ALLIANCE DATA SYSTEMS CORP
Form DEFM14A
July 05, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

ALLIANCE DATA SYSTEMS CORPORATION

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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o No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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  (3) Filing Party:

(4) Date Filed:

ALLIANCE DATA SYSTEMS CORPORATION
17655 Waterview Parkway
Dallas, Texas 75252
972-348-5100

July 5, 2007

To Our Stockholders:

We cordially invite you to attend the special meeting of stockholders of Alliance Data Systems Corporation, a Delaware corporation (the Company), at our corporate headquarters, 17655 Waterview Parkway, Dallas, Texas 75252 on August 8, 2007 at 10:00 a.m. (local time).

At the special meeting, we will ask you to consider and vote upon a proposal to adopt the Agreement and Plan of Merger (the Merger Agreement), dated as of May 17, 2007, among the Company, Aladdin Holdco, Inc., a Delaware corporation (Parent), and Aladdin Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (Merger Sub). Under the terms of the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company continuing as the surviving corporation (the Merger). Parent and Merger Sub were formed by private equity funds sponsored by The Blackstone Group solely for the purpose of entering into the Merger Agreement and consummating the Merger and other transactions contemplated thereby. If the Company s stockholders adopt the Merger Agreement and the Merger is completed, you will be entitled to receive $81.75 in cash, without interest and less any applicable withholding taxes, for each share of Company common stock you own at the time of the Merger (unless you are entitled to and have properly exercised your appraisal rights under Delaware law with respect to the Merger).

After careful consideration, the Company s board of directors by unanimous vote has determined that the Merger Agreement is advisable and in the best interests of the Company and its stockholders. **Accordingly, the Company s board of directors unanimously recommends that you vote FOR the adoption of the Merger Agreement.** The board s recommendation is based, in part, upon the unanimous recommendation of a special committee of the board of directors consisting of seven independent and disinterested directors. The board of directors established the special committee for the purpose of determining which, if any, strategic alternatives the Company should pursue and, in the event that a strategic alternative was to be pursued, to, among other things, determine whether such strategic alternative is fair to and in the best interests of the Company and its stockholders and make an appropriate recommendation to the board.

The accompanying proxy statement provides you with detailed information about the special meeting, the background of and reasons for the proposed Merger, the terms of the Merger Agreement and other important information. Please give this material your careful attention.

Your vote is very important regardless of the number of shares you own. The Merger cannot be completed unless holders of a majority of the outstanding shares entitled to vote at the special meeting of stockholders vote for the adoption of the Merger Agreement. We would like you to attend the special meeting. However, whether or not you plan to attend the special meeting, it is important that your shares be represented. Accordingly, please submit your proxy at your earliest convenience by following the instructions on your proxy card as soon as possible.

If you hold shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee. If you do not vote or instruct your broker or nominee how to vote, it will have the same effect as a vote AGAINST the adoption of the Merger Agreement. If you complete, sign and submit your proxy card without

indicating how you wish to vote, your proxy will be counted as a vote in favor of adoption of the Merger Agreement and approval of any adjournment of the special meeting. Remember, failing to vote has the same effect as a vote AGAINST the adoption of the Merger Agreement.

If you have questions or need assistance voting your shares, please call Innisfree M&A Incorporated, our proxy solicitation agent, toll free at (888) 750-5834.

Thank you for your continued support and we look forward to seeing you on August 8, 2007.

Sincerely,

J. Michael Parks
Chairman and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved of the Merger, passed upon the merits or fairness of the Merger or passed upon the adequacy or accuracy of the disclosure in the enclosed documents. Any representation to the contrary is a criminal offense.

The proxy statement is dated July 5, 2007, and is first being mailed to stockholders on or about July 9, 2007.

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ALLIANCE DATA SYSTEMS CORPORATION
17655 Waterview Parkway
Dallas, Texas 75252
972-348-5100

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON AUGUST 8, 2007

July 5, 2007

To the Stockholders of Alliance Data Systems Corporation:

A special meeting of the stockholders of Alliance Data Systems Corporation, a Delaware corporation (the Company), will be held at our corporate headquarters, 17655 Waterview Parkway, Dallas, Texas 75252 on August 8, 2007 at 10:00 a.m. (local time), for the following purposes:

(1) to consider and vote upon a proposal to adopt the Agreement and Plan of Merger (the Merger Agreement), dated as of May 17, 2007, among the Company, Aladdin Holdco, Inc., a Delaware corporation (Parent), and Aladdin Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (Merger Sub), as it may be amended from time to time; and

(2) if necessary or appropriate, to consider and vote upon a proposal to adjourn the special meeting to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the Merger Agreement.

In accordance with the Company s bylaws, the board of directors has fixed 5:00 p.m. Central Daylight Time on July 2, 2007 as the record date for the purposes of determining stockholders entitled to notice of and to vote at the special meeting and at any adjournment thereof. A list of the Company s stockholders will be available at our principal executive offices at 17655 Waterview Parkway, Dallas, Texas 75252, during ordinary business hours for at least ten days prior to the special meeting and at the special meeting. All stockholders of record are cordially invited to attend the special meeting in person.

The adoption of the Merger Agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of the Company s common stock. **Whether or not you plan to attend the special meeting, we urge you to vote your shares as promptly as possible prior to the special meeting to ensure that your shares will be represented at the special meeting if you are unable to attend. Accordingly, please submit your proxy at your earliest convenience in one of the following ways:**

using the toll-free number shown on your proxy card;

using the Internet website shown on your proxy card; or

completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope.

If you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be voted in favor of the adoption of the Merger Agreement. If you fail to return a valid proxy card and do not vote in person at the special meeting, your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and, if a quorum is present, it will have the same effect as a vote AGAINST the adoption of the Merger Agreement. Any stockholder attending the special meeting may vote in person, even if he or

she has returned a proxy card; such vote by ballot will revoke any proxy previously submitted. However, if you hold your shares through a bank or broker or other custodian, you must provide a legal proxy issued from such custodian in order to vote your shares in person at the special meeting.

If you plan to attend the special meeting, please note that space limitations make it necessary to limit attendance to stockholders. Each stockholder may be asked to present valid picture identification, such as a driver s license or passport. Stockholders holding stock in brokerage accounts (street name holders) will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras (including cellular telephones with photographic capabilities), recording devices and other electronic devices will not be permitted at the special meeting. The special meeting will begin promptly at 10:00 a.m. (local time).

Stockholders who do not vote in favor of the adoption of the Merger Agreement will have the right to seek appraisal of the fair value of their shares if the Merger is completed, but only if they submit a written objection to the Merger to the Company before the vote is taken on the Merger Agreement and they comply with all applicable requirements of Delaware law, which are summarized in the accompanying proxy statement. We urge you to read the entire proxy statement carefully.

PLEASE DO NOT SEND YOUR STOCK CERTIFICATES AT THIS TIME. IF THE MERGER IS COMPLETED, YOU WILL BE SENT INSTRUCTIONS REGARDING THE SURRENDER OF YOUR STOCK CERTIFICATES.

By Order of the Board of Directors

Alan M. Utay
Corporate Secretary
Dallas, Texas

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In this proxy statement, the terms Company, Alliance Data, we, our, ours, and us refer to Alliance Data Syste
Corporation, unless the context otherwise requires.

SUMMARY

This summary highlights selected information from the proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement and its annexes. The Agreement and Plan of Merger, dated as of May 17, 2007 (the Merger Agreement), among Alliance Data Systems Corporation (Alliance Data or the Company), Aladdin Holdco, Inc., a Delaware corporation (Parent), and Aladdin Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent (Merger Sub), is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement because it is the legal document that governs the parties agreement pursuant to which Merger Sub will be merged with and into the Company (the Merger). Each item in this summary includes a page reference directing you to a more complete description of that item.

The Parties to the Merger

(See The Parties to the Merger beginning on page 22)

The Company is a leading provider of marketing, loyalty and transaction services, managing over 120 million consumer relationships for some of North America s most recognizable companies. Using transaction-rich data, the Company creates and manages customized solutions that change consumer behavior and enable its clients to create and enhance customer loyalty to build stronger, mutually beneficial relationships with their customers. Parent and Merger Sub were formed solely for the purpose of effecting the Merger and the transactions contemplated by the Merger Agreement, and neither Parent nor Merger Sub has engaged in any business except in furtherance of these purposes. Parent is owned by an affiliate of The Blackstone Group, and Merger Sub is a wholly owned subsidiary of Parent. The Blackstone Group, a global investment and advisory fund, has been a leader in the field of private equity investing since 1987, managing over $32.4 billion through its Blackstone Capital Partners I, II, III, IV, and V and Blackstone Communications Partners funds.

The Merger

(See The Merger Effects of the Merger beginning on page 57 and The Merger Agreement The Merger beginning on page 73)

If the Merger Agreement is adopted by our stockholders and the other conditions to closing are satisfied, Merger Sub will merge with and into the Company. When the Merger becomes effective (the Effective Time), the separate corporate existence of Merger Sub will cease, and the Company will continue as the surviving corporation with the name Alliance Data Systems Corporation. The surviving corporation will be a wholly owned subsidiary of Parent, owned indirectly by affiliates of The Blackstone Group and its co-investors (if any). Following completion of the Merger, the Company s common stock will be delisted from the New York Stock Exchange (the NYSE) and will no longer be publicly traded. The surviving corporation will be a privately held corporation, and you will cease to have any ownership interest in the surviving corporation or any rights as a stockholder therein.

Merger Consideration

(See The Merger Effects of the Merger Effect on Common Stock

At the Effective Time, each outstanding share of Company common stock (other than shares held by (a) stockholders who do not vote in favor of the adoption of the Merger Agreement and who are entitled to and properly demand appraisal rights in accordance with Delaware law (if

and Other Equity-Based Awards beginning on page 58 and The Merger Agreement Consideration to be Received in the Merger beginning on page 73)	any), (b) Parent or Merger Sub or held in the Company s treasury, which will be cancelled and extinguished immediately prior to the Effective Time and (c) any Company subsidiary or subsidiary of Parent (other than Merger Sub), which will be converted into shares of the surviving corporation) will be

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converted into the right to receive $81.75 in cash, without interest and less any applicable withholding taxes (the Merger Consideration).

Treatment of Options and Restricted Shares

(See The Merger Effects of the Merger Effect on Common Stock and Other Equity-Based Awards beginning on page 58, The Merger Interests of the Company s Directors and Executive Officers in the Merger Treatment of Options, Restricted Stock, Restricted Stock Units and Other Equity Based Awards beginning on page 60 and The Merger Agreement Company Options and Stock-Based Awards beginning on page 73)

At the Effective Time, unless otherwise agreed between Parent and the holder thereof, each option to acquire Company common stock issued under the Company s equity incentive plans (each a Company Option) outstanding immediately prior to the Effective Time will be converted into the right to receive an amount in cash equal to the product of (a) the total number of shares of Company common stock subject to such Company Option and (b) the excess, if any, of $81.75 over the exercise price per share of Company common stock subject to such Company Option, rounded down to the nearest cent.

At the Effective Time, unless otherwise agreed between Parent and the holder thereof, each share of restricted stock granted under the Company s incentive plans (the Company Restricted Stock) outstanding immediately prior to the Effective Time will become fully vested without restrictions thereon and will be converted into the right to receive an amount in cash equal to the product of (a) the number of shares of Company Restricted Stock and (b) $81.75.

Treatment of Restricted Stock Units

(See The Merger Effects of the Merger Effect on Common Stock and Other Equity-Based Awards beginning on page 58, The Merger Interests of the Company s Directors and Executive Officers in the Merger Treatment of Options, Restricted Stock, Restricted Stock Units and Other Equity Based Awards beginning on page 60 and The Merger Agreement Company Options and Stock-Based Awards beginning on page 73)

At the Effective Time, each award of annual performance based restricted stock units outstanding immediately prior to the Effective Time will become contingently vested with respect to the number of restricted stock units that would have vested in the ordinary course (without regard to time-based vesting) based upon the Company s performance for the applicable performance period through the Effective Time. If the holder of such contingently vested restricted stock unit is employed by the Company or any Company subsidiary on February 1, 2008, then such holder will receive a lump sum cash payment equal to the product of (a) the total number of restricted stock units subject to such award and (b) $81.75.

At the Effective Time, the performance criteria applicable to each award of retention restricted stock units will be deemed to have been satisfied in full, and the restricted stock units subject to the award of retention restricted stock units will become fully vested, if the holder satisfies the time-based vesting criteria thereof (with the applicable vesting dates deemed to be February 21 of each of 2008, 2009 and 2010), and upon vesting of such restricted stock units the Company will distribute to each holder a lump sum cash payment, together with 8% interest thereon from the Effective Time, equal to the product of (a) the total number of retention restricted stock units subject to such award and (b) $81.75.

At the Effective Time, all restricted stock units other than retention restricted stock units and annual performance based restricted stock units will fully vest (to the extent not already vested) and will be automatically converted into the right to receive, promptly following the Effective Time, an amount in cash equal to the product of (a) the total number of such

restricted stock units and (b) $81.75.

Treatment of Other Equity Based Awards

(See The Merger Effects of the Merger Effect on Common Stock and Other Equity-Based Awards beginning on page 58 and The Merger Agreement Company Options and Stock-Based Awards beginning on page 73)

At the Effective Time, any other Company common stock-based awards will become fully vested and will automatically be converted into the right to receive a cash payment equal to the product of (a) the total number of shares of Company common stock subject to such award and (b) $81.75.

The Special Meeting of Stockholders

(See Questions and Answers About the Special Meeting and the Merger beginning on page 15 and The Special Meeting of Stockholders beginning on page 23)

Place, Date and Time. The special meeting of stockholders will be held at the Company s corporate headquarters, 17655 Waterview Parkway, Dallas, Texas 75252 on August 8, 2007 at 10:00 a.m. (local time).

Purpose. You will be asked to consider and vote upon (a) a proposal to adopt the Merger Agreement, pursuant to which Merger Sub will merge with and into the Company, and (b) if necessary or appropriate, a proposal to adjourn the special meeting to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the Merger Agreement.

Record Date and Quorum. You are entitled to vote at the special meeting if you owned shares of Company common stock as of 5:00 p.m. Central Daylight Time on July 2, 2007, the record date for the special meeting. As of the record date there were 78,695,695 shares of Company common stock outstanding and entitled to vote, held by approximately 107 holders of record. The presence in person or by proxy of a majority of the issued and outstanding shares of Company common stock at the special meeting constitutes a quorum for the purpose of considering the proposals.

Vote Required For Adoption of the Merger Agreement. The adoption of the Merger Agreement requires the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of Company common stock. **The failure to vote has the same effect as a vote AGAINST the adoption of the Merger Agreement.**

Vote Required For Adjournment. If a quorum exists, holders of a majority of the shares of Company common stock present in person or represented by proxy at the special meeting may adjourn the special meeting.

Who Can Vote at the Special Meeting. At the special meeting, you may vote all of the shares of Company common stock you owned of record as of the record date. You may vote any shares you hold of record in person at the special meeting, even if you have returned a proxy card, and your vote by ballot will revoke any proxy previously submitted. If you hold your shares through a bank or broker or other custodian, you must provide a legal proxy issued from such custodian in order to vote your shares in

person at the special meeting.

Procedure for Voting. You may vote your shares by attending the special meeting and voting in person or you may submit a proxy in one of the following ways:

using the toll-free number shown on your proxy card;

using the Internet website shown on your proxy card; or

completing, signing, dating and returning the enclosed proxy card in the postage-paid envelope.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must advise Innisfree M&A Incorporated (Innisfree), the Company s proxy solicitor, in writing, that you are revoking your proxy and deliver a new proxy dated after the date of the earlier proxy being revoked, or submit a later-dated proxy by telephone or the Internet at or before the special meeting, before your shares of Company common stock have been voted at the special meeting, or attend the special meeting and vote your shares in person. Merely attending the special meeting without voting will not constitute a revocation of your earlier proxy.

If your shares are held in street name by your broker, please follow the directions provided by your broker in order to instruct your broker as to how to vote your shares. **If you do not instruct your broker to vote your shares, it will have the same effect as a vote AGAINST the adoption of the Merger Agreement**.

