and as of the Closing; (ii) Netzee performing and complying in all material respects with all the covenants, obligations and agreements required by this Agreement to be performed or complied with at or prior to the Closing, except that representations and warranties that are confined to a specific date shall speak only as of such date; (iii) no Material Adverse Change having occurred, and no event having occurred that could reasonably be expected to result in a Material Adverse Change; (iv) receipt of any requisite governmental or regulatory approval (or written waiver thereof), and there being no Law or injunction making illegal or otherwise prohibiting or restraining the consummation of the transactions contemplated by this Agreement or the Operative Agreements; (v) Netzee executing and delivering to Certegy such bills of sale, leases, assignments and other instruments of transfer as Certegy may reasonably require to transfer title to the Purchased Assets, free and clear of all Encumbrances other than Permitted Encumbrances; (vi) Netzee delivering to Certegy an officer's certificate in a form mutually agreeable to the parties, duly executed by an authorized officer of Netzee, that certifies that the conditions set forth in Subsections 9.1(i) and 9.1(ii) are fully satisfied as of Closing; (vii) Netzee delivering to Certegy a secretary's or assistant secretary's certificate, duly executed by such authorized officer, with corporate and authority documents attached as exhibits to each certificate; (viii) Certegy having received a fully executed Bill of Sale and Assignment from Netzee in a form mutually acceptable to the parties; (ix) the receipt by Certegy of an opinion from Netzee's legal counsel, dated the date of Closing, covering such matters as are reasonable and customary for similar transactions and in a form mutually acceptable to the parties; (x) the waivers, consents and approvals set forth on *Schedule 6.3* shall have been obtained and delivered, each on terms reasonably satisfactory to Certegy; (xi) Certegy receiving releases of the Encumbrances on the Purchased Assets, other than Permitted Encumbrances, all in a form reasonably satisfactory to Certegy; (xii) the applicable landlords having executed consents, in a form reasonably acceptable to Certegy, to the assignment of the Real Property Leases identified on *Schedule 4.1(a)(vi)* from Netzee to Certegy or its designate; (xiii) Intercept, Inc. executing an agreement to market, promote and otherwise distribute the electronic banking and related services offered by Certegy and its Affiliates, in a form mutually acceptable to the parties; (xiv) Netzee having received the requisite shareholder approval of: (A) this Agreement; (B) the transactions contemplated by this Agreement and the Operative Agreements; and (C) a plan of liquidation and dissolution as set forth on *Schedule 8.16(b)*; (xv) Certegy having received general releases in a form reasonably acceptable to the parties from: (A) those executive officers of Netzee who are also shareholders of Netzee; (B) InterCept, Inc.; (C) John H. Harland Company; and (D) the holder of all shares of Netzee's Series B Convertible Preferred Stock; (xvi) Certegy receiving the Accounts Receivable

Certificate as referred to and defined in Subsection 4.3(b); (xvii) all actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement, and all other legal matters required for such transactions, shall have been reasonably satisfactory to Certegy prior to Closing; (xviii) the assignment by Netzee of the Client Contracts to Certegy coupled with receipt of the requisite consent from all clients who have the ability to object to such assignment; (xix) the execution of the Indemnity Escrow Agreement, in a form reasonably acceptable to Certegy, by all parties thereto; (xx) Netzee's reasonable efforts to obtain, at Certegy's expense, a Supplemental Extended Reporting Period clause in its existing Errors and Omissions/Professional Liability insurance policy; (xxi) Netzee's reasonable efforts to obtain, at Certegy's expense, the addition of Certegy and its Affiliates as "additional insureds" on all Business Insurance Policies for all claims arising out of events that occurred in advance of Closing; (xxii) the assignment (or termination) by John H. Harland Company to Certegy or one of its Affiliates, on substantially the same terms, of the equipment leases identified in *Schedule 6.19* combined with advance written consent to such assignment by Dell Computer Corporation; and (xxiii) Certegy's receipt of written acknowledgements, in a form substantially the same as the form previously provided to Certegy, from Bruce Gall, John H. Harland Company and Intercept, Inc. of the satisfaction of all conditions to their consents described in Schedule 6.3.