Timing and Likelihood of Closing

(See The Merger Agreement Closing Conditions beginning on page 80)

We are working toward completing the Merger as quickly as possible, and we anticipate that it will be completed by year-end, assuming the satisfaction or waiver of all of the conditions to the Merger. However, because the Merger is subject to certain conditions, including adoption of the Merger Agreement by our stockholders, receipt of certain banking and other regulatory approvals and the conclusion of the marketing period, the exact timing of the completion of the Merger and the likelihood of the consummation thereof cannot be predicted. If any of the conditions in the Merger Agreement are not satisfied or waived, including the conditions described below under The Merger Agreement Closing Conditions, the Merger Agreement may be terminated and the Merger will not be completed.

Please see The Merger Agreement Marketing Period; Efforts to Obtain Financing beginning on page 79 for an explanation of the term marketing period.

Determinations and Recommendations of the Special Committee

(See The Merger Reasons for the Merger; Recommendation of the Merger The Special Committee beginning on page 34)

On April 13, 2007, our board of directors established a special committee composed of seven independent and disinterested directors for the purpose of determining which, if any, strategic alternatives the Company should pursue and, in the event that a strategic alternative was to be pursued, to:

- determine whether such strategic alternative is fair to and in the best interests of the Company and its stockholders;
- recommend to the board of directors (a) whether the board should approve such strategic alternative (including documents setting forth the terms thereof), (b) whether the board should recommend such strategic alternative to the Company s stockholders and (c) whether the Company should consummate such strategic alternative;
- discuss and negotiate with any party and its representatives and advisors the terms of such strategic alternative;
- negotiate any and all definitive agreements with respect to such strategic alternative;
- review and comment upon any and all documents and other instruments used in connection with such strategic alternative, including any and all materials to be filed with the Securities and Exchange Commission (the SEC) and other governmental and non-governmental persons and entities; and
- authorize the issuance of press releases and other public statements as the special committee considers appropriate regarding such strategic alternative or consideration thereof.

Members of the special committee received no compensation for their service as members of the special committee other than (a) the compensation normally provided to directors for attendance of board meetings in accordance with the Company s remuneration policies and (b) reimbursement for reasonable out-of-pocket costs and expenses incurred in connection with service on the special committee.

The special committee unanimously (a) determined that it is fair to and in the best interests of the holders of Company common stock to consummate the transactions contemplated by the Merger Agreement, (b) determined that the Merger and the Merger Agreement should be approved and declared advisable by the board of directors and (c) determined that the board of directors should recommend that the holders of Company common stock approve the Merger and the Merger Agreement.

Determinations and Recommendations of the Board of Directors

Our board of directors, by unanimous vote, after considering various factors, including the unanimous recommendation of the special

(See The Merger Reasons for the Merger; Recommendation of the Merger The Board of Directors beginning on page 37)	committee, has (a) declared the Merger Agreement and the transactions contemplated thereby advisable and in the best interests of the Company and its stockholders, (b) approved the Merger Agreement, the Merger and all other transactions contemplated thereby and (c) directed that the adoption of the Merger Agreement

be submitted to a vote at a meeting of the stockholders of the Company with the recommendation of the board of directors that the stockholders of the Company adopt the Merger Agreement and approve the Merger.

Our board of directors recommends that the Company s stockholders vote FOR the adoption of the Merger Agreement and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Interests of the Company s Directors and Executive Officers in the Merger

(See The Merger Interests of the Company s Directors and Executive Officers in the Merger beginning on page 60)

In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of our stockholders generally. These interests include the treatment of shares (including restricted shares), options and restricted stock units held by, as well as indemnification and insurance arrangements with, directors and executive officers and change in control severance benefits that may become payable to certain executive officers if the Merger is consummated. In addition, some of our executive officers could enter into employment or other agreements with the surviving corporation. The special committee and the board of directors were aware of these interests and considered them, among other matters, in making their determinations regarding the Merger Agreement and the Merger.

Share Ownership of the Company s Directors and Executive Officers

See Security Ownership by Certain Beneficial Owners and Management beginning on page 90)

As of July 2, 2007, the record date, the Company s directors and executive officers held and were entitled to vote, in the aggregate, shares of Company common stock representing approximately 3.8% of the outstanding shares of Company common stock. The directors and executive officers have informed the Company that they currently intend to vote all of their respective shares of Company common stock FOR the adoption of the Merger Agreement and FOR the adjournment proposal, if necessary or appropriate.

Opinions of Financial Advisors

(See The Merger Opinions of Financial Advisors beginning on page 38, Annex B, Annex C and Annex D)

Banc of America Securities LLC (Banc of America Securities), Lehman Brothers Inc. (Lehman Brothers) and Evercore Group L.L.C. (Evercore) were engaged to act as financial advisors to the special committee in connection with the evaluation of the proposed Merger and potential alternatives.

Banc of America Securities and Lehman Brothers delivered to the special committee of the board of directors and the board of directors of the Company separate written opinions, each dated May 17, 2007, to the effect that, as of the date of the opinions and based on and subject to various assumptions and limitations described in each of the opinions, the consideration to be received in the Merger by holders of Company common stock was fair, from a financial point of view, to such holders. The full text of the written opinions, which describe, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, are attached as Annex B and C,

respectively, to this proxy statement. Holders of the Company common stock are encouraged to read the opinions carefully in their entirety. **Banc of America Securities and Lehman Brothers**

respective opinions were provided to the special committee of the board of directors and the board of directors of the Company in connection with their respective evaluation of the consideration provided for in the Merger from a financial point of view. The opinions of Banc of America Securities and Lehman Brothers do not address any other aspect of the Merger and do not constitute a recommendation as to how any stockholder should vote or act in connection with the Merger.

On May 17, 2007, at a meeting of the board of directors of the Company held to evaluate the Merger, Evercore rendered to the special committee and the board of directors of the Company an oral opinion, which was confirmed by delivery of a written opinion dated the same date, to the effect that, as of such date and based upon and subject to various assumptions and limitations described in its opinion, the consideration to be received in the proposed Merger by holders of Company common stock was fair, from a financial point of view, to such holders of Company common stock. The full text of Evercore s written opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached as Annex D to this proxy statement. We urge you to read the opinion in its entirety.

Financing

(See The Merger Financing of the Merger beginning on page 65 and The Merger Agreement Marketing Period; Efforts to Obtain Financing beginning on page 79)

The Merger is not conditioned upon the receipt of financing by Parent. The Company and Parent estimate that the total amount of funds necessary to consummate the Merger and related transactions will be approximately $7.9 billion. Parent and Merger Sub have obtained equity and debt financing commitments (together, the Commitments), the proceeds of which, together with the available cash of the Company, will be sufficient to consummate the Merger on the terms contemplated by the Merger Agreement, effect any other repayment or refinancing of debt contemplated by the Merger Agreement and pay all related fees and expenses of the transactions contemplated by the Merger Agreement or the Commitments.

Parent has received an equity commitment letter from Blackstone Capital Partners V L.P. (BCP V) pursuant to which BCP V agreed, subject to the terms and conditions set forth therein, to purchase or cause the purchase of the equity of Parent for an aggregate cash purchase price of approximately $1.8 billion solely for the purpose of allowing Parent to fund, and to the extent necessary to fund, a portion of the aggregate Merger Consideration and related expenses.

In connection with the execution and delivery of the Merger Agreement, Merger Sub has obtained commitments to provide up to $6.6 billion in aggregate debt financing, consisting of (a) senior secured credit facilities in an aggregate principal amount of $4.4 billion, (b) a senior unsecured bridge loan facility in an aggregate principal amount of up to $1.8 billion, and (c) a senior subordinated unsecured bridge loan facility in an aggregate principal amount of up to $410 million to finance, in part, the

payment of the Merger Consideration, the repayment or refinancing of certain

of our debt outstanding on the closing date of the Merger and the payment of fees and expenses in connection with the Merger, refinancing, financing and related transactions and, after the closing date of the Merger, to provide for ongoing working capital and general corporate purposes.

Merger Sub has agreed to use its commercially reasonable efforts to arrange the debt financing on the terms and conditions described in the debt financing commitments. If any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the Debt Commitment Letter (as defined below under The Merger Financing of the Merger Debt Financing), Merger Sub has agreed to use its reasonable best efforts to obtain alternative financing from alternative sources.

Under the Merger Agreement, the Debt Commitment Letter may be amended or superseded to replace or add lenders and arrangers, except that the Debt Commitment Letter may not be amended or superseded in a manner that would (a) expand or adversely amend the conditions to the debt financing set forth in the Debt Commitment Letter, (b) reasonably be expected to delay or prevent the closing of the Merger, (c) reduce the aggregate amount of debt financing set forth in the Debt Commitment Letter (unless replaced with new equity financing) or (d) adversely impact the ability of Parent or Merger Sub to enforce their rights against the other parties to the Debt Commitment Letter.

The Company has agreed, upon request by Parent, to use its reasonable best efforts to commence offers to purchase and consent solicitations with respect to all of the outstanding aggregate amount and all other amounts due of its 6.00% Senior Notes, Series A, due May 16, 2009 and 6.14% Senior Notes, Series B, due May 16, 2011.

Regulatory Approvals

(See The Merger Regulatory Approvals beginning on page 69)

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules promulgated thereunder by the Federal Trade Commission (the FTC), the Merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (the DOJ) and the applicable waiting period has expired or been terminated. The Company and Parent filed their respective notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ on June 1, 2007 and early termination of the applicable waiting period was granted on June 11, 2007. See The Merger Regulatory Approvals beginning on page 69.

Under the Competition Act (Canada) (the Canadian Competition Act), the Merger is subject to review by the Canadian Commissioner of Competition (the Commissioner), who may (a) challenge the Merger, if she concludes that the Merger is likely to lessen or prevent competition substantially, (b) issue a no action letter relating to the Merger or (c) issue an advance ruling certificate (ARC) regarding the Merger. The Company filed a request for an

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ARC with the Commissioner on June 1, 2007 and received an ARC on June 7, 2007.

Under the German Act against Restraints of Competition, as amended (the German Competition Act), the Merger may not be completed until a notification has been filed with the German Federal Cartel Office (the FCO) and the FCO has approved the transaction or the applicable waiting period has expired. A notification was filed under the German Competition Act with the FCO on June 14, 2007. The waiting period under the German Competition Act will expire on July 14, 2007.

Under the Change in Bank Control Act and its implementing regulations, no person, whether acting directly or indirectly or through or in concert with one or more other persons, may acquire control of a depository institution insured by the Federal Deposit Insurance Corporation (the FDIC) unless the appropriate Federal banking agency has been given 60 days prior written notice and has not disapproved the acquisition. The 60-day notice period begins to run when the agency deems the notice filing to be complete. The agency may extend the notice period for an additional 30 days. Similarly, Utah law requires the filing of an application with the Utah Department of Financial Institutions (the UDFI) prior to a change in control with respect to a Utah chartered financial institution. Parent filed the required notices with the Office of the Comptroller of the Currency (the OCC) on June 28, 2007. Parent also filed the required notices with the FDIC and the UDFI, in each case on July 2, 2007.

Material United States Federal Income Tax Consequences

(See The Merger Material United States Federal Income Tax Consequences beginning on page 67)

The Merger will be a taxable transaction for U.S. federal income tax purposes. If you are a U.S. Holder (as defined under The Merger Material United States Federal Income Tax Consequences) for U.S. federal income tax purposes, your receipt of cash (whether as Merger Consideration or pursuant to the proper exercise of appraisal rights) in exchange for your shares of Company common stock generally will cause you to recognize a capital gain or loss measured by the difference, if any, between the cash you receive in the Merger and your adjusted tax basis in your shares of Company common stock. For U.S. federal income tax purposes, if you are a Non-U.S. Holder (as defined below under The Merger Material United States Federal Income Tax Consequences) generally you will not be subject to U.S. federal income tax on your receipt of cash (whether as Merger Consideration or pursuant to the proper exercise of appraisal rights in exchange for your shares of Company common stock) unless you have certain connections to the United States. Under U.S. federal income tax law, you may be subject to information reporting on cash received in the Merger unless an exemption applies. Backup withholding may also apply with respect to the amount of cash received in the Merger unless you provide proof of an applicable exemption or a correct taxpayer identification number, and otherwise comply with the applicable requirements of the backup withholding rules. **Tax matters are very complicated. The tax consequences of the Merger to you will depend**

upon your particular circumstances. You should

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consult your own tax advisor for a full understanding of how the Merger will affect your federal, state, local, foreign and other taxes.

Dissenters Rights of Appraisal

(See Dissenters Rights of Appraisal beginning on page 91 and Annex E)

Under the General Corporation Law of the State of Delaware, holders of Company common stock who do not vote in favor of adopting the Merger Agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the Merger is completed, but only if they comply with all applicable requirements of Delaware law. A summary of the relevant provisions of Delaware law is included as Annex E to this proxy statement. The appraisal amount could be more than, the same as or less than the amount a stockholder would be entitled to receive under the terms of the Merger Agreement. Holders of Company common stock intending to exercise their appraisal rights must, among other things, submit a written demand for an appraisal to the Company prior to the vote on the adoption of the Merger Agreement and must not vote or otherwise submit a proxy in favor of adoption of the Merger Agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights.

Conditions to the Merger

(See The Merger Agreement Closing Conditions beginning on page 80)

The obligation of each party to consummate the Merger is subject to the satisfaction or waiver of a number of conditions, including the following:

the Merger Agreement must have been adopted by the affirmative vote of the holders of a majority of the outstanding shares of Company common stock;

the waiting period (and any extension thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired and an ARC shall have been issued, or the waiting period shall have expired under, the Canadian Competition Act;

applicable bank regulatory approvals shall have been obtained and be in full force and effect, or if the applicable bank regulatory approvals have not been obtained, all consents, registrations, approvals, permits and authorizations required to be obtained prior to the Effective Time from any governmental entity in order to effect the bank restructuring shall have been obtained and any applicable waiting periods shall have expired;

no law or order issued by any court of competent jurisdiction or other governmental entity or other legal restraint or prohibition preventing the consummation of the Merger shall be in effect;

the respective representations and warranties of the Company, Parent and Merger Sub in the Merger Agreement must be true and correct as of the closing date in the manner described in the Merger Agreement;

the Company, Parent and Merger Sub must have performed in all material respects all obligations that each is required to perform at or prior to closing under the Merger Agreement;

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Parent shall have received a certificate of an executive officer of the Company confirming the satisfaction of the condition relating to the representations and warranties and agreements and covenants made by the Company; and

the Company shall have received a certificate of an executive officer of Parent confirming the satisfaction of the condition relating to the representations and warranties and agreements and covenants made by Parent and Merger Sub.

Solicitation of Alternative Proposals

(See The Merger Agreement Restrictions on Solicitations of Other Offers beginning on page 82)

The Merger Agreement required the Company to (and cause its subsidiaries to), and to use reasonable best efforts to cause its and their representatives to, immediately cease any discussions or negotiations with any parties that were ongoing as of the date of the Merger Agreement with respect to a Takeover Proposal. The Merger Agreement also requires the Company to (and to cause its subsidiaries to) not, and to use reasonable best efforts to cause its and their representatives to not:

directly or indirectly solicit, initiate or knowingly encourage any Takeover Proposal (including by way of furnishing non-public information); or

participate in any way in any negotiations with respect to any Takeover Proposal.

However, prior to receipt of the Stockholder Approval, the Company may respond to an unsolicited Takeover Proposal (by furnishing non-public information and participating in discussions or negotiations) if the board of directors or special committee determines in good faith, after consultation with its outside advisors, that:

the Takeover Proposal constitutes or would reasonably be expected to lead to a Superior Proposal, and

the failure to take such action would reasonably be expected to be inconsistent with its fiduciary obligations.

Please see The Merger Agreement Restrictions on Solicitations of Other Offers beginning on page 82 for an explanation of the terms Takeover Proposal and Superior Proposal.