**9.2 Conditions to Obligations of Netzee.** The obligations of Netzee to consummate the transactions contemplated by this Agreement and the Operative Agreements are subject to the satisfaction or fulfillment at or prior to the Closing of the following conditions, any of which may be waived in whole or in part by Netzee in writing: (i) all representations and warranties of Certegy contained in this Agreement or the Operative Agreements being true and correct in all material respects at and as of the Closing; (ii) Certegy performing and complying in all material respects with all covenants and agreements required by this Agreement to be performed or complied with at or prior to the Closing; (iii) there being no Law or injunction issued by a court of competent jurisdiction making illegal or otherwise prohibiting or restraining the consummation of the transactions contemplated by this Agreement; (iv) Certegy having paid Netzee the Cash Payment by wire transfer of immediately available funds to an account designated in writing by Netzee at least one (1) Business Day prior to the Closing Date; (v) Certegy having executed and delivered to Netzee instruments of assumption, in a form mutually acceptable to both parties and reasonably required to effect such assumption, pursuant to which Certegy shall assume the Assumed Liabilities, together with such other certificates, instruments and agreements as may be reasonably required in order to effect such assumption; (vi) Certegy delivering to Netzee an officer's certificate, duly executed by an authorized officer of Certegy, that certifies that the conditions set forth in Subsections 9.2(i) and 9.2(ii) are fully satisfied; (vii) Netzee having received an opinion from Certegy's legal counsel in a form mutually acceptable to the parties; (viii) Certegy delivering to Netzee a secretary's or assistant secretary's certificate, duly executed by such authorized officer, with corporate and authority documents attached as exhibits to each certificate; (ix) Netzee having received the requisite shareholder approval of: (A) this Agreement; (B) the transactions contemplated by this Agreement and the Operative Agreements; and (C) a plan of liquidation and dissolution as set forth on *Schedule 8.16(b)*; (x) receipt of any requisite governmental or regulatory approval (or written waiver thereof), and there being no Law or injunction making illegal or otherwise prohibiting or restraining the consummation of the transactions contemplated by this Agreement or the Operative Agreements; (xi) all actions, proceedings, instruments and documents required to carry out the transactions contemplated by this Agreement, and all other legal matters required for such transactions, shall have been reasonably satisfactory to counsel for Netzee prior to Closing; and (xii) the execution of the Indemnity Escrow Agreement, in a form reasonably acceptable to Netzee, by all parties thereto.

## 10. Indemnification.

**10.1 Survival.** The representations, warranties and covenants contained in this Agreement and in any certificate delivered pursuant to this Agreement shall survive the Closing and any investigation made by Certegy or Netzee for a period of one hundred eighty (180) days following the Closing Date. No action for a breach or inaccuracy of the representations and warranties made or deemed made in this Agreement or in any certificate delivered pursuant to this Agreement shall be brought more than one hundred eighty (180) days following the Closing Date, except for: (i) claims of which the indemnifying party has been notified by the claiming party within such one hundred eighty (180) day period; and (ii) claims for material breaches of representations and warranties of Netzee which, to the knowledge of Netzee, were inaccurate at the Closing and which were not then disclosed in writing to Certegy, which claims shall survive until the expiration of the applicable statute of limitations. It is understood that a claim may be made prior to such time as the exact amount thereof shall have been determined.

**10.2 Indemnification by Certegy.** Certegy shall indemnify and hold Netzee and its Affiliates, officers, directors, employees, attorneys, agents, representatives, successors and assigns (each, a "Netzee Indemnified Party") harmless from and against all claims, losses, damages, liabilities, obligations, payments, penalties, costs and expenses of any nature (including, without limitation, the costs and expenses of any and all actions, suits, proceedings, assessments, judgments, settlements, compromises, fines and interest relating thereto and reasonable attorneys' fees and reasonable disbursements in connection therewith) (collectively, "Losses") arising out of or relating to: (i) any inaccuracy or breach by Certegy of a representation, warranty, covenant or agreement of Certegy contained in this Agreement, an Operative Agreement or in any certificate delivered pursuant to this Agreement; (ii) any Liability or obligation to brokers retained by for or on behalf of Certegy or its Affiliates in connection with the transactions contemplated by this Agreement; (iii) the Assumed Liabilities to the extent the indemnified claim arose out of actions that occurred after the Closing; and (iv) the ownership or operation of the Purchased Assets or the Business after the Closing Date in all respects other than the Excluded Liabilities.