Termination of the Merger Agreement

(See The Merger Agreement Termination beginning on page 84)

The Merger Agreement may be terminated at any time prior to the Effective Time:

by mutual written consent of Parent and the Company (upon approval of the special committee);

by either Parent or the Company (if, in the case of the Company, it has not materially violated the No Solicitation covenant in the Merger Agreement and upon approval of the special committee):

if the adoption of the Merger Agreement by the affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of the Company s common stock (the Stockholder Approval) is not obtained at the special

meeting or any adjournment thereof at which the Merger Agreement has been voted upon;

if the Merger shall not have been consummated by April 17, 2008 (the Termination Date); provided that if the marketing period has commenced on or before, but not ended before April 17, 2008, the Termination Date will be automatically extended until May 17, 2008; or

if there is any law or final, non-appealable order prohibiting consummation of the Merger;

by the Company, if:

Parent or Merger Sub breaches any of their respective representations or warranties or fails to perform any of their respective covenants or agreements, which breach or failure (a) would cause the closing conditions not to be satisfied and (b) is incapable of being cured prior to the Termination Date or, if capable of being cured, is not cured within 30 business days of notice thereof; or

all the conditions to closing are satisfied and Parent or Merger Sub fails to effect the Merger and/or satisfy their respective obligations under the Merger Agreement relating to the payment of the Merger Consideration, including depositing (or causing to be deposited) with the Paying Agent sufficient funds to pay the Merger Consideration by 11:59 p.m. New York City time on the final day of the marketing period; or

prior to the receipt of the Stockholder Approval, (a) the Company receives a Superior Proposal, (b) the special committee of the board of directors determines in good faith that the failure to terminate would reasonably be expected to be inconsistent with its fiduciary duties, (c) the Company has complied in all material respects with the No Solicitation covenant in the Merger Agreement and (d) the Company has previously paid, or contemporaneously with such termination pays, the Termination Fee (as described below); or

by Parent, if:

the Company breaches any of its representations or warranties or fails to perform any of its covenants or agreements, which breach or failure (a) would cause the closing conditions not to be satisfied and (b) is incapable of being cured prior to the Termination Date or, if capable of being cured, is not cured within 30 business days of notice thereof; or

prior to obtaining the Stockholder Approval, the Company s board of directors (a) withdraws, modifies or qualifies in a manner adverse to Parent its recommendation, or publicly proposes to do so, (b) fails to recommend to the Company s stockholders that they approve the Merger

or (c) adopts, approves, endorses or recommends any Takeover Proposal.

Please see The Merger Agreement Marketing Period; Efforts to Obtain Financing beginning on page 79 for an explanation of the term marketing period.

Termination Fee

(See The Merger Agreement Termination Fees and Expenses; Business Interruption Fee beginning on page 85)

The Company will pay a termination fee of $170 million (the Termination Fee) to Parent (or Parent s designee) upon termination of the Merger Agreement by:

The Company in order to accept a Superior Proposal; or

Parent because the Company board of directors (a) withdraws, modifies or qualifies in a manner adverse to Parent its recommendation, or publicly proposes to do so, (b) fails to recommend to the Company s stockholders that they approve the Merger, or (c) adopts, approves, endorses or recommends any Takeover Proposal.

The Company will pay a termination fee of $170 million to Parent (or Parent s designee) if the Agreement is terminated by:

either Parent or the Company as a result of the failure to obtain the Stockholder Approval at the special meeting or any adjournment thereof at which the Merger Agreement is voted upon;

either Parent or the Company as a result of the failure of the Merger to have been consummated by the Termination Date; or

Parent as a result of the Company s breach of any of its representations or warranties or failure to perform any of its covenants or agreements, which breach or failure to perform (a) would cause specified closing conditions not to be satisfied and (b) is incapable of being cured prior to the Termination Date or, if capable of being cured, is not cured within 30 business days of notice thereof; provided that there is no state of facts or circumstances at the time of termination (other than those caused by the Company s breach of its representations and warranties or covenants and other agreements) that would cause specified closing conditions not to be satisfied;

and (x) prior to the special meeting, in the case of the first termination event described immediately above or (y) prior to the date of the termination of the Merger Agreement, in the case of the second and third termination events described immediately above, any third party has publicly made, proposed, communicated or disclosed an intention to make a Takeover Proposal, which Takeover Proposal had not been rescinded by the time of the special meeting and, within 12 months after such termination, the Company enters into a definitive agreement regarding any Takeover Proposal, regardless of when or whether such Takeover

Proposal is consummated.

If the Company terminates because the Stockholder Approval is not obtained and the Termination Fee is not otherwise payable to Parent pursuant to the terms of the Merger Agreement, the

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Company will reimburse Parent for its reasonable, documented and actually incurred out-of-pocket expenses up to $20 million. Such amount will be offset against the Termination Fee payable by the Company if it subsequently becomes due.

Business Interruption Fee

(See The Merger Agreement Termination Fees and Expenses; Business Interruption Fee beginning on page 85)

Parent will pay (or cause to be paid) to the Company a fee of $170 million (the Business Interruption Fee) if (a) the Company terminates the Merger Agreement as a result of Parent s or Merger Sub s breach of any of their representations or warranties or failure to perform any of their covenants or agreements, which breach or failure to perform (i) would cause specified closing conditions not to be satisfied and (ii) is incapable of being cured prior to the Termination Date or, if capable of being cured, is not cured within 30 business days of notice thereof or (b) if all the conditions to closing are satisfied and Parent or Merger Sub fails to effect the Merger and/or satisfy its respective obligations under the Merger Agreement to pay the Merger Consideration; provided that there is no state of facts or circumstances at the time of termination (other than those caused by Parent or Merger Sub s breach of its representations and warranties or covenants and other agreements) that would cause specified closing conditions not to be satisfied. The maximum liability of Parent under the Merger Agreement is the amount of the Business Interruption Fee plus up to an additional $3 million for reimbursement and indemnification obligations.

Limited Guarantee

(See The Merger Limited Guarantee beginning on page 67)

BCP V has provided a limited guarantee pursuant to which, among other things, BCP V guarantees payment of the Business Interruption Fee and certain other amounts for which Parent or Merger Sub are or may become liable under the Merger Agreement up to a maximum of $3 million.

Market Prices of Common Stock

(See Market Prices of Company Common Stock and Dividend Data beginning on page 89)

On May 16, 2007, the last trading day prior to announcing the execution of the Merger Agreement, the closing price of Company common stock on the NYSE was $62.96 per share. The $81.75 per share to be paid for each share of Company common stock in the Merger represents a premium of approximately 30% to the closing price on May 16, 2007. On July 3, 2007, the last practicable trading day prior to distribution of this proxy statement, the closing price of Company common stock as reported on the NYSE was $77.39 per share.

If you have additional questions about the Merger or other matters discussed in this proxy statement after reading this proxy statement, please contact our proxy solicitor, Innisfree, at (888) 750-5834.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the proposed Merger and the special meeting. These questions and answers may not address all of the questions that may be important to you as a stockholder of the Company. To fully understand the Merger, please refer to the more detailed information contained elsewhere in this proxy statement and the annexes to this proxy statement.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company by Parent, an entity controlled by an affiliate of The Blackstone Group, pursuant to the Merger Agreement. Once the Merger Agreement has been adopted by the stockholders and the other closing conditions under the Merger Agreement have been satisfied or waived, Merger Sub, a wholly owned subsidiary of Parent, will merge with and into the Company. The Company will be the surviving corporation and a wholly owned subsidiary of Parent. The name of the surviving corporation will be Alliance Data Systems Corporation.

Q: What will I receive for my shares of Company common stock in the Merger?

A: At the Effective Time of the Merger, you will be entitled to receive $81.75 in cash, without interest and less any applicable withholding taxes, in exchange for each share of common stock of the Company, par value $0.01 per share (the Company common stock), that you own at the time of the Merger, unless you have properly exercised and perfected your appraisal rights under Delaware law with respect to the Merger. For example, if you own 100 shares of Company common stock, you will receive $8,175.00 in cash in exchange for your shares of Company common stock, less any applicable withholding taxes. You will not own any shares in the surviving corporation.

Q: How will options to purchase Company common stock be treated in the Merger?

A: Each option to acquire Company common stock issued pursuant to the Company s equity incentive plans outstanding immediately prior to the Effective Time will become fully vested (to the extent not already vested) and will be converted automatically into the right to receive an amount in cash equal to (a) the total number of shares of Company common stock subject to such option multiplied by (b) the excess, if any, of the amount of $81.75 over the exercise price per share of Company common stock subject to the option, rounded down to the nearest cent.

Q: How will Company Restricted Stock, restricted stock units and other common stock-based awards be treated in the Merger?

A: Each share of Company Restricted Stock outstanding immediately prior to the Effective Time will become fully vested without restrictions thereon and will be converted into the right to receive an amount in cash equal to (a) the number of shares of Company Restricted Stock, multiplied by (b) $81.75.

Each award of annual performance based restricted stock units outstanding immediately prior to the Effective Time will become contingently vested with respect to the number of restricted stock units that would have vested in the ordinary course (without regard to time-based vesting) based upon the Company s performance for the applicable performance period through the Effective Time. If the holder of such contingently vested restricted stock unit is employed by the Company or any Company subsidiary on February 1, 2008, then such holder will

receive a lump sum cash payment equal to (a) the total number of restricted stock units subject to such award, multiplied by (b) $81.75.

The performance criteria applicable to each award of retention restricted stock units will be deemed to have been satisfied in full, and the restricted stock units subject to the award for retention restricted stock units will become fully vested, if the holder satisfies the time-based vesting criteria thereof (with the applicable vesting dates deemed to be February 21 of each of 2008, 2009 and 2010), and upon vesting of such retention restricted stock units the Company will distribute to each holder a lump sum cash payment, together with 8% interest thereon from the Effective Time, equal to (a) the total number of retention restricted stock units subject to such award, multiplied by (b) $81.75.

All restricted stock units other than retention restricted stock units and annual performance based restricted stock units will fully vest (to the extent not already vested) and will be automatically converted into the right to receive, promptly following the Effective Time, an amount in cash equal to (a) the total number of such restricted stock units, multiplied by (b) $81.75.

Any other Company common stock-based awards will become fully vested and will automatically be converted into the right to receive a cash payment equal to (a) the total number of shares of Company common stock subject to such award, multiplied by (b) $81.75.

Q: When and where is the special meeting?

A: The special meeting of stockholders of the Company will be held on August 8, 2007, at 10:00 a.m. (local time), at the Company s executive offices located at 17655 Waterview Parkway, Dallas, Texas 75252.

Q: What matters will be voted on at the special meeting?

A: You will be asked to consider and vote on the following proposals:

to adopt the Merger Agreement; and

if necessary or appropriate, to adjourn the special meeting to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the Merger Agreement.

Q: How does the Company s board of directors recommend that I vote on the proposals?

A: The board of directors recommends that you vote:

FOR the proposal to adopt the Merger Agreement; and

FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the Merger Agreement.

You should read The Merger Reasons for the Merger; Recommendation of the Merger beginning on page 34 for a discussion of the factors that the special committee and the board of directors considered in deciding to recommend the adoption of the Merger Agreement. In considering the proposed Merger, you should be aware that some of our directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of our stockholders generally. See The Merger Interests of the Company s Directors and Executive Officers in the Merger beginning on page 60.

Q: What effects will the Merger have on the Company?

A: As a result of the Merger, the Company will cease to be an independent publicly-traded company and will become a wholly owned subsidiary of Parent. You will no longer have any interest as a stockholder in our future earnings or growth. Following consummation of the Merger, the registration of Company common stock and our reporting obligations with respect to Company common stock under the Securities Exchange Act of 1934, as amended (the Exchange Act), will be terminated upon application to the SEC. In addition, upon completion of the Merger, shares of Company common stock will no longer be listed on any stock exchange or quotation system, including the NYSE.

Q: What happens if the Merger is not consummated?

A: If the Merger Agreement is not adopted by stockholders or if the Merger is not completed for any other reason, our stockholders will not receive any payment for their shares in connection with the Merger. Instead, the Company will remain an independent public company and the Company common stock will continue to be listed and traded on the NYSE. Under certain specified circumstances upon termination of the Merger Agreement, the Company may be required to pay Parent a termination fee in the amount of $170 million and/or reimburse Parent for its out-of-pocket expenses up to $20 million, and Parent may be required to pay to the Company a Business Interruption Fee in the amount of $170 million. See The Merger Agreement Termination Fees and Expenses; Business Interruption Fee beginning on page 85.

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Q: Who is entitled to vote at the special meeting?

A: All stockholders of record holding Company common stock at 5:00 pm Central Daylight Time on July 2, 2007, the record date for the special meeting, are entitled to vote at the special meeting. As of the record date, there were approximately 78,695,695 shares of Company common stock outstanding, and approximately 107 holders of record held such shares. Every holder of Company common stock is entitled to one vote for each share held as of the close of business on the record date.

Please note that space limitations make it necessary to limit attendance at the special meeting to stockholders. Registration will begin at 9:30 a.m., local time. If you attend, please note that you may be asked to present valid picture identification. Street name holders will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Street name holders wishing to vote in person at the meeting will also be required to present a legal proxy from their bank, broker or other custodian. Cameras, recording devices and other electronic devices are not permitted at the meeting.

Q: What vote is required for the Company s stockholders to adopt the Merger Agreement? How do the Company s directors and officers intend to vote?

A: The affirmative vote of a majority of the votes entitled to be cast by the holders of the outstanding shares of Company common stock is required to adopt the Merger Agreement. Our directors and executive officers have informed us that they currently intend to vote all of their shares of Company common stock for the adoption of the Merger Agreement.

Q: What vote is required for the Company s stockholders to approve the proposal to adjourn the special meeting, if necessary, to solicit additional proxies?

A: If a quorum exists, holders of a majority of the shares of Company common stock entitled to vote and either present in person or represented by proxy at the special meeting may approve the proposal to adjourn the special meeting.

Q: What is a quorum?

A: A quorum of the holders of the outstanding shares of Company common stock must be present for the special meeting to be held. A quorum is present if the holders of a majority of the outstanding shares of Company common stock entitled to vote are present at the meeting, either in person or represented by proxy. Withheld votes, abstentions and broker non-votes are counted as present for the purpose of determining whether a quorum is present.

Q: What function did the special committee serve with respect to the Merger and who are its members?

A: The board of directors established the special committee for the principal purpose of determining which, if any, strategic alternatives the Company should pursue and, in the event that a strategic alternative was to be pursued, to, among other things, determine whether such strategic alternative is fair to and in the best interests of the Company and its stockholders and make an appropriate recommendation to the board. The special committee is composed of seven independent and disinterested directors, including Bruce K. Anderson, Roger H. Ballou, Lawrence M. Benveniste, D. Keith Cobb, E. Linn Draper, Jr., Kenneth R. Jensen and Robert A. Minicucci.

Q: Who is soliciting my vote?

A: This proxy solicitation is being made by the board of directors of the Company. In addition, we have retained Innisfree M&A Incorporated (Innisfree) to assist in the solicitation. We will pay Innisfree $50,000, plus out-of-pocket expenses and a nominal per-call fee for its assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or by other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request that brokers and other fiduciaries forward proxy solicitation material to the beneficial owners of shares of Company common stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses.

Q: What do I need to do now?

A: Please carefully review the information contained in this proxy statement. Then, even if you plan to attend the special meeting, please vote promptly by telephone or the Internet, following the instructions on the enclosed proxy card, or by signing and returning the enclosed proxy card in the envelope provided. **Please do NOT enclose or return your stock certificate(s) with your proxy.**

Q: How do I cast my vote?

A: You may vote by using the toll-free number shown on your proxy card, by using the Internet website shown on your proxy card or by signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope. If you hold your shares in street name, you may vote by following the procedures described below. If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the proposal to adopt the Merger Agreement and FOR the adjournment proposal. You have the right to revoke your proxy at any time before the vote taken at the special meeting.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. You have the right to revoke your proxy at any time before the vote is taken at the special meeting. If you hold your shares in your name as a stockholder of record, you may change your vote in one of the following three ways:

by notifying Innisfree, our proxy solicitor, at 501 Madison Avenue, 20th Floor, New York, New York 10022;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting); or

by submitting a new proxy dated after the date of the proxy being revoked.

If you have instructed a broker, bank or other nominee to vote your shares, you have to follow the directions received from your broker, bank or other nominee to change those instructions.

Q: Can I vote by telephone or electronically?

A: If you hold your shares in your name as a stockholder of record, you may vote by telephone or electronically through the Internet by following the instructions included with your proxy card. If your shares are held by your broker, bank or other nominee, often referred to as held in street name, please check your proxy card or contact your broker, bank or nominee to determine whether you will be able to vote by telephone or electronically.

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A: Your broker, bank or other nominee will only be permitted to vote your shares if you instruct your broker, bank or other nominee how to vote. You should follow the procedures provided by your broker, bank or other nominee regarding the voting of your shares. If you do not instruct your broker, bank or other nominee to vote your shares, your shares will not be voted, which will have the same effect as a vote against the adoption of the Merger Agreement but will not have any effect on the proposal to adjourn the special meeting, if necessary to solicit additional proxies.

Q: What do I do if I receive more than one proxy or set of voting instructions?

A: If you hold shares in street name, directly as a record holder or otherwise through the Company s stock purchase plans, you may receive more than one proxy and/or set of voting instructions relating to the special meeting. Please be sure to vote using each proxy card and/or voting instruction form you receive by telephone or the Internet or by signing and returning each proxy card and/or voting instruction card separately in the envelopes provided, in order to ensure that *all* of your shares are voted.

Q: How are votes counted?

A: For the proposal to adopt the Merger Agreement, you may vote FOR , AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to adopt the Merger Agreement, but will count for the purpose of determining whether a quorum is present. If you abstain, it will have the same effect as if you vote AGAINST the adoption of the Merger Agreement. In addition, if your shares are held in the name of a broker, bank or other nominee, your broker, bank or other nominee will not be entitled to vote your shares in the absence of specific instructions. These non-voted shares, or broker non-votes, will be counted for purposes of determining a quorum, but will have the same effect as a vote AGAINST the adoption of the Merger Agreement.

For the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, you may vote FOR , AGAINST or ABSTAIN. Abstentions and broker non-votes will count for the purpose of determining whether a quorum is present but will have no effect on the vote to adjourn the meeting, which requires the vote of the holders of a majority of the shares of Company common stock present or represented by proxy at the meeting and entitled to vote on the matter.

If you sign your proxy card without indicating your vote, your shares will be voted FOR the adoption of the Merger Agreement and FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Q: Who will count the votes?

A: A representative of our transfer agent, Computershare Trust Company, N.A., will count the votes and act as the inspector of elections.

Q: What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the Merger is expected to be completed. If you sell or otherwise transfer your shares of Company common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive the $81.75 per share in cash to be received by our stockholders in the Merger. In order to receive the $81.75 per share, you must hold your shares through completion of the Merger.

Q: Am I entitled to exercise appraisal rights instead of receiving the Merger Consideration for my shares?

A: Yes. As a holder of Company common stock, you are entitled to appraisal rights under Delaware law in connection with the Merger if you meet certain conditions. See Dissenters Rights of Appraisal beginning on page 91.

Q: Will the Merger be taxable to me?

A: The Merger will be a taxable transaction for U.S. federal income tax purposes. If you are a U.S. Holder (as defined under The Merger Material United States Federal Income Tax Consequences) for U.S. federal income tax purposes, your receipt of cash (whether as Merger Consideration or pursuant to the proper exercise of appraisal rights) in exchange for your shares of Company common stock generally will cause you to recognize a capital gain or loss measured by the difference, if any, between the cash you receive in the Merger and your adjusted tax basis in your shares of Company common stock. For U.S. federal income tax purposes, if you are a Non-U.S. Holder (as defined below under The Merger Material United States Federal Income Tax

Consequences) generally you will not be subject to U.S. federal income tax on your receipt of cash (whether as Merger Consideration or pursuant to the proper exercise of appraisal rights in exchange for your shares of Company common stock) unless you have certain connections to the United States. Under U.S. federal income tax law, you may be subject to information reporting on cash received in the Merger unless an exemption applies. Backup withholding may also apply with respect to the amount of cash received in the Merger unless you provide proof of an applicable exemption or a correct taxpayer

identification number, and otherwise comply with the applicable requirements of the backup withholding rules.

You should read The Merger Material United States Federal Income Tax Consequences beginning on page 67 for a more complete discussion of the U.S. federal income tax consequences of the Merger. Tax matters are very complicated. The tax consequences of the Merger to you will depend on your particular circumstances. You should consult your own tax advisor for a full understanding of how the Merger will affect your federal, state, local, foreign or other taxes.

Q: When is the Merger expected to be completed? What is the Marketing Period ?

A: We are working toward completing the Merger as quickly as possible, and we anticipate that it will be completed by year end. In order to complete the Merger, the Merger Agreement must be adopted by our stockholders and the other closing conditions under the Merger Agreement must be satisfied or waived (as permitted by law). In addition, Parent is not obligated to complete the Merger until the expiration of a 20-business-day marketing period that it may use to complete its financing for the Merger. The marketing period begins to run after we have obtained stockholder approval and satisfied other conditions under the Merger Agreement; provided that if the marketing period would not end on or before August 17, 2007, the marketing period will commence no earlier than September 4, 2007, provided, further, that if the marketing period would not end on or prior to December 20, 2007, the marketing period will commence no earlier than January 2, 2008. See The Merger Agreement Marketing Period; Efforts to Obtain Financing and The Merger Agreement Closing Conditions beginning on pages 79 and 80, respectively.

Q: Should I send in my stock certificates now?

A: No, please do not submit your stock certificates at this time. After the Merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your Company common stock certificates for the Merger Consideration. If your shares are held in street name by your broker, bank or other nominee you will receive instructions from your broker, bank or other nominee as to how to effect the surrender of your street name shares in exchange for the Merger Consideration.

Q: How can I obtain additional information about the Company?

A: Our SEC filings may be accessed on-line at *www.alliancedata.com.* The Company s public filings are also available to the public from document retrieval services and the Internet website maintained by the SEC at *www.sec.gov*. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. For a more detailed description of the information available, please refer to Where You Can Find Additional Information beginning on page 95.

Q: Whom should I contact if I have questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the Merger, including the procedures for voting your shares, you should contact Innisfree, which is assisting us in the solicitation of proxies, as follows:

Innisfree M&A Incorporated
501 Madison Avenue, 20th Floor
New York, New York 10022

Stockholders call toll-free: (888) 750-5834
Banks and Brokers call collect: (212) 750-5833

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of the Company, the expected completion and timing of the Merger and other information relating to the Merger. There are forward-looking statements throughout this proxy statement, including, among others, under the headings Summary, Questions and Answers About the Special Meeting and the Merger, The Merger, The Merger Opinions of Financial Advisors, The Merger Financial Projections, The Merger Regulatory Approvals and The Merger Merger Related Litigation, and in statements containing the words believes, estimates, expects, anticipates, intends, contemplates, may, could, should, or would or other similar expressions.

You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and we expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements included in this proxy statement, except as required by law.

In addition to other factors and matters contained in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- future financial performance of the Company;
- the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement, including a termination under circumstances that could require us to pay a $170 million termination fee;
- the outcome of any legal proceedings instituted against the Company and others in connection with the proposed Merger;
- the failure to obtain the necessary debt financing arrangements set forth in the commitment letters received in connection with the Merger;
- the effect of the announcement of the Merger on our customer relationships, operating results and business generally;
- business uncertainty and contractual restrictions that may exist during the pendency of the Merger;
- any significant delay in the expected completion of the Merger;
- banking and antitrust regulatory review, approvals and restrictions;
- the amount of the costs, fees, expenses and charges related to the Merger and the final terms of the financings that will be obtained for the Merger;
- diversion of management s attention from ongoing business concerns; and

changes in general economic conditions or within the industries in which the Company operates.

THE PARTIES TO THE MERGER

Alliance Data Systems Corporation

The Company is a leading provider of marketing, loyalty and transaction services, managing over 120 million consumer relationships for some of North America s most recognizable companies. Using transaction-rich data, the Company creates and manages customized solutions that change consumer behavior and that enable our clients to create and enhance customer loyalty to build stronger, mutually beneficial relationships with their customers. The Company employs over 9,000 associates at more than 60 locations worldwide. The Company s brands include AIR MILES®, North America s premier coalition loyalty program, and Epsilon®, a leading provider of multi-channel, data-driven technologies and marketing services.

The Company s principal executive offices are located at 17655 Waterview Parkway, Dallas, Texas 75252 and its telephone number is 972-348-5100. The Company is publicly traded on the NYSE under the symbol ADS.

Aladdin Holdco, Inc. and Aladdin Merger Sub, Inc.

Parent is a Delaware corporation organized solely for the purpose of entering into and consummating the transactions contemplated by the Merger Agreement. Parent s principal executive offices are located at c/o The Blackstone Group, 345 Park Avenue, New York, New York 10154 and its telephone number is 212-583-5000. Parent has not conducted any activities to date other than activities incidental to its formation and in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement. Blackstone Capital Partners V L.P. is the current owner of Parent.

Merger Sub is a Delaware corporation wholly owned by Parent and organized solely for the purpose of entering into and consummating the transactions contemplated by the Merger Agreement. Merger Sub s principal executive offices are located at c/o The Blackstone Group, 345 Park Avenue, New York, New York 10154 and its telephone number is 212-583-5000. Merger Sub has not conducted any activities to date other than activities incidental to its formation and in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement. Under the terms of the Merger Agreement, Merger Sub will merge with and into the Company, the Company will survive the Merger and Merger Sub will cease to exist.

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THE SPECIAL MEETING OF STOCKHOLDERS

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by our board of directors for use at a special meeting to be held at our corporate headquarters, 17655 Waterview Parkway, Dallas, Texas 75252 on August 8, 2007 at 10:00 a.m. (local time), or at any adjournment thereof. The purpose of the special meeting is to consider and vote on the proposal to adopt the Merger Agreement and, if necessary or appropriate, to approve the adjournment of the special meeting to solicit additional proxies. If the stockholders fail to adopt the Merger Agreement, the Merger will not occur. A copy of the Merger Agreement is attached to this proxy statement as Annex A.

Who Can Vote at the Special Meeting

In accordance with the Company s bylaws, the board of directors has set 5:00 p.m. Central Daylight Time on July 2, 2007 as the record date. The holders of record of Company common stock as of the record date are entitled to receive notice of and to vote at the special meeting. If you own shares that are registered in someone else s name (for example, a broker), you need to direct that person to vote those shares or obtain an authorization from them to vote the shares yourself at the special meeting. On the record date, there were 78,695,695 shares of Company common stock outstanding held by approximately 107 holders of record.

Vote Required for Adoption of the Merger Agreement; Quorum

The adoption of the Merger Agreement requires the approval of the holders of a majority of the outstanding shares of Company common stock entitled to vote thereon, with each share having a single vote for these purposes. The failure to vote has the same effect as a vote AGAINST adoption of the Merger Agreement.

The holders of a majority of the outstanding shares of Company common stock entitled to be voted as of the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share of Company common stock is represented at the special meeting, it will be counted for the purposes of determining a quorum and for transacting all business, unless the holder is present solely to object to the special meeting. If a quorum is not present at the special meeting, it is expected that the meeting will be adjourned to solicit additional proxies. If a new record date is set for an adjourned meeting, then a new quorum will have to be established.

Voting By Proxy

This proxy statement is being sent to you on behalf of the Company s board of directors for the purpose of requesting that you allow your shares of Company common stock to be represented at the special meeting by the persons named in the enclosed proxy card. All shares of Company common stock represented at the special meeting by proxies voted by properly executed proxy cards will be voted in accordance with the instructions indicated on that proxy. If you sign and return a proxy card without giving voting instructions, your shares will be voted as recommended by the board of directors. **After careful consideration, the board of directors unanimously recommends a vote FOR adoption of the Merger Agreement**. In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of our stockholders generally. See The Merger Interests of the Company s Directors and Executive Officers in the Merger beginning on page 60.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either send a signed written notice to the Company revoking your proxy, submit a proxy by mail dated after the date of the earlier proxy you wish to change or attend the special meeting and vote your shares in person. Merely attending the special meeting without voting will not constitute revocation of your earlier proxy.

If your shares of Company common stock are held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. If you do not instruct your broker to vote your shares, it has the same effect as a vote AGAINST adoption of the Merger Agreement.

The Company will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, directors, officers and employees of the Company may solicit proxies personally and by telephone, facsimile or otherwise. None of these persons will receive additional or special compensation for soliciting proxies. The Company has retained Innisfree M&A Incorporated (Innisfree) to assist in its solicitation of proxies in connection with the special meeting, and has agreed to pay Innisfree $50,000, plus out-of-pocket expenses and a nominal per-call fee for its services. Innisfree may solicit proxies from individuals, banks, brokers, custodians, nominees, other institutional holders and other fiduciaries. The Company has also agreed to reimburse Innisfree for its reasonable administrative and out-of-pocket expenses, to indemnify it against certain losses, costs and expenses, and to pay its customary fees in connection with the proxy solicitation. Upon request, the Company will also reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

Submitting Proxies Via the Internet or by Telephone

Most of our stockholders who hold their shares of Company common stock through a broker or bank will have the option to submit their proxies or voting instructions via the Internet or by telephone. If your shares are held in street name, you should check the voting instruction card provided by your broker to see which options are available and the procedures to be followed.

Adjournments

Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies. If no quorum exists, holders of a majority of the shares of Company common stock present in person or represented by proxy and entitled to vote at the special meeting may adjourn the special meeting. Any adjournment may be made without notice, other than by an announcement made at the special meeting, until a quorum shall be present or represented. If your proxy card is signed and no instructions to the contrary are indicated on your proxy card, your shares of Company common stock will be voted FOR any adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow the Company s stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned.

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THE MERGER

The discussion of the Merger in this proxy statement is qualified in its entirety by reference to the Merger Agreement, which is attached to this proxy statement as Annex A. You should read the Merger Agreement carefully.

Background of the Merger

As part of its ongoing evaluation of the Company s business, our board of directors and our senior management regularly review and assess opportunities to achieve our long-term strategic goals and to maximize stockholder value. As part of this review process, our senior management has periodically made presentations to our board of directors that have included a review of potential opportunities for business combinations, acquisitions and dispositions. From time to time, our board and our senior management have evaluated a variety of options in light of the business trends and regulatory conditions impacting us or expected to impact us and the industries in which we operate. In addition, at times during the last several years various parties, including investment bankers, other companies operating in the same or similar industries as we do and financial buyers, have informally raised with members of our board of directors and senior management the possibility of a business combination with us.

In October 2006, Lehman Brothers Inc., or Lehman Brothers, informed management that it had received two unsolicited informal inquiries regarding the Company s interest in a potential strategic transaction. As a result of these inquiries, and as part of its ongoing review and assessment of the Company s business strategy, on November 3, 2006, our senior management decided to further investigate, and better understand the process and alternatives involved in, on a preliminary basis, the possibility of engaging in a business combination or other strategic transaction. Our senior management asked Banc of America Securities LLC, or Banc of America Securities, and Lehman Brothers to informally assist it in this process. Our senior management informally told members of our board of directors about this decision, and informally kept members of our board apprised of their activities during November and early December of 2006.

At the request of senior management, during November and early December of 2006, each of Banc of America Securities and Lehman Brothers independently developed preliminary and illustrative lists of parties that they believed might be interested in a strategic transaction with the Company. The combined lists included approximately 75 strategic and financial parties with experience in the broadly defined marketing services, payment processing, financial services, technology services or private label credit card services sectors. In reviewing the combined list and deciding how to proceed, our senior management, with the assistance of Banc of America Securities and Lehman Brothers, considered the number of parties that should be approached regarding their interest in a strategic transaction with the Company, and specifically considered:

- which parties would likely be able to consummate a transaction in a timely manner with the Company in light of its size and businesses and the anticipated purchase price;

- the advantages of approaching a broad number of parties and the disadvantages of doing so in terms of the attendant burdens on, and distraction of, the board of directors and management, as well as confidentiality issues; and

- the importance of approaching a mix of strategic and financial parties regarding their interest in a strategic transaction with the Company.

Based on these considerations, our senior management, with the assistance of Banc of America Securities and Lehman Brothers, narrowed this list to a targeted group of 14 parties based on size, strategic fit, financial wherewithal, regulatory issues and prior interest in the Company. Seven of the parties in this targeted group were strategic parties and the other seven parties were financial parties and included the private equity funds sponsored by The Blackstone Group, or Blackstone.

At a regularly scheduled board meeting held on December 7, 2006, J. Michael Parks, the Company s Chairman and Chief Executive Officer, formally updated the board with respect to the activities of the Company s senior management, Banc of America Securities and Lehman Brothers to date regarding a potential

business combination transaction involving the Company. The board then authorized management to continue to work informally with Banc of America Securities and Lehman Brothers to investigate possible opportunities and, through them, to approach the seven strategic parties included in the targeted group regarding their interest in a potential business combination transaction with the Company.