**10.3 Indemnification by Netzee.** Netzee shall indemnify and hold Certegy and its Affiliates, officers, directors, employees, attorneys, agents, representatives, successors and assigns (each, a "Certegy Indemnified Party") harmless against all Losses arising out of or related to: (i) any inaccuracy or breach by Netzee of a representation, warranty, covenant or agreement of Netzee contained in this Agreement, an Operative Agreement or in any certificate delivered pursuant to this Agreement; (ii) any Liability or obligation to brokers retained by for or on behalf of Netzee or its Affiliates in connection with the transactions contemplated by this Agreement; (iii) the Excluded Liabilities (regardless of whether information relating such Excluded Liabilities is set forth on a schedule); (iv) the ownership or operation of the Purchased Assets or the Business prior the Closing Date in all respects other than the Assumed Liabilities; (v) any voluntary or involuntary bankruptcy or insolvency proceeding of which Netzee is the subject; (vi) any third party challenges to the transactions contemplated by this Agreement or the Operative Agreements as being part of a fraudulent conveyance; and (vii) the Closing Date Accounts Receivable being less than eight hundred thousand dollars (\$800,000.00).

**10.4 Claims.** A party entitled to indemnification under this Agreement with respect to any claim ("Indemnified Party") will give the party required to provide such indemnification ("Indemnifying Party") prompt written notice of any legal proceeding, claim or demand (in each case, a "Claim") with respect to which the Indemnified Party is entitled to indemnification. The Indemnifying Party shall have the right, by giving notice to the Indemnified

the Indemnified Party represented by counsel, reasonably satisfactory to the Indemnified Party and selected by the Indemnifying Party; provided, that the Indemnified Party may participate in any proceeding with counsel of its choice and at its expense; provided further, that Certegy, at any time when it believes in good faith that any Claim with respect to which Netzee is defending, is having a Material Adverse Change on the assets, affairs, condition (financial or otherwise) or prospects of Certegy, or upon the Business or the Purchased Assets, or could adversely affect or detract from the value of the Purchased Assets or the Business, may assume the defense and settlement of such Claim in good faith, with counsel of its choice, at its expense; and provided further, that the Indemnifying Party may not enter into a settlement of any Claim without the consent of the Indemnified Party unless such settlement requires no more than a monetary payment for which the Indemnified Party is fully indemnified. The parties will cooperate fully with each other in connection with the defense, negotiation and/or settlement of each Claim.

10.5 *Limitations.* Absent fraud, the cumulative indemnification obligation of either party with respect to any Losses or Claims shall not exceed the Indemnity Escrow Amount. In the absence of fraud, and except for non-monetary equitable relief, if the Closing occurs, indemnification pursuant to the provisions of this Section 10 shall be the sole and exclusive remedy of the parties for any breach of any representation or warranty contained in this Agreement.

10.6 *Treatment of Indemnity Benefits.* All payments made by Netzee or Certegy, as the case may be, to or for the benefit of the other party pursuant to any indemnification obligations under this Agreement shall be treated as adjustments to the Purchase Price for Tax purposes and such agreed treatment shall govern for purposes of this Agreement.

## 11. *Termination.*

11.1 *Termination.* This Agreement and the transactions contemplated by this Agreement may be terminated at any time prior to the Closing: (i) by the mutual written consent of Netzee and Certegy; (ii) by either Netzee or Certegy if the Closing has not occurred on or prior to 5:00 p.m., Eastern Standard Time, on January 15, 2003 ("Termination Date"); provided, however, that the right to terminate this Agreement under this Subsection 11.1(ii) shall not be available to a party whose action or inaction has resulted in a willful and material breach of this Agreement; (iii) by either Netzee or Certegy if any Governmental Authority issues a final and non-appealable Governmental Order restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement; provided, the party seeking to so terminate has exercised commercially reasonable efforts to oppose any such Governmental Order or to have the Governmental Order vacated or made inapplicable to the transactions contemplated by this Agreement; (iv) by Certegy, if Netzee materially breaches any representation, warranty, covenant or other agreement to be performed by it contained in this Agreement or an Operative Agreement, and such breach is incapable of being cured or is not cured within ten (10) days after Netzee's receipt of written notice from Certegy; (v) by Netzee, if Certegy materially breaches any representation, warranty, covenant or other agreement contained in this Agreement or an Operative Agreement, and such breach is incapable of being cured or is not cured within ten (10) days after Certegy's receipt of written notice from Netzee; (vi) by Certegy or Netzee if shareholder approval of the matters specified in Subsection 8.15(b) shall not have been obtained at the Shareholders Meeting; (vii) by Certegy if the satisfaction of any condition to the obligations of Certegy set forth in Subsection 9.1 becomes impossible; or (viii) by Netzee if the satisfaction of any condition to the obligations of Netzee set forth in Subsection 9.2 becomes impossible.