As authorized by the board, following the December 7 board meeting, Mr. Parks and Edward J. Heffernan, the Company s Executive Vice President and Chief Financial Officer, directed Banc of America Securities and Lehman Brothers to approach each of the seven strategic parties to determine if they were interested in pursuing a potential business combination transaction with the Company. Of the seven strategic parties contacted, three declined almost immediately to pursue a potential business combination transaction with the Company and, over the course of the following few weeks, two others decided not to do so as well, citing a variety of reasons, including the potential size of the transaction, conflicts with strategic direction and resistance to certain terms contained in the confidentiality agreement distributed to them. The other two strategic parties, referred to in this proxy statement as Company 1 and Company 2, respectively, entered into confidentiality agreements with the Company containing customary confidentiality and standstill provisions, including restrictions on the parties ability to discuss the proposed transaction with any co-investor, financing source or financial advisor without the Company s prior consent. Company 1 and Company 2 were each provided with an executive summary of the Company s operations, key strengths, financial performance and growth strategy, and meetings with Messrs. Parks and Heffernan were arranged for early February.

At a regularly scheduled board meeting held on January 31, 2007, Mr. Parks updated the board on the state of discussions with the seven strategic parties, including the fact that meetings had been scheduled for the following week with representatives of each of Company 1 and Company 2.

On February 6 and February 9, 2007, Messrs. Parks and Heffernan and representatives from Banc of America Securities and Lehman Brothers met with representatives of Company 2 and Company 1, respectively, to discuss the Company s strategic business model and other publicly available information set forth in the executive summary that had been provided to each company.

On February 21, 2007, Company 2 notified Banc of America Securities and Lehman Brothers that it did not intend to pursue a transaction with the Company at that time given the anticipated purchase price for the Company.

On February 26, 2007, Messrs. Parks and Heffernan discussed with representatives of Banc of America Securities and Lehman Brothers the status of discussions with Company 1 and Company 2, although there were no significant developments to report on other than the decision of Company 2 not to pursue a transaction.

On February 28, 2007, our board held a special meeting at which Mr. Parks provided an update regarding the status of discussions with the potential strategic purchasers. Following a review and discussion of the Company s performance, the Company s prospective upside potential, including various risks to the realization of that upside, the current state of the leveraged buyout market, including the amount of capital available in the private equity markets for leveraged buyouts and the terms of debt financing in recent comparable transactions, expectations regarding consumer activity and the potential benefits to the Company s stockholders that could result from a transaction done at a premium, the board authorized our senior management to approach, through Banc of America Securities and Lehman Brothers, each of the seven financial parties included in the targeted group to determine if they were interested in pursuing a potential transaction with the Company.

During the week of March 5, 2007, at the direction of our senior management, Banc of America Securities and Lehman Brothers contacted representatives of each financial party included in the targeted group, including representatives of Blackstone. Each of the seven financial parties contacted entered into a confidentiality agreement with the Company containing customary confidentiality and standstill provisions, including restrictions on the parties

ability to discuss the proposed transaction with any co-investor, financing source or financial advisor without the Company s prior consent, and was provided with the same executive summary of the Company s operations, key strengths, financial performance and growth strategy that had

previously been provided to Company 1 and Company 2. Meetings between Messrs. Parks and Heffernan and representatives of these seven financial parties were arranged for mid and late March.

During the weeks of March 19 and March 26, 2007, Messrs. Parks and Heffernan and representatives from Banc of America Securities and Lehman Brothers met with representatives of six of the seven financial parties to discuss the Company s strategic business model and other publicly available information set forth in the executive summary that had been provided to each party. The seventh financial party indicated on March 22, 2007, that it would not be able to participate in the process due to other commitments.

On March 30, 2007, at the direction of our senior management, Banc of America Securities and Lehman Brothers asked Company 1 and the six remaining financial parties that had expressed an interest in pursuing a potential transaction with the Company, including Blackstone, to submit preliminary, non-binding indications of interest on April 4, 2007.

On April 3, 2007, our board held a special meeting. Members of our senior management and representatives of Akin Gump Strauss Hauer & Feld LLP, or Akin Gump, the Company s regular outside counsel, participated in the meeting. Mr. Parks first gave the board an update regarding the status of discussions with the various parties potentially interested in a transaction with the Company. Representatives of Akin Gump then reviewed with our board a representative timeline and typical sequence of events for a transaction of the type being contemplated by the Company and the need for any such transaction to be evaluated by independent and disinterested directors. Thereafter, the board discussed the advantages and disadvantages of forming a special committee to evaluate the Company s strategic alternatives, as well as the independence of each of the directors with respect to evaluating a strategic transaction involving the Company in light of the identity of the parties that had, to date, expressed an interest in such a transaction. In particular, our board considered that, in light of his dual roles as a director and chief executive officer of the Company, Mr. Parks might be faced with a potential conflict of interest in negotiations with certain potentially interested parties, particularly financial parties. After consideration of these issues, our board determined not to form a special committee at that time. Instead, the board decided that the independent directors, consisting of all the directors other than Mr. Parks, should operate as an independent board to review and evaluate any strategic alternatives, including a transaction with the potential purchasers. Thereafter, representatives of Akin Gump made certain suggestions to our board regarding instructions to be given to management in connection with the strategic review process, including a recommendation that management be instructed not to discuss with any potential purchaser any prospective employment arrangements or the possibility of participating as an investor in the transaction. The Akin Gump representatives then reviewed with the directors their fiduciary duties, including the duty of care, the duty of loyalty and their duties in the context of a change of control transaction involving the Company. After our board formally resolved to operate as an independent board for the purposes discussed above and to adopt the recommendations of Akin Gump that management be instructed not to discuss with any potential purchaser any prospective employment arrangements or the possibility of participating as an investor in the transaction, Mr. Parks and members of management left the meeting. The independent board then discussed the need for a lead director and, after considering the qualifications of various directors for the role, chose Robert Minicucci to serve in that capacity. The members of the independent board thereafter discussed the need to hire independent legal counsel and a financial advisor to advise the independent board and identified various law firms and investment banks, including Banc of America Securities and Lehman Brothers, that could potentially serve in such roles.

Following this meeting, Mr. Minicucci contacted outside legal counsel, referred to in this proxy statement as the independent board counsel, to represent the independent board. This counsel held preliminary discussions with Mr. Minicucci and undertook to check whether it had any conflicts in representing the independent board.

On April 4, 2007, Company 1 informed Banc of America Securities and Lehman Brothers that it needed additional time before it would be able to provide its preliminary indication of interest.

On April 4 and 5, 2007, the six financial parties, including Blackstone, submitted preliminary indications of interest. On April 8, 2007, one of the financial parties revised its preliminary bid after adjusting an assumption it had incorrectly made in its analysis. The preliminary indications of interest valued the

Company s stock at a range of $75.00 to $80.00 per share. Blackstone s preliminary indication of interest valued the Company s stock at a range of $78.00 to $80.00 per share.

On April 10, 2007, the independent board counsel informed Mr. Minicucci that it would not be able to continue in that role due to a conflicting representation. Thereafter, Mr. Minicucci contacted representatives of Kirkland & Ellis LLP, or Kirkland & Ellis, to see if it could act as counsel to the independent board.

On April 10, 2007, the independent board held a special meeting to discuss the preliminary indications of interest that had been received. Representatives of Banc of America Securities and Lehman Brothers participated in the meeting and reviewed the potential business combination partners for the Company and their preliminary financial analyses of the Company. Representatives of Banc of America Securities and Lehman Brothers also answered questions regarding their qualifications and potential conflicts of interest in representing the independent board in a potential transaction. After a discussion of the price ranges that had been submitted by the potentially interested parties, the independent board determined to continue pursuing a possible sale of the Company and instructed Banc of America Securities and Lehman Brothers to consider and recommend an appropriate process to move forward with discussions regarding a potential transaction.

On April 10, 2007, Company 1 submitted a preliminary indication of interest to acquire the Company in a cash and stock transaction with a value range of $76.00 to $82.00 per share.

On April 13, 2007, our board held a special meeting to discuss the status of the sale process, including the recent indication of interest from Company 1. Representatives of Kirkland & Ellis participated in the meeting. Based on the advice of Kirkland & Ellis, the board discussed the merits of establishing a special committee comprising the members of the independent board, including the benefits such a committee may provide under Delaware law and certain additional procedural benefits. Following this discussion, our board determined to reconstitute the independent board as a special committee. The special committee was delegated the full power and authority by our board to, among other things:

- determine which, if any, strategic alternatives the Company should pursue;
- review, evaluate and, if appropriate, negotiate the terms and conditions of any transaction involving the Company;
- determine whether any possible transaction or other strategic alternative is fair to, and in the best interests of, the Company and our stockholders;
- recommend to our full board what action, if any, should be taken by the Company with respect to any strategic alternative;
- recommend to our full board whether it should recommend any strategic alternative to the Company s stockholders; and
- retain separate legal counsel and financial advisors.

Messrs. Parks and Heffernan then reviewed with the board the Company s recent financial performance and management s expectations regarding the future performance of the Company s different business lines, expressing a positive outlook for the Company, particularly our Epsilon, Canadian loyalty and retail business lines, but also noting the challenges presented by:

potential increases in loss rates (compared to the bankruptcy reform related low loss rates in 2006), a likely upward trend in funding costs and an anticipated customer departure affecting our retail business;

legislative activities that could potentially impact our marketing and retail businesses; and

outsourcing and competitive trends impacting our utilities and transaction services businesses.

The board meeting was then concluded and Messrs. Parks and Heffernan left the meeting.

Immediately following this board meeting, the members of the special committee held a meeting. Representatives of Kirkland & Ellis participated in the meeting. The members of the special committee elected Mr. Minicucci as chairman of the special committee. The special committee also formally resolved to retain

Kirkland & Ellis as its legal counsel. The committee considered the independence of Banc of America Securities and Lehman Brothers with respect to serving as the special committee s financial advisors and determined, subject to confirmatory discussions with each advisor regarding its independence, to engage both Banc of America Securities and Lehman Brothers to serve as financial advisors to the special committee. The special committee also discussed the appropriateness of continuing the exploration of strategic alternatives, including a possible sale of the Company, and unanimously concluded that the Company should continue the current process. Mr. Minicucci noted that:

Company 1 was acting independently in the process;

Blackstone and one other private equity firm, referred to in this proxy statement as the Independent Financial Buyer, had each indicated a preference to act independently in the process;

one private equity firm had expressed concerns about the potential purchase price for the Company and was subsequently not invited to continue in the process; and

the other three private equity firms, referred to in this proxy statement as PE Firm A, PE Firm B and PE Firm C, respectively, had indicated a preference to work with other potential purchasers as part of a consortium.

To maximize the likelihood that PE Firm A, PE Firm B and PE Firm C would remain in the process, and in recognition of the fact that a consortia comprising all or some of these firms might be willing and able to offer a higher purchase price for the Company than any of these firms bidding alone, the special committee determined that these firms should be permitted to speak with each other regarding possible joint bids for the Company, and Banc of America Securities and Lehman Brothers were instructed to facilitate this process as necessary.

On April 13, 2007, at the direction of the special committee, Banc of America Securities and Lehman Brothers:

informed each of Company 1, Blackstone and the Independent Financial Buyer that it would be invited to continue in the process on its own; and

provided PE Firm A, PE Firm B and PE Firm C with appropriate contact information for the other firms and informed each of them that they were free to contact the others to see if they might be interested in working together regarding a joint bid for the Company.

On April 15, 2007, PE Firm A, PE Firm B and PE Firm C notified Banc of America Securities and Lehman Brothers that they were joining together to form a single consortium, referred to in this proxy statement as the Consortium.

During the week of April 16, 2007, the Company gave the potential purchasers access to an online data room. From April 16, 2007, through April 24, 2007, the Company s senior management team held multiple due diligence meetings with representatives of each of Blackstone, Company 1, the Independent Financial Buyer and the Consortium.

On April 20, 2007, the special committee held a meeting. Representatives of Kirkland & Ellis participated in the meeting. During the course of the meeting, Mr. Minicucci provided the special committee with an update on the status of discussions with potential purchasers and the special committee reviewed the terms of a draft merger agreement prepared by Kirkland & Ellis. At the meeting, the special committee decided upon May 14, 2007, as the deadline for the receipt of final offers for the potential acquisition of the Company. The special committee then discussed whether to have Banc of America Securities and Lehman Brothers offer stapled financing to potential purchasers. The committee noted that stapled financing might offer potential purchasers greater access to financing or more attractive financing terms than might otherwise be available to them. However, the committee also noted that all of the

interested parties were sophisticated strategic or financial parties with substantial, independent access to the capital markets and that having Banc of America Securities and Lehman Brothers offer stapled financing might create a perception of a conflict of interest on their part. Mr. Minicucci noted that if Banc of America Securities and Lehman Brothers were to offer stapled

financing, the special committee should obtain a fairness opinion from a third financial advisor that would not offer such financing. The special committee decided to defer making a decision regarding this issue until its next meeting.

On April 23, 2007, the special committee held a meeting to discuss the potential benefits and detriments of having Banc of America Securities and Lehman Brothers offer stapled financing. Representatives of Kirkland & Ellis participated in the meeting. After a further discussion of the issues considered by the special committee at its meeting on April 20, 2007, the special committee determined that it was not inclined, at that time, to have Banc of America Securities and Lehman Brothers offer potential purchasers stapled financing, but reserved the right to reconsider this decision as the process moved forward.

On April 26, 2007, the special committee held a meeting to again discuss whether Banc of America Securities and Lehman Brothers should offer potential purchasers stapled financing. Representatives of Kirkland & Ellis participated in the meeting. Mr. Minicucci informed the special committee that representatives of two potential purchasers had contacted him directly to request that the special committee reconsider its decision and have Banc of America Securities and Lehman Brothers offer stapled financing. Following a further discussion of the potential advantages and disadvantages of having Banc of America Securities and Lehman Brothers offer stapled financing, the special committee concluded that having them offer stapled financing could result in enhanced bids from the potential purchasers. Accordingly, the special committee determined that Banc of America Securities and Lehman Brothers could offer stapled financing and that a third financial advisor (who would not offer such financing) should be retained to provide an additional fairness opinion. The special committee identified two investment banking firms that should be contacted regarding their availability and interest in serving as the third financial advisor to the committee and instructed Kirkland & Ellis to contact them.

On April 27, 2007, at the direction of the special committee, Banc of America Securities and Lehman Brothers provided a process letter and a draft of a merger agreement to each of Blackstone, Company 1, the Independent Financial Buyer and the Consortium. The process letter specified that:

- comments on the draft merger agreement should be submitted on May 3, 2007;
- a revised draft of the merger agreement would be circulated on May 9, 2007; and
- final offers, including any further comments on the revised draft merger agreement, would be due on May 14, 2007.

On May 2, 2007, the special committee held a meeting to discuss the selection of a third investment banking firm to provide an additional fairness opinion. Representatives of Kirkland & Ellis participated in the meeting. Following a review of the expertise and relevant experience of each of two firms that Kirkland & Ellis had been instructed to contact by the special committee on April 26, 2007, and the terms of engagement proposed by each firm, the special committee authorized the engagement of the Evercore Group L.L.C., or Evercore, as the special committee s third financial advisor.

During the weeks of April 30th and May 7th, 2007, members of our senior management and representatives of Banc of America Securities and Lehman Brothers held additional diligence meetings with representatives of each of Blackstone, Company 1 and the Consortium.

On May 3, 2007, each of Blackstone, the Independent Financial Buyer and the Consortium submitted comments on the draft merger agreement. On May 4, 2007, Company 1 submitted its comments on the draft merger agreement.

On May 4, 2007, the Independent Financial Buyer informed Banc of America Securities and Lehman Brothers that it was highly unlikely that it could submit a final offer to acquire the Company by May 14, 2007, due to its need to perform an extensive amount of additional due diligence, and that it would require two additional weeks before it would be prepared to submit a final offer.

On May 8, 2007, the Consortium informed Banc of America Securities and Lehman Brothers that PE Firm C was withdrawing from the process, citing concerns about the anticipated purchase price for the

Company, but the remaining two members of the Consortium reiterated their interest in pursuing a transaction with the Company and provided assurances that they had the ability to finance a transaction on their own.

On May 9, 2007, the special committee held a meeting. Representatives of Banc of America Securities, Lehman Brothers and Kirkland & Ellis participated in the meeting. At the meeting, the members of the special committee were given an update regarding recent developments in the sale process and they reviewed both the comments on the initial draft of the merger agreement that had been received from the potential purchasers and the terms of the revised draft agreement that was to be circulated that evening. The members of the special committee then discussed the timing of the process, particularly in light of the Independent Financial Buyer s statement that it would require two additional weeks before it would be prepared to submit a final offer. Given the interest in the Company being expressed by other potential purchasers, including their indication that they would be able to submit final offers on May 14, the impact that delaying the process could have on other potential purchasers and on the sale process and the uncertainty that the Independent Financial Buyer would be in a position to make a final offer by May 28, the special committee determined that May 14th should continue to be the target date for the receipt of final offers.

In the evening of May 9, 2007, a revised draft of the merger agreement was circulated to the potential purchasers and the potential purchasers were reminded that final offers, including any further comments on the draft merger agreement, were due on May 14, 2007.

On May 10, 2007:

Company 1 informed Banc of America Securities and Lehman Brothers that, due to regulatory issues that would prevent it from owning and operating one of the Company s significant businesses, it was dropping out of the sale process; and

the Independent Financial Buyer, having learned that the final offers would be due on May 14, 2007, indicated that it would not be submitting an offer to acquire the Company.

On May 11, 2007, Mr. Minicucci had various conversations with representatives of Kirkland & Ellis, Banc of America Securities and Lehman Brothers regarding the desirability and feasibility of contacting additional potential purchasers to assess their interest in acquiring the Company. During the course of these conversations, it was determined that, based on the parties contacted and the competitive process to date, it was highly unlikely that contacting any additional parties would elicit any more competitive bids for the Company.

On May 12, 2007, representatives of Kirkland & Ellis and Simpson Thacher & Bartlett, LLP, or Simpson Thacher, counsel to Blackstone, spoke briefly regarding some of Simpson Thacher s primary concerns with the revised draft merger agreement.

On May 14, 2007, Blackstone and the Consortium informed Banc of America Securities and Lehman Brothers that, for various reasons, their final offers would not be submitted until the following day. At the direction of the special committee, Banc of America Securities and Lehman Brothers informed each of them that the special committee was scheduled to meet at noon EDT on May 15, 2007, to consider any offers that had been submitted and urged each party to submit its offer in advance of this meeting.

On the morning of May 15, 2007, Blackstone submitted its offer, together with a revised merger agreement, equity and debt commitment letters and a limited guarantee pursuant to which Blackstone would guarantee certain payment obligations of the purchaser entity, up to a specified amount. Blackstone s offer valued the Company s common stock at $81.50. Blackstone s debt commitment letter was provided by financing sources other than Banc of America Securities and Lehman Brothers.

At noon EDT on May 15, 2007, the special committee held a meeting. Representatives of Banc of America Securities, Lehman Brothers and Kirkland & Ellis participated in the meeting. At the meeting, representatives of Banc of America Securities and Lehman Brothers reviewed the financial terms of Blackstone s offer and informed the special committee that the Consortium had not yet submitted its final offer. Representatives of Kirkland & Ellis reviewed with the special committee selected material provisions of

the merger agreement that had been submitted by Blackstone. During the special committee meeting, Lehman Brothers received a call from representatives of the Consortium, who stated that:

- the Consortium was prepared to offer $78.00 per share;
- the Consortium would submit its bid letter and revised draft of the merger agreement shortly;
- the Consortium s offer would include a bank regulatory approval condition (with the approval being on terms reasonably acceptable to the Consortium); and
- the Consortium wanted to speak with our senior management regarding post-closing employment and their potential participation in the transaction as equity investors prior to signing the merger agreement.

The special committee discussed the relative merits of the two offers and decided that, in the event that the Consortium could not raise its offer to match or exceed the offer submitted by Blackstone and Blackstone agreed to at least a modest increase in its price, the special committee would propose entering into a brief period of exclusive negotiations with Blackstone.

At the direction of the special committee, Banc of America Securities and Lehman Brothers contacted each of the Consortium and Blackstone during the late afternoon of May 15, 2007. The Consortium was advised that its bid was being considered by the special committee. Blackstone was advised that it would have a better chance of securing the transaction if it raised its price.

The special committee met again at 6:15 p.m. EDT on May 15, 2007, with representatives of Banc of America Securities, Lehman Brothers and Kirkland & Ellis to receive an update regarding discussions with Blackstone and the Consortium. After a brief review of the afternoon s developments, and in light of the favorable price offered by Blackstone and the limited number of significant issues raised by its comments to the draft merger agreement, the special committee authorized and directed Banc of America Securities and Lehman Brothers to inform Blackstone that the Company would agree to a period of exclusive negotiations regarding a possible transaction through 9:00 a.m. EDT on May 17, 2007, assuming that Blackstone was willing to raise its offer. Assuming Blackstone agreed to raise its per share purchase price, the special committee instructed Kirkland & Ellis to engage Simpson Thacher in negotiations regarding the merger agreement as soon as possible.

Blackstone responded in the evening of May 15, 2007, indicating that it would raise its offer to $81.75 in exchange for the Company s willingness to enter exclusive negotiations with Blackstone. As authorized and directed by the special committee, Banc of America Securities and Lehman Brothers informed Blackstone that, on this basis, the Company s representatives would negotiate exclusively with Blackstone through 9:00 a.m. EDT on May 17, 2007 to see if the terms of an agreement could be reached.

Kirkland & Ellis and Simpson Thacher began negotiating the terms of the merger agreement during the night of May 15, 2007. On the morning of May 16, 2007, Kirkland & Ellis circulated a revised draft of the merger agreement, reflecting the prior night s negotiations. Throughout the day of May 16, 2007, Kirkland & Ellis and Simpson Thacher continued to negotiate the terms of the merger agreement, Blackstone s equity and debt commitment letters and the limited guarantee. By the morning of May 17, 2007, the material terms of each agreement had been agreed to.

On the morning of May 16, 2007, the Consortium was informed by Banc of America Securities and Lehman Brothers that its bid was not competitive. During the afternoon of May 16, 2007, the Consortium submitted a revised offer, indicating that they would be willing to pay $80.25 per share. The Consortium was informed that the Company was currently focusing its efforts on negotiating an agreement with a different party.

At 6:30 a.m. EDT on May 17, 2007, the board of directors held a special meeting to review the terms of the agreement reached with Blackstone and the terms of the offer made by the Consortium. Members of our senior management and representatives of Banc of America Securities, Lehman Brothers, Evercore and Kirkland & Ellis participated in the meeting. Mr. Minicucci informed the board that on May 15, 2007, Blackstone had agreed to raise its price per share to $81.75, and that on May 16, 2007, the Consortium had

increased its offer price from $78.00 per share to $80.25 per share. The board then discussed of the status of the offers and the potential advantages and disadvantages of delaying entering into an agreement with Blackstone in order to engage the Consortium in further price negotiations.

Representatives of Banc of America Securities and Lehman Brothers then reviewed with the board their financial analysis of the consideration to be received in the proposed merger and each rendered to the special committee and the board of directors an oral opinion, which was confirmed by delivery of a written opinion, dated May 17, 2007, to the effect that, as of that date and based on and subject to the various assumptions and limitations described in each respective opinion, the consideration to be received in the proposed merger by holders of Company common stock was fair, from a financial point of view, to such holders. The full text of Banc of America Securities and Lehman Brothers written opinions to the special committee and the board of directors, each dated as of May 17, 2007, which describe, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Banc of America Securities and Lehman Brothers, are attached to this proxy statement as Annex B and Annex C, respectively and each one of them is incorporated by reference in their entirety into this proxy statement.

Representatives of Evercore then reviewed with the board their financial analysis of the consideration to be received in the proposed merger and rendered to the special committee and the board of directors an oral opinion, which was confirmed by delivery of a written opinion, dated May 17, 2007, to the effect that, as of that date and based on and subject to the various assumptions and limitations described in such opinion, the consideration to be received in the proposed merger by holders of Company common stock was fair, from a financial point of view, to such holders. The full text of Evercore s written opinion to the special committee and the board of directors, dated as of May 17, 2007, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Evercore, is attached to this proxy statement as Annex D and is incorporated by reference in its entirety into this proxy statement.

The holders of shares of Company common stock are urged to read all three opinions carefully in their entirety.

Representatives of Kirkland & Ellis then summarized the material terms of the Merger Agreement, including the proposed transaction structure, the treatment of options, restricted stock and other equity-incentive and bonus programs, the terms of the representations, warranties and covenants contained in the Merger Agreement, including the ability of the Company to consider and accept superior offers and the termination, fee payment and expense reimbursement obligations of each of the Company and Blackstone, and the terms of Blackstone s financing. Representatives of Kirkland & Ellis also reviewed the fiduciary duties of the board under Delaware law when considering strategic alternatives, including a sale of the Company.

Following a question and answer period, Mr. Minicucci asked Mr. Parks to leave the meeting so that the special committee could meet with its financial and legal advisors and consider certain proposed resolutions. After deliberation and based upon the totality of the information considered during its evaluation of the Merger and the Merger Agreement, the special committee unanimously determined that the Merger is fair to and that it is in the best interests of the holders of Company common stock to consummate the transactions contemplated by the Merger Agreement, including the Merger. In addition, the special committee, having all the power and authority of the board to examine the proposed transaction, determined that the Merger Agreement and the Merger should be approved and declared advisable by the board of directors and that the board should recommend that the Company s stockholders vote to approve the Merger and the Merger Agreement.

Immediately following the special committee meeting, the full board met again with representatives of Banc of America Securities, Lehman Brothers, Evercore and Kirkland & Ellis. Following a discussion regarding the recommendation of the special committee and the proposed resolutions, the board unanimously adopted the Merger

Agreement and approved the transactions contemplated by the Merger Agreement and unanimously resolved to recommend that the Merger and the Merger Agreement be approved and declared advisable by the board and that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger.

Later in the morning on May 17, 2007, before the trading markets opened, the Company, Parent and Merger Sub executed the Merger Agreement and issued a press release announcing the Merger.

Reasons for the Merger; Recommendation of the Merger

The Special Committee

The special committee, acting with the advice and assistance of its own financial and legal advisors and of our senior management, evaluated and negotiated the Merger, including the terms and conditions of the Merger Agreement, with Blackstone. The special committee unanimously determined that the Merger is fair to and that it is in the best interests of the holders of Company common stock to consummate the transactions contemplated by the Merger Agreement, including the Merger. In addition, the special committee, having all the power and authority of the board to examine the proposed transaction, determined that the Merger Agreement and the Merger should be approved and declared advisable by the board of directors and that the board should recommend that the Company s stockholders vote to approve the Merger and the Merger Agreement. In reaching its determination, the special committee considered a number of factors and potential benefits of the Merger, including the following:

the current and historic financial condition and results of operations of the Company;

the financial projections of the Company and the risks associated with the Company s ability to meet such projections;

the current and historic market prices of the Company s common stock, including the fact that the cash merger price of $81.75 per share of the Company s common stock represents:

a 29.8% premium over the closing stock price of $62.96 on the last trading day prior to announcing the proposed transaction with Parent;

a 27.0% premium over the average stock price of $64.37 over the last 30 trading days prior to announcing the proposed transaction with Parent;

a 20.0% premium over the 52-week high stock price of $68.10; and

a 73.1% premium over the 52-week low stock price of $47.22;

the fact that the enterprise value implied by the cash merger price of $81.75 per share of the Company s common stock represents:

an adjusted EBITDA multiple of 12.2 times the Wall Street consensus 2007 adjusted EBITDA of $626 million; and

an operating EBITDA multiple of 11.9 times the Wall Street consensus 2007 operating EBITDA of $642 million;

the fact that the cash merger price of $81.75 per share of the Company s common stock represents:

a cash earnings per share multiple of 22.5 times the Wall Street consensus 2007 cash earnings per share of $3.64; and

a GAAP earnings per share multiple of 30.5 times the Wall Street consensus 2007 GAAP earnings per share of $2.68;

the possible alternatives to the sale of the Company, including continuing to operate the Company on a stand-alone basis, and the risks associated with such alternatives, each of which the special committee determined not to pursue in light of its belief, and the belief of the Company s management, that, notwithstanding management s positive outlook for the Company, the Merger maximized stockholder

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value and was more favorable to the stockholders than any other reasonably available alternative, particularly in light of the challenges presented by:

potential increases in loss rates (compared to the bankruptcy reform related low loss rates in 2006), a likely upward trend in funding costs and an anticipated customer departure affecting our retail business;

legislative activities that could potentially impact our marketing services and retail businesses;

outsourcing and competitive trends impacting our utilities and transaction services businesses; and

the uncertainty associated with potential changes in senior management over time;

the extensive sale process conducted by the Company, with the assistance of Banc of America Securities and Lehman Brothers, which involved engaging in discussions with 14 parties to determine their potential interest in a business combination transaction with the Company, entering into confidentiality agreements with nine parties and the receipt of seven preliminary and two definitive proposals to acquire the Company;

the price proposed by Blackstone represented the highest price that the Company had received for the acquisition of the Company;

the fact that the merger consideration is all cash, so that the transaction will allow the Company s stockholders to immediately realize a fair value, in cash, for their investment and will provide such stockholders certainty of value for their shares;

the joint financial presentation of Banc of America Securities and Lehman Brothers, including their respective opinions, each dated May 17, 2007, to the special committee and the board of directors as to the fairness, from a financial point of view and as of the date of the opinions, of the consideration to be received in the Merger by the holders of Company common stock, as more fully described below under the caption Opinions of Financial Advisors ; and

the financial presentation of Evercore, including its opinion dated May 17, 2007, to the special committee and the board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the consideration to be received in the Merger by the holders of Company common stock, as more fully described below under the caption Opinions of Financial Advisors ;

the terms of the Merger Agreement, including:

the limited number and nature of the conditions to Parent and Merger Sub s obligation to consummate the Merger and the limited risk of non-satisfaction of such conditions;

the provisions of the Merger Agreement that allow the board or the special committee, under certain limited circumstances if the failure to take such action would reasonably be expected to be inconsistent with its fiduciary duties under applicable law, to change its recommendation that the Company s stockholders vote in favor of the approval of the Merger Agreement;

the provisions of the Merger Agreement that allow the Company, under certain limited circumstances if failure to take such action would reasonably be expected to be inconsistent with the board of directors or special committee s fiduciary duties under applicable law, to furnish information to and participate in discussions or negotiations with third parties who have made unsolicited proposals;

the provisions of the Merger Agreement that provide the Company with the ability to terminate the Merger Agreement in order to accept a superior proposal (subject to providing Parent with three business days notice, negotiating with Parent in good faith and paying Parent a $170 million termination fee);

the conclusion of the special committee that a $170 million termination fee (and the circumstances under which such fee would be payable) was reasonable in light of the benefits of the Merger, the

auction process conducted by the Company with the assistance of the Company s financial advisors and commercial practice; and

the obligation of Parent to pay the Company a $170 million business interruption fee if the Merger Agreement is terminated by the Company in the event that all of the conditions to the obligations of the parties to close the Merger are generally satisfied and Parent and Merger Sub are in material breach of their representations and warranties or covenants, including the failure to provide the funding required to consummate the Merger;

the strength of the debt commitment letters obtained by Parent, including the absence of market outs ;

the fact that the conditions in the market for private and public debt were particularly strong and there were no assurances that those conditions would continue in the future;

the current and historic trading multiples of the Company s common stock and the likelihood that such trading multiples could be sustained over the long term in light of increasing competitive pressures and trends in the businesses in which the Company competes;

the fact that the financial and non-financial terms of the proposal received from the Consortium were, in the aggregate, less favorable to the Company than the proposal by Blackstone, including as to conditionality;

the fact that the Company s stockholders have the right to demand appraisal of their shares in accordance with the procedures established by Delaware law; and

Blackstone s willingness to enter into the Merger Agreement without having first entered into any agreements or arrangements with the members of our senior management team with respect to post-closing employment or participation as an investor in the transaction.