11.2 *Procedure and Effect of Termination.* If either party terminates this Agreement pursuant to Subsection 11.1, this Agreement, other than the obligations of the parties under Subsections 8.3 (Confidentiality), 8.5 (Publicity), 8.6 (Transaction Costs), Subsection 11.2 (Procedure and Effect of Termination), and Section 12 (Miscellaneous) (each of which shall survive termination), shall

forthwith become void and have no effect, without any liability on the part of any terminating party or its officers, directors or shareholders. In the event of termination of this Agreement pursuant to Subsection 11.1, written notice of the termination must be given by the terminating party at least three (3) Business Days prior to the date of termination. If this Agreement is properly terminated, all filings, applications and other submissions made pursuant to this Agreement, to the extent practicable, shall be withdrawn from the agency or other person to which they were made.

## 12. *Miscellaneous.*

12.1 *Assignment.* This Agreement shall be binding upon and inure solely to the benefit of each party and their respective successors and assigns, provided that neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned or delegated by Netzee or Certegy without the prior written consent of the other party, and any purported assignment or delegation shall be null and void except that, without Netzee's consent, Certegy may assign this Agreement to a wholly-owned Subsidiary of Certegy Inc.

12.2 *Governing Law.* This Agreement will be governed by and construed and interpreted in accordance with the substantive Laws of the State of Georgia, without giving effect to any choice of law or conflicts of Law provision or rule that would cause the application of the Laws of a jurisdiction other than Georgia. The prevailing party in any action arising out of this Agreement shall be entitled to the recovery of its reasonable attorney's fees, costs and expenses. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION ARISING, DIRECTLY OR INDIRECTLY, OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OPERATIVE AGREEMENTS. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANOTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THIS WAIVER. EACH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, AND MAKES IT VOLUNTARILY.



12.3 *Waiver*. No party shall be deemed to have waived any of its rights under this Agreement without agreeing to do so in writing. No waiver of a breach of this Agreement shall constitute a waiver of any prior or subsequent breach of this Agreement. No delay on the part of any party in exercising any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise or the exercise of any other right, power or privilege. Whenever this Agreement requires or permits consent by or on behalf of a party, that consent must be given in writing in a manner consistent with the requirements for a waiver as set forth in this subsection.

12.4 *Force Majeure*. No party shall be liable for any loss or damage due to causes beyond its control, including earthquake, war, fire, flood, power failure, terrorist acts, acts of God or other catastrophes.

12.5 *Headings; Construction*. The headings that appear in this Agreement are inserted for convenience only and shall not limit or extend its scope. Each of the agreements and covenants contained in this Agreement are in addition to any other similar agreement or covenant contained in any other document entered into in connection with this Agreement, and do not limit the applicability of such other agreement or covenant.

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12.6 *Entire Agreement*. This Agreement, together with the Nondisclosure Agreements, constitutes the entire understanding of the parties with respect to its subject matter, and all prior agreements, understandings and representations relating to the subject matter of this Agreement are canceled in their entirety. The exhibits, schedules and Operative Agreements are incorporated by reference into and made a part of this Agreement for all purposes.

12.7 *Neutral Construction*. The parties agree that this Agreement was negotiated fairly between them at arms' length and that the final terms of this Agreement are the product of the parties' negotiations. Each party represents and warrants that it has sought and received legal counsel of its own choosing with regard to the contents of this Agreement and the rights and obligations affected hereby. This Agreement shall be construed equally against the parties regardless of who is more responsible for its preparation.

12.8 *Severability*. If there is a conflict between any part of this Agreement and any present or future Law, this Agreement shall be curtailed only to the extent necessary to bring it within the requirements of that Law, and the remainder of this Agreement shall remain in full force and effect.