The special committee also considered and balanced against the potential benefits of the Merger a number of potentially adverse factors concerning the Merger including the following:

the risk that the Merger might not be completed in a timely manner or at all, including the risk that the Merger will not occur if the financing contemplated by the debt commitment letter is not obtained and the risk that required regulatory approvals from various governmental authorities may not be obtained;

the interests of the Company s directors and executive officers in the Merger (see Interests of the Company s Directors and Executive Officers in the Merger beginning on page 60);

the fact that the Company s stockholders will not participate in any future earnings or growth of the Company and will not benefit from any future appreciation in value of the Company;

the restrictions on the conduct of the Company s business prior to completion of the Merger, which require the Company to conduct its business in the ordinary course and prohibit the Company from taking numerous specified actions without Parent s consent, and the fact that these restrictions might delay or prevent the Company from undertaking business opportunities that may arise pending completion of the Merger;

the risk that the announcement of the proposed transaction or the consummation of the Merger could adversely affect the Company s relationships with its customers;

the Merger consideration consists of cash and will therefore be taxable to our stockholders for U.S. federal income tax purposes;

the restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving the Company and the requirement that the Company pay Parent a $170 million termination fee in order for the Company to accept a superior proposal;

the risk of diverting management focus and resources from other strategic opportunities and from operational matters while working to implement the Merger; and

- the possibility of management and employee disruption associated with the Merger.

The special committee also considered a number of factors relating to the procedures involved in the negotiation of the Merger Agreement, including that the board appointed the special committee:

- consisting entirely of directors who are not officers of the Company or affiliated with Parent or its investors;
- whose members will not personally benefit from the consummation of the Merger in a manner different from the unaffiliated stockholders of the Company except as described in Interests of the Company s Directors and Executive Officers in the Merger beginning on page 60;
- with the authority to, among other things, consider, negotiate and evaluate the terms of any proposed transaction, including the Merger Agreement;
- with the ultimate authority to decide whether or not to proceed with a transaction, subject to the full board s approval of the Merger Agreement; and
- that retained its own financial and legal advisors who have extensive experience with transactions similar to the Merger, assisted the special committee in the negotiations with Blackstone and took direction exclusively from the special committee.

In view of the variety of factors and the quality and amount of information considered, as well as the complexity of these matters, the special committee did not find it practicable to, and did not attempt to, assign relative weights to the above factors or the other factors considered by it. In addition, the special committee did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the special committee may have given different weights to different factors.

The Board of Directors

On May 17, 2007, the special committee, by unanimous vote, determined to recommend that our board approve the proposed Merger. Immediately after the special committee resolved to recommend that the board approve the proposed Merger and the Merger Agreement, our full board:

- approved the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger;
- determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of, holders of the Company s common stock;
- determined that the consideration to be received for issued and outstanding shares of the Company s common stock is fair to the stockholders of the Company; and
- resolved to recommend that the holders of the Company s common stock vote for the approval and adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement.

See Background of the Merger beginning on page 25 for additional information on the recommendation of our board.

Such approvals, determinations and recommendations were approved by all of the members of the board. Our board believes that the Merger Agreement and the Merger are substantively and procedurally fair to the Company s stockholders. In reaching these conclusions, our board considered:

the unanimous recommendation and analysis of the special committee, as described above;

the joint financial presentation of Banc of America Securities and Lehman Brothers, including their respective opinions, each dated May 17, 2007, to the special committee and the board of directors as to the fairness, from a financial point of view and as of the date of the opinions, of the consideration to be received in the Merger by the holders of Company common stock, as more fully described below under the caption Opinions of Financial Advisors ; and

the financial presentation of Evercore, including its opinion, dated May 17, 2007, to the special committee and the board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the consideration to be received in the Merger by the holders of Company common stock, as more fully described below under the caption Opinions of Financial Advisors.

The foregoing discussion of the information and factors considered by the board is not intended to be exhaustive but, we believe, includes all material factors considered by the board. In view of the wide variety of factors considered by the board in evaluating the Merger and the complexity of these matters, our board did not assign relative weights to the above factors or the other factors considered by it. In addition, the board did not reach any specific conclusion on each factor considered, but conducted an overall analysis of these factors. Individual members of the board may have given different weights to different factors.

Based on the factors outlined above, the board determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to, and in the best interests of, the Company s stockholders.

The board of directors unanimously recommends that the Company s stockholders vote FOR the adoption of the Merger Agreement.

Opinions of Financial Advisors

The Company and the special committee of the board of directors of the Company retained Banc of America Securities and Lehman Brothers as financial advisors to the special committee in connection with the Merger. Each of Banc of America Securities and Lehman Brothers is an internationally recognized investment banking firm that is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Company and the special committee selected Banc of America Securities and Lehman Brothers on the basis of their experience in transactions similar to the Merger, their reputation in the investment community and their familiarity with the Company and its business.

On May 17, 2007, at a meeting of the board of directors of the Company held to evaluate the Merger, each of Banc of America Securities and Lehman Brothers rendered to the special committee of the board of directors and the board of directors of the Company an oral opinion, which was confirmed by delivery of a written opinion dated the same date, to the effect that, as of the date of each opinion and based upon and subject to various assumptions and limitations described in each opinion, the consideration to be received in the proposed Merger by holders of Company common stock was fair, from a financial point of view, to such holders.

The full text of Banc of America Securities and Lehman Brothers written opinions to the special committee of the board of directors and the board of directors of the Company, each dated May 17, 2007, which describe, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Banc of America Securities and Lehman Brothers are attached to this proxy statement as Annex B and C, respectively, and incorporated by reference in their entirety into this proxy statement. Stockholders are urged to read both opinions carefully in their entirety. The following summaries of Banc of America Securities and Lehman Brothers respective opinions and the methodology that Banc of America Securities and Lehman Brothers each used to render their respective opinions is qualified in their entirety by reference to the full text of such opinions.

Banc of America Securities and Lehman Brothers respective opinions were provided to, and for the benefit and use of, the special committee of the board of directors and the board of directors of the Company in connection with and for

the purposes of their respective evaluation of the consideration provided for in the Merger from a financial point of view. The respective opinions of Banc of America Securities and Lehman Brothers are not intended to be and do not constitute recommendations to any stockholder as to how such stockholder should vote or act in connection with the Merger.

Opinion of Banc of America Securities LLC

In connection with rendering its opinion, Banc of America Securities:

reviewed certain publicly available financial statements and other business and financial information of the Company;

reviewed certain internal financial statements and other financial and operating data concerning the Company;

reviewed certain financial forecasts relating to the Company prepared by the management of the Company, referred to herein as the Company forecasts;

reviewed independent research analysts published estimates of the future financial performance of the Company and certain other publicly traded companies Banc of America Securities deemed relevant;

discussed the past and current operations, financial condition and prospects of the Company with senior executives of the Company;

reviewed the reported prices and trading activity for the Company common stock;

compared the financial performance of the Company and the prices and trading activity of the Company common stock with that of certain other publicly traded companies Banc of America Securities deemed relevant;

compared certain financial terms of the Merger to financial terms, to the extent publicly available, of certain other business combination transactions Banc of America Securities deemed relevant;

participated in discussions and negotiations among representatives of the Company, Blackstone and their respective advisors;

reviewed the Merger Agreement;

considered the results of Banc of America Securities efforts to solicit, at the direction of the Company, indications of interest and proposals from third parties with respect to a possible acquisition of the Company; and

performed such other analyses and considered such other factors as Banc of America Securities deemed appropriate.

In arriving at its opinion, Banc of America Securities assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information reviewed by Banc of America Securities. With respect to the Company forecasts, Banc of America Securities assumed, at the direction of the Company, that they had been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Company as to the future financial performance of the Company. Banc of America Securities did not make any independent appraisal or valuation of the assets or liabilities of the Company, nor was Banc of America Securities furnished with any such appraisals or valuations. Banc of America Securities assumed, with the consent of the Company, that the Merger would be consummated as provided in the Merger Agreement, with full satisfaction of

all covenants and conditions set forth in the Merger Agreement and without any waivers thereof. Banc of America Securities also assumed, with the consent of the Company, that all governmental or third party consents and approvals necessary for the consummation of the Merger would be obtained without any adverse effect on the Company or the Merger.

Banc of America Securities expressed no view or opinion as to any terms or aspects of the Merger (other than the consideration to the extent expressly specified in its opinion), including, without limitation, the form or structure of the Merger. In addition, no opinion was expressed as to the relative merits of the Merger in comparison to other transactions available to the Company or in which the Company might engage or as to whether any transaction might be more favorable to the Company as an alternative to the Merger, nor did Banc of America Securities express any opinion as to the underlying business decision of the special

committee of the board of directors or the board of directors of the Company to proceed with or effect the Merger.

Banc of America Securities opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to Banc of America Securities as of, the date of its opinion. Accordingly, although subsequent developments may affect its opinion, Banc of America Securities did not assume any obligation to update, revise or reaffirm its opinion.

The Company has agreed to pay Banc of America Securities the following cash fees for its financial advisory services in connection with the Merger: (a) $1 million, which was payable to Banc of America Securities in connection with the rendering of its opinion relating to the Merger and (b) approximately $16 million, payable upon and concurrently with the closing of the Merger; or (c) up to $6.5 million in the event a termination fee is actually paid to the Company pursuant to the Merger Agreement, payable promptly upon the Company s receipt of such fee. The Company also has agreed to reimburse Banc of America Securities for all reasonable expenses, including reasonable fees and disbursements of Banc of America Securities counsel, incurred in connection with Banc of America Securities engagement, and to indemnify Banc of America Securities, any controlling person of Banc of America Securities and each of their respective directors, officers, employees, agents, affiliates and representatives against specified liabilities, including liabilities under the federal securities laws.

Banc of America Securities and/or certain of its affiliates have provided financial advisory and financing services to the Company and have received fees for the rendering of these services, including, among other things, acting or having acted as an agent for, and lender under, certain credit facilities of the Company. In addition, Banc of America Securities or its affiliates in the past have provided, currently are providing and in the future may provide financial advisory and financing services to Blackstone and certain of its affiliates and portfolio companies and have received and in the future may receive fees for the rendering of these services, including, among other things, acting or having acted as (a) arranger of, and participant in, certain acquisition financings undertaken by Blackstone and certain of its affiliates and portfolio companies either directly or as part of an investment group, (b) financial advisor to Blackstone and certain of its affiliates and portfolio companies in connection with certain mergers and acquisitions transactions and (c) arranger and/or bookrunner for certain debt and equity offerings by Blackstone and certain of its affiliates and portfolio companies. In addition, with the approval of the special committee, Banc of America Securities and its affiliates made available to potential bidders an acquisition financing package in connection with the potential sale of the Company, and Banc of America Securities and its affiliates may provide, or participate in, the financing for the Merger for which services Banc of America Securities and its affiliates would receive compensation. Certain of Banc of America Securities affiliates also hold minority investments in certain funds affiliated with Blackstone. In the ordinary course of their businesses, Banc of America Securities and its affiliates may actively trade or hold securities of the Company and certain affiliates and portfolio companies of Blackstone, and may actively trade or hold loans of the Company, its affiliates and Blackstone and certain of its affiliates and portfolio companies, for their own account or for the accounts of customers, and accordingly, Banc of America Securities or its affiliates may at any time hold long or short positions in such securities or loans.

Opinion of Lehman Brothers Inc.

In connection with rendering its opinion, Lehman Brothers reviewed and analyzed:

the Merger Agreement and the specific terms of the proposed Merger;

publicly available information concerning the Company that Lehman Brothers believed to be relevant to its analysis, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2006 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2007;

financial and operating information with respect to the business, operations and prospects of the Company furnished to Lehman Brothers by the Company, including financial projections of the Company prepared by the management of the Company;

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published estimates of independent research analysts with respect to the Company s future financial performance, its ratings and price targets of Company common stock, as well as with respect to certain other publicly traded companies Lehman Brothers deemed relevant;

a trading history of the Company common stock from May 13, 2005 to May 15, 2007 and a comparison of that trading history with those of other companies that Lehman Brothers deemed relevant;

a comparison of the historical financial results and present financial condition of the Company with those of other companies that Lehman Brothers deemed relevant;

a comparison of the financial terms of the proposed Merger with the financial terms of certain other recent transactions that Lehman Brothers deemed relevant; and

the projected cash flows of the Company as provided by the management of the Company in light of the proposed capital structure of the Company, pro forma for the proposed Merger.

In addition, Lehman Brothers had discussions with the management of the Company concerning the Company s business, operations, assets, liabilities, financial condition and prospects and undertook such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied upon the accuracy and completeness of the financial and other information provided to it by the Company or any other parties involved in the Merger or otherwise publicly available without assuming any responsibility for independent verification of such information and further relied upon the assurances of the management of the Company that they are not aware of any facts or circumstances that would make such information provided by or on behalf of the Company inaccurate or misleading. With respect to the financial projections of the Company, upon advice of the Company Lehman Brothers assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of the Company and that the Company will perform substantially in accordance with such projections. Additionally, Lehman Brothers considered and used published estimates of independent research analysts in performing its analysis and upon discussions with the management of the Company, the management of the Company agreed with the appropriateness of, and consented to Lehman Brothers reliance upon, such published estimates in performing its analysis. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of the properties and facilities of the Company and did not make or obtain any evaluations or appraisals of the assets or liabilities of the Company. Lehman Brothers opinion necessarily was based upon market, economic and other conditions as they existed on, and could be evaluated as of, the date of such letter.

The Company has agreed to pay Lehman Brothers the following cash fees for its financial advisory services in connection with the Merger: (a) $1 million, which was payable to Lehman Brothers in connection with the rendering of its opinion relating to the Merger and (b) approximately $16 million, payable upon and concurrently with the closing of the Merger; or (c) up to $6.5 million in the event a termination fee is actually paid to the Company pursuant to the Merger Agreement, payable promptly upon the Company s receipt of such fee. In addition, the Company also has agreed to reimburse Lehman Brothers for all reasonable expenses, including reasonable fees and disbursements of Lehman Brothers counsel, incurred in connection with Lehman Brothers engagement, and to indemnify Lehman Brothers and certain of its affiliates for certain liabilities that may arise out of the rendering of the opinion.

Lehman Brothers and/or certain of its affiliates have provided financial advisory and financing services to the Company and have received fees for the rendering of these services, including, among other things, acting or having

acted as an agent for, and lender under, certain credit facilities of the Company. In addition, Lehman Brothers and/or certain of its affiliates have provided, currently are providing and in the future may provide financial advisory and financing services to Blackstone and certain of its affiliates and portfolio companies and have received and in the future may receive fees for the rendering of these services, including, among other things, acting or having acted as (a) arranger of, and participant in, certain acquisition financings undertaken by Blackstone and certain of its affiliates and portfolio companies either directly or as part of an investment group, (b) financial advisor to Blackstone and certain of its affiliates and portfolio companies in

connection with certain mergers and acquisition transactions and (c) arranger and/or bookrunner for certain debt and equity offerings by Blackstone and certain of its affiliates and portfolio companies. In addition, with the approval of the special committee, Lehman Brothers and its affiliates made an acquisition financing package available to potential bidders in connection with the potential sale of the Company, and Lehman Brothers and its affiliates may provide, or participate in, the financing for the Merger for which services Lehman Brothers and its affiliates would receive compensation. Certain of Lehman Brothers affiliates also hold minority investments in certain funds affiliated with Blackstone. In the ordinary course of their businesses, Lehman Brothers and its affiliates may actively trade or hold securities of the Company and certain affiliates and portfolio companies of Blackstone, and may actively trade or hold loans of the Company, its affiliates and Blackstone and certain of its affiliates and portfolio companies, for their own account or for the accounts of customers, and accordingly, Lehman Brothers or its affiliates may at any time hold long or short positions in such securities or loans.

Financial Analyses of Banc of America Securities and Lehman Brothers

A description of the material financial analyses Banc of America Securities and Lehman Brothers jointly performed in connection with the preparation of their respective opinions is set forth below. The following summary does not, however, purport to be a complete description of all the financial analyses performed by Banc of America Securities and Lehman Brothers in connection with their respective opinions. The order of the analyses described does not represent relative importance or weight given to those analyses by Banc of America Securities and Lehman Brothers. The summary includes information presented in tabular format. In order to more fully understand the financial analyses used by Banc of America Securities and Lehman Brothers, the tables must be read together with the full text of each summary. The tables alone are not a complete description of Banc of America Securities and Lehman Brothers financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by Banc of America Securities and Lehman Brothers. Except as otherwise noted, the following quantitative information, to the extent based on market data, is based on market data as it existed on or before May 15, 2007, and is not necessarily indicative of current market conditions.