12.9 *Notices*. All notices, requests, demands, claims and other communications that are required or may be given pursuant to this Agreement must be in writing and delivered personally (with written receipt) by hand delivery, a reputable overnight courier, by facsimile or by registered or certified mail, return receipt requested, postage prepaid, to the parties at the following addresses (or to the attention of such other Person or at such other address as any party may provide to the other party by notice in accordance with this subsection):

if to Certegy, to:

Certegy E-Banking Services, Inc.  
Attention: Law Department  
11601 Roosevelt Boulevard  
St. Petersburg, Florida 33717-2202  
Facsimile: (727) 556-9196

with a copy (which shall not constitute notice) to:

Kilpatrick Stockton L.L.P.  
1100 Peachtree Street, Suite 2800  
Atlanta, Georgia 30309  
Attention: Greg Cinnamon

if to Netzee, to:

Netzee, Inc.  
Attention: Donny R. Jackson, Chief Executive Officer  
6190 Powers Ferry Road  
Powers Ferry Landing East, Suite 400  
Atlanta, Georgia 30339  
Facsimile: (770) 850-0400

with a copy (which shall not constitute notice) to:

Sutherland Asbill & Brennan LLP  
999 Peachtree Street, N.E., Suite 2300  
Atlanta, Georgia 30309  
Attention: Mark D. Kaufman  
Facsimile: (404) 853-8806

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Any such notice or communications shall be deemed to have been given (i) on the date of delivery, if by hand delivery, (ii) as of the next business day after the date actually sent via overnight courier, (iii) five days after it is mailed, or (iv) upon the sender's telephonic confirmation of receipt by the recipient if sent via facsimile.

12.10 *Time is of the Essence*. Time is of the essence with respect to the obligations of the parties under this Agreement.

12.11 *No Third Party Beneficiary*. This Agreement is made for the sole benefit of the parties and their respective successors, executors and permitted assigns, and nothing contained in this Agreement, express or implied, is intended to or shall confer any third-party beneficiary right or any other legal or equitable rights, benefits or remedies of any nature whatsoever upon any Person who is not a party (except to the extent that any Affiliates of Netzee or Certegy are expressly identified in this Agreement).

12.12 *Counterparts*. This Agreement may be executed in one or more counterparts for the convenience of the parties, including by facsimile, each of which shall be deemed an original and all of which together will constitute one and the same instrument.

12.13 *Amendment*. This Agreement may only be modified by written agreement of the parties.

12.14 *No Successor Liability*. It is expressly understood that the parties intend that Certegy shall not be considered a successor to Netzee or any of its Affiliates by reason of any theory of law or equity, and that Certegy shall have no Liability except as otherwise provided in this Agreement for any obligation or liability of Netzee or any of its Affiliates.

12.15 *Specific Performance*. The parties acknowledge that the rights of each party to consummate the transactions contemplated hereby are special, unique, and of extraordinary character, and that, in the event either party either violates or fails or refuses to perform any covenant herein, the other party will be without adequate remedy at law. Therefore, in the event that any party violates, fails or refuses to perform any covenant or agreement made by it herein, the other parties, so long as they are not in breach hereof, may, in addition to the remedies at law, institute and prosecute an action in a court of competent jurisdiction to enforce specific performance of such covenant or agreement or seek any other equitable relief.

[Signature page follows.]

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

**DOWN ACQUISITION CORPORATION**

By: /s/ JERRY HINES

\_\_\_\_\_  
Jerry Hines  
President

**NETZEE, INC.**

By: /s/ DONNY R. JACKSON

\_\_\_\_\_  
Donny R. Jackson  
Chief Executive Officer

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**Exhibit A  
Netzee Wire Instructions**

Wire funds to:

Bank of America  
Atlanta, Georgia  
Netzee, Inc. Master Account  
ABA #061000052  
Acct #003268116953

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QuickLinks

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## CERTEGY INC. SUBSIDIARIES AS OF JANUARY 31, 2003

AGES Participações S.A.  
Aircrown Ltd.  
Card Brazil Holdings, Inc.  
Card Brazil LLC  
Central Credit Services, Ltd.  
Certege Asia Pacific Holdings, Inc.  
Certege Asset Management, Inc.  
Certege Australia PLC  
Certege Canada, Inc.  
Certege Capital, Inc.  
Certege Card Services Australia Pty Ltd.  
Certege Card Services, Inc.  
Certege Card Services Ltd.  
Certege Card Services S.A.  
Certege Check Services, Inc.  
Certege E-Banking Services, Inc.  
Certege Europe LLC  
Certege First Bankcard Systems, Inc.  
Certege Global Card Services, Inc.  
Certege Ireland Limited  
Certege Licensing Services, Inc.  
Certege New Zealand Ltd.  
Certege Payment Recovery Services, Inc.  
Certege Payment Services, Inc.  
Certege Ltd.  
Certege Ltda.  
Certege Pty Ltd.  
Certege S.A.  
Certege SNC  
Certege Transaction Services, Inc.  
Credit Union Card Services, Inc.  
Down Acquisition Corporation  
Equifax (Cayman Islands) Limited  
Financial Institution Benefits Association  
Financial Insurance Marketing Group, Inc.  
Retail Credit Management Ltd.  
Partech Ltda.  
Payment Brasil Holdings Ltda.  
Payment Chile S.A.  
Payment South America Holdings, Inc.  
Payment South America LLC  
Transax France PLC  
Transax PLC  
Viv plc

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**CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS**

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-64462 and No. 333-63342) of our report dated January 24, 2003, with respect to the consolidated financial statements of Certegy Inc. incorporated by reference and included in the Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ Ernst & Young LLP

Atlanta, Georgia  
February 7, 2003

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**NOTICE REGARDING CONSENT OF ARTHUR ANDERSEN LLP**

Section 11(a) of the Securities Act of 1933, as amended (the "Securities Act"), provides that if any part of a registration statement at the time such part becomes effective contains an untrue statement of a material fact or an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may sue, among others, every accountant who has consented to be named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report or valuation which purports to have been prepared or certified by the accountant.

This Annual Report on Form 10-K is incorporated by reference into Registration Statement File Nos. 333-64462 and 333-63342 on Form S-8 (collectively, the "Registration Statements") of Certegy Inc. ("Certegy") and, for purposes of determining any liability under the Securities Act, is deemed to be a new registration statement for each Registration Statement into which it is incorporated by reference.

As recommended by Certegy's Audit Committee, Certegy's Board of Directors on April 4, 2002 decided to dismiss Arthur Andersen LLP ("Andersen") as Certegy's independent accountants. See Certegy's Current Report on Form 8-K filed April 5, 2002 for more information. After reasonable efforts, Certegy has been unable to obtain Andersen's written consent to the incorporation by reference into the Registration Statements of its audit reports with respect to Certegy's financial statements as of and for the fiscal years ended December 31, 2001 and 2000.

Under these circumstances, Rule 437a under the Securities Act permits Certegy to file this Form 10-K without a written consent from Andersen. However, as a result, with respect to transactions in Certegy securities pursuant to the Registration Statements that occur subsequent to the date this Annual Report on Form 10-K is filed with the Securities and Exchange Commission, Andersen will not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Andersen under Section 11(a) of the Securities Act because it has not consented to the incorporation by reference of its previously issued reports into the Registration Statements. To the extent provided in Section 11(b)(3)(C) of the Securities Act, however, other persons who are liable under Section 11(a) of the Securities Act, including Certegy's officers and directors, may still rely on Andersen's original audit reports as being made by an expert for purposes of establishing a due diligence defense under Section 11(b) of the Securities Act.

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**

The undersigned certifies, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report on Form 10-K of Certegy Inc. (the "Company") for the year ended December 31, 2002 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2003

/s/ LEE A. KENNEDY

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Lee A. Kennedy  
*Chairman, President, and Chief Executive Officer*

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350**

The undersigned certifies, pursuant to 18 U.S.C. Section 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report on Form 10-K of Certegy Inc. (the "Company") for the year ended December 31, 2002 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 7, 2003

/s/ MICHAEL T. VOLLKOMMER

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Michael T. Vollkommer  
*Corporate Vice President and Chief Financial Officer*

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The following Non-GAAP Consolidated Statements of Income for the Years Ended December 31, 2001 and 2000 are presented for informational purposes.

**CERTEGY INC.**  
**NON-GAAP CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**  
**UNAUDITED**  
**(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)**

	Non-GAAP Adjustments			
	GAAP	Spin-off(1)	SFAS 142(2)	Non-GAAP
Revenues	\$ 935,971	\$ —	\$ —	\$ 935,971
Operating expenses:				
Costs of services	686,588	2,350	(8,560)	680,378
Selling, general and administrative expenses	97,964	900	—	98,864
	784,552	3,250	(8,560)	779,242
Operating income	151,419	(3,250)	8,560	156,729
Other income, net	78	—	—	78
Interest expense	(7,200)	(8,413)	—	(15,613)
Income before income taxes and minority interests	144,297	(11,663)	8,560	141,194
(Provision) benefit for income taxes	(56,276)	4,549	(1,309)	(53,036)
Minority interests in earnings, net of tax	(945)	—	—	(945)
Net income	\$ 87,076	\$ (7,114)	\$ 7,251	\$ 87,213
Basic:				
Earnings per share	\$ 1.27			\$ 1.28
Average shares outstanding	68,317			68,317
Diluted:				
Earnings per share	\$ 1.26			\$ 1.26
Average shares outstanding	69,063			69,063

A reconciliation of GAAP operating income of the Company's reportable segments to non-GAAP operating income for the year-ended December 31, 2001 is as follows:

	Non-GAAP Adjustments			
	GAAP	Spin-off(1)	SFAS 142(2)	Non-GAAP
Operating income:				
Card Services	\$ 119,767	\$ —	\$ 7,637	\$ 127,404
Check Services	43,502	—	923	44,425
	163,269	—	8,560	171,829
General corporate expense	(11,850)	(3,250)	—	(15,100)
	\$ 151,419	\$ (3,250)	\$ 8,560	\$ 156,729

- (1) Spin-off adjustments include: a) additional operating expenses of \$3.2 million, which specifically relate to incremental pension expense, insurance costs, corporate headquarters rent, and stand-alone public company costs for audit, director, and stock exchange fees; b) interest on the \$275 million of debt used to fund a cash payment to Equifax in conjunction with the spin-off, at an annual rate of LIBOR plus 100 basis points (5.76 percent for the six months ended June 30, 2001), plus amortization of financing costs over the three-year term of the debt; and c) the income tax benefit resulting from the non-GAAP adjustments using the Company's effective tax rate for the period.
- (2) Non-GAAP adjustment to exclude goodwill amortization expense in accordance with SFAS 142, "Goodwill and Other Intangible Assets," as if the standard had been effective on January 1, 2001.

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Non-GAAP Adjustments



	GAAP	Spin-off(1)	SFAS 142(2)	Non-GAAP
Revenues	\$ 865,907	\$ —	\$ —	\$ 865,907
Operating expenses:				
Costs of services	623,096	4,700	(8,022)	619,774
Selling, general and administrative expenses	95,652	1,800	—	97,452
	<u>718,748</u>	<u>6,500</u>	<u>(8,022)</u>	<u>717,226</u>
Operating income	147,159	(6,500)	8,022	148,681
Other income, net	1,309	—	—	1,309
Interest expense	(1,301)	(21,735)	—	(23,036)
Income before income taxes and minority interests	147,167	(28,235)	8,022	126,954
(Provision) benefit for income taxes	(57,609)	11,040	(1,259)	(47,828)
Minority interests in earnings, net of tax	(1,096)	—	—	(1,096)
Net income	<u>\$ 88,462</u>	<u>\$ (17,195)</u>	<u>\$ 6,763</u>	<u>\$ 78,030</u>
Basic:				
Earnings per share	\$ 1.32			\$ 1.16
Average shares outstanding	67,200			67,200
Diluted:				
Earnings per share	\$ 1.30			\$ 1.15
Average shares outstanding	67,933			67,933

A reconciliation of GAAP operating income of the Company's reportable segments to non-GAAP operating income for the year-ended December 31, 2000 is as follows:

	GAAP	Non-GAAP Adjustments		
		Spin-off(1)	SFAS 142(2)	Non-GAAP
Operating income:				
Card Services	\$ 110,757	\$ —	\$ 7,090	\$ 117,847
Check Services	44,205	—	932	45,137
	<u>154,962</u>	<u>—</u>	<u>8,022</u>	<u>162,984</u>
General corporate expense	(7,803)	(6,500)	—	(14,303)
	<u>\$ 147,159</u>	<u>\$ (6,500)</u>	<u>\$ 8,022</u>	<u>\$ 148,681</u>

- (1) Spin-off adjustments include: a) additional operating expenses of \$6.5 million, which specifically relate to incremental pension expense, insurance costs, corporate headquarters rent, and stand-alone public company costs for audit, director, and stock exchange fees; b) interest on the \$275 million of debt used to fund a cash payment to Equifax in conjunction with the spin-off, at an annual rate of LIBOR plus 100 basis points (7.54 percent for the year ended December 31, 2000), plus amortization of financing costs over the three-year term of the debt; and c) the income tax benefit resulting from the non-GAAP adjustments using the Company's effective tax rate for the period.
- (2) Non-GAAP adjustment to exclude goodwill amortization expense in accordance with SFAS 142, "Goodwill and Other Intangible Assets," as if the standard had been effective on January 1, 2000.