Selected Publicly Traded Companies Analysis. Banc of America Securities and Lehman Brothers reviewed certain publicly available financial and stock market information relating to the Company and 21 selected publicly traded companies that Banc of America Securities and Lehman Brothers deemed relevant to the analysis of the Company. Specifically, Banc of America Securities and Lehman Brothers selected companies in the broadly defined marketing services, transaction processing services or credit card services industries. The companies included in this analysis were:

Marketing Services

Acxiom Corp.

Dun & Bradstreet Corp.

Equifax Inc.

Experian Group Ltd.

Fair Isaac Corp.

Harte-Hanks Inc.

infoUSA Inc.

Valassis Communications Inc.

Transaction Processing Services

CheckFree Corp.

DST Systems Inc.

Fidelity National Information Services Inc.

Fiserv Inc.

Global Payments Inc.

Heartland Payment Systems Inc.

MoneyGram International Inc.

Total System Services Inc.

Wright Express Corp.

Credit Card Services

Advanta Corp.

American Express Co.

Capital One Financial Corp.

CompuCredit Corp.

For purposes of this analysis, Banc of America Securities and Lehman Brothers analyzed the following statistics for comparison purposes:

for the selected marketing services and transaction processing services companies, the ratio of (a) enterprise value, defined as market capitalization plus net debt, defined as total debt and minority interest less cash and cash equivalents, to (b) estimated earnings before interest, taxes, depreciation and amortization, but excluding stock-based compensation expense, referred to in this proxy statement as EBITDA, for calendar year 2007; and

for each of the companies, the ratio of price per share to estimated earnings per share (EPS) for calendar year 2007.

Based on the analysis of the relevant financial multiples and ratios for each of the selected companies, Banc of America Securities and Lehman Brothers selected representative ranges of calendar year 2007 EBITDA and EPS multiples for the selected companies and applied this range of multiples to the corresponding Company financial statistic. Banc of America Securities and Lehman Brothers used estimates of EBITDA and earnings per share, referred to in this proxy statement as EPS, for calendar year 2007 derived from publicly available equity research sources as of May 15, 2007. Banc of America Securities and Lehman Brothers calculated price to estimated cash earnings multiples, which excluded amortization of intangibles and stock based compensation, for the selected companies in the marketing services and transaction processing services industries, and calculated price to estimated GAAP earnings for the selected companies in the credit card services industry. Banc of America Securities and Lehman Brothers then calculated an implied value per share of Company common stock based on the selected range of ratios of enterprise value to EBITDA and price to estimated earnings by (a) multiplying the Company s estimated EBITDA

for calendar year 2007, adjusted to exclude stock-based compensation and the impact of one-time line items as per Company management, referred to in this proxy statement as the Company s Adjusted EBITDA, by the selected range of ratios of enterprise value to EBITDA, and then (b) multiplying the Company s estimated cash earnings for calendar year 2007 by the selected range of ratios of price to estimated earnings. The results of this analysis are depicted in the table below:

Calendar Year 2007E	**Selected Companies Reference Range**	**Company Common Stock Implied Value per Share**
EV/EBITDA	9.0x-10.5x	
P/E	16.0x-19.0x	$ 58.25 - $69.25

Banc of America Securities and Lehman Brothers noted that the consideration per share to be received by holders of Company common stock pursuant to the Merger Agreement was $81.75.

No company utilized in the selected publicly traded companies analysis is identical or directly comparable to the Company or its business. In evaluating the selected companies, Banc of America Securities and Lehman Brothers made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company, such as the impact of competition on the businesses of the Company and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of the Company or the industry or in the financial markets in general. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which the Company was compared.

Discounted Cash Flow Analysis. Using Company management s financial forecasts (discussed in this proxy statement as Scenario A and Scenario B under the heading Financial Projections beginning on page 55) for the second half of calendar year 2007 and calendar years 2008 to 2011, Banc of America Securities and Lehman Brothers performed an analysis of the present value of the free cash flows, discounted to June 30, 2007, that the Company could generate from the second half of 2007 and beyond. Banc of America Securities and Lehman Brothers discounted the unlevered free cash flows of the Company at an estimated weighted average cost of capital of 12%, derived by applying the capital asset pricing model and the Company s current after-tax average debt borrowing rate and capital structure. Banc of America Securities and Lehman Brothers assumed terminal values based on a range of multiples of 9.0x to 10.0x estimated 2011 Adjusted EBITDA, based on a combination of multiples derived from the selected publicly traded companies analysis described above.

Based on the foregoing, Banc of America Securities and Lehman Brothers calculated an implied value per share range of Company common stock of approximately $76.00 to $83.50, as compared to the $81.75 per share in cash to be received by holders of Company common stock pursuant to the Merger Agreement.

Premiums Paid Analysis. Banc of America Securities and Lehman Brothers reviewed the 1-day prior to announcement, 30-day average prior to announcement, and 52-week high prior to announcement premiums for the following types of selected transactions:

- transactions in the technology and services industries with transaction values of between $1 billion and $10 billion announced since and including 2003;
- leveraged buyouts of publicly-traded companies with transaction values of greater than $1 billion announced since and including 2005; and
- selected transactions announced since and including 2003 in each of the marketing services and transaction processing services industries.

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Banc of America Securities and Lehman Brothers reviewed the premiums for all the selected transactions and summarized the results as set forth below, reflected as a percentage of the 1-day, 30-day average and 52-week high prices of the target companies common stock:

Transactions	1st Quartile	Mean	Median	3rd Quartile
1-Day				
Technology/Services	23.1%	17.5%	16.7%	9.5%
Leveraged Buyouts	19.9	16.0	14.1	9.1
Selected Marketing	18.8	15.3	8.5	4.7
Selected Processing	18.6	13.1	15.5	6.2
30-Day Average				
Technology/Services	31.5%	22.7%	22.3%	12.4%
Leveraged Buyouts	32.3	23.0	21.9	13.8
Selected Marketing	24.9	18.9	14.5	11.8
Selected Processing	33.0	19.9	22.3	9.5
52-Week High				
Technology/Services	4.6%	(1.4)%	1.2%	(7.9)%
Leveraged Buyouts	2.4	(1.5)	(0.6)	(3.5)
Selected Marketing	1.3	(1.7)	(2.4)	(3.3)
Selected Processing	0.6	(9.6)	0.0	(10.1)

Banc of America Securities and Lehman Brothers selected a relevant range of premiums from 10% to 20%, which were applied to the Company s common stock price as of May 15, 2007, a range of premiums of 15% to 30%, which were applied to the Company s 30-day average common stock price prior to May 15, 2007, and selected the high value of the Company s 52-week stock price for the period ending May 15, 2007 as the low value of the relevant range. Based on the selected range of premiums paid in such selected transactions, Banc of America Securities and Lehman Brothers calculated an implied value per share range of Company common stock of approximately $68.00 to $83.75, as compared to the $81.75 per share in cash to be received by holders of Company common stock pursuant to the Merger Agreement.

No company utilized in the premiums paid analysis is identical or directly comparable to the Company or its business. Accordingly, an evaluation of the result of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which the Company was compared.

Selected Precedent Transactions Analysis. Banc of America Securities and Lehman Brothers also performed a selected precedent transactions analysis, which attempts to provide an implied value of a company based on publicly available financial terms and premiums of selected transactions that share certain characteristics with the relevant transaction. In connection with its analysis, Banc of America Securities and Lehman Brothers compared publicly available statistics for 9 selected marketing services transactions announced between May 14, 2003 and May 16, 2007, and 13 selected transaction processing services transactions announced between April 2, 2003 and April 2, 2007, in each case in which the target company was publicly traded or had publicly traded debt securities. Banc of America Securities and Lehman Brothers selected these precedent transactions based on the fact that the target companies were in the marketing and/or transaction processing services sector, the same broader industries as the Company. The following is a list of these transactions:

Selected Precedent Transactions (Target/Acquiror)

Selected Marketing Services Transactions

Acxiom Corp./Investor Group (Silver Lake, ValueAct Capital)

Catalina Marketing Corp./Hellman & Friedman Capital Partners IV LP

Vertrue Inc./Investor Group (One Equity Partners, Oak Investment Partners, Rho Ventures)

Digitas Inc./Publicis Groupe SA

ADVO Inc./Valassis Communications Inc.

Cendant s Marketing Services Business/Apollo Management LP

DoubleClick Inc./Hellman & Friedman Capital Partners IV LP

Grey Global Group Inc./WPP Group PLC

NFO World Group Inc./Taylor Nelson Sofres PLC

Selected Transaction Processing Services Transactions

First Data Corp./Kohlberg Kravis Roberts & Co.

Affiliated Computer Services Inc./Darwin Deason and Cerberus Capital Management LP

John H. Harland Co./M&F Worldwide Corp.

Open Solutions Inc./Carlyle Group, Providence Equity Partners

ADP Claims Services Group/Solera Inc.

iPayment Inc./Management

Sedgwick CMS Holdings Inc./Fidelity National Financial Inc.

CCC Information Services Group Inc./Investcorp

Certegy Inc./Fidelity National Information Services Inc.

SunGard Data Systems Inc./Investor Group (Silver Lake Partners, Bain Capital, Blackstone Group, Goldman Sachs Capital Partners, Kohlberg Kravis Roberts & Co, Providence Equity Partners and Texas Pacific Group)

Fidelity National Information Services Inc./Investor Group (Thomas H. Lee Partners and Texas Pacific Group)

National Processing Inc./Bank of America Corp.

Concord EFS Inc./First Data Corp.

For each transaction listed above, Banc of America Securities and Lehman Brothers derived the enterprise value for each transaction, divided by the last twelve months (LTM) EBITDA of the target company, resulting in a reference range for the selected transactions. The resulting ratio of enterprise value to LTM EBITDA multiple range for the selected group of transactions was 7.5x to 17.4x with a median of 9.8x. Banc of America Securities and Lehman Brothers selected a representative ratio of enterprise value to LTM EBITDA multiple range of 9.0x to 11.0x based on the precedent transactions listed above and applied that range to the estimated LTM Adjusted EBITDA of the Company. The Company s estimated LTM Adjusted EBITDA was calculated using historical numbers for the period from July 1, 2006 through March 31, 2007 and Company management s projections for the period from April 1, 2007 through June 30, 2007. Based on the selected ratio of enterprise value to LTM EBITDA multiple range, Banc of America Securities and Lehman Brothers calculated an implied value per share range of Company common stock of approximately $54.75 to $69.00, as compared to the $81.75 per share in cash to be received by holders of Company common stock pursuant to the Merger Agreement.

No company or transaction utilized in the precedent transactions analysis is identical to the Company or the Merger. In evaluating the precedent transactions, Banc of America Securities and Lehman Brothers made judgments and assumptions with regard to industry performance, general business, economic, market and

financial conditions and other matters, many of which are beyond the control of the Company, such as the impact of competition on the businesses of the Company and the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of the Company or the industry or in the financial markets in general, which could affect the public trading value of the companies and the aggregate value of the transactions to which they are being compared.

Leveraged Buyout Analysis. Using the Company s financial forecasts for the second half of calendar year 2007 and calendar years 2008 to 2011, Banc of America Securities and Lehman Brothers also analyzed the Company from the perspective of a potential purchaser that was primarily a financial buyer that would effect a leveraged buyout of the Company using a debt capital structure consistent with those transactions proposed by buyers, including the Merger. Banc of America Securities and Lehman Brothers assumed that a buyer would value its investment in the Company at December 31, 2011 at an enterprise value that represented a multiple of calendar year 2011 Adjusted EBITDA of 9.5x. Banc of America Securities and Lehman Brothers then calculated the Company s December 31, 2011 equity value range by adding the Company s forecasted December 31, 2011 cash balance and subtracting the Company s forecasted December 31, 2011 debt outstanding. Based on the December 31, 2011 equity value range for the Company calculated by Banc of America Securities and Lehman Brothers and their assumption, based on their collective experience, that financial sponsors would likely target internal rates of return of approximately 17.5% to 25%, Banc of America Securities and Lehman Brothers derived a range of implied values per share that a financial sponsor might be willing to pay to acquire the Company estimated at $76.00 to $86.00, as compared to the $81.75 per share in cash to be received by holders of Company common stock pursuant to the Merger Agreement.

Other Factors. In rendering their respective opinions, Banc of America Securities and Lehman Brothers also reviewed and considered other factors, including:

- the historical trading prices of Company common stock during the 24-month period ended May 15, 2007; and

- published estimates of independent research analysts with respect to the Company s future financial performance, its ratings and price targets of the Company common stock, as well as with respect to certain other publicly traded companies deemed relevant.

Miscellaneous. The preparation of a financial opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Banc of America Securities opinion and Lehman Brothers opinion. In arriving at their respective opinions, Banc of America Securities and Lehman Brothers considered the results of all the analyses as a whole and did not attribute any particular weight to any factor or analysis considered by it. No company or transaction used in the above analyses is identical or directly comparable to the Company or the Merger.

In performing their joint analyses, Banc of America Securities and Lehman Brothers considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company. The estimates of the future performance of the Company provided by the management of the Company, or published by independent research analysts, in or underlying Banc of America Securities and Lehman Brothers analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by Banc of America Securities and Lehman Brothers analyses. Banc of America Securities and Lehman Brothers analyses were prepared solely as part of their joint analyses of the financial fairness of the consideration provided for in the Merger and were provided to the special committee of the board of directors and the board of directors of the Company in connection with the delivery of their respective opinions. The analyses do not purport to be appraisals or to reflect the prices at which a Company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly,

the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty, and should not be taken to be Banc of America Securities or Lehman Brothers view of the actual value of the Company.

The type and amount of consideration provided for in the Merger was determined through negotiations between the Company and Blackstone, rather than by any financial advisors, and was approved by the special committee of the board of directors of the Company and the board of directors of the Company. The decision of the Company to enter into the Merger Agreement was solely that of the board of directors of the Company. As described above, Banc of America Securities opinion, Lehman Brothers opinion and their joint analyses were only one of many factors considered by the special committee and by the board of directors of the Company in making their determination to recommend the Merger Agreement and should not be viewed as determinative of the views of the special committee or of the board of directors of the Company or the Company management with respect to the Merger or the consideration to be paid therein.

Opinion of Evercore Group L.L.C.

Evercore was retained to provide financial advisory services to the special committee in connection with the special committee s evaluation of strategic and financial alternatives available to the Company. Evercore is a nationally recognized investment banking firm that is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions and similar transactions. The special committee retained Evercore based on these qualifications. In the ordinary course of business, affiliates of Evercore may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or for the account of customers in the equity and other securities of the Company, or any other parties, commodities or currencies involved in the Merger.

On May 17, 2007, Evercore delivered its oral opinion to the special committee and to the Company s board of directors, which opinion was subsequently confirmed in writing, to the effect that, as of such date and based upon and subject to the factors, limitations and assumptions set forth in its opinion, the Merger Consideration to be received by the holders of Company common stock (other than holders of dissenting shares (as defined by the Merger Agreement) and shares to be cancelled or otherwise converted into stock of the surviving corporation pursuant to the terms of the Merger Agreement) was fair, from a financial point of view, to such holders of Company common stock.

The full text of the written opinion of Evercore, dated May 17, 2007, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken in rendering its opinion, is attached as Annex D to this proxy statement and is incorporated by reference in its entirety into this proxy statement. We urge you to read the opinion in its entirety. Evercore s opinion is directed to the special committee and the Company s board of directors, addresses only the fairness from a financial point of view of the Merger Consideration to be received by the holders of Company common stock (other than holders of dissenting shares and shares to be cancelled or otherwise converted into stock of the surviving corporation pursuant to the terms of the Merger Agreement) pursuant to the Merger Agreement and does not address the relative merits of the Merger as compared to other business or financial strategies that might be available to the Company, the underlying business decision of the Company to engage in the Merger and does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote at the special meeting or respond to the Merger. The following is a summary of Evercore s opinion and the methodology that Evercore used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Evercore, among other things:

reviewed a draft of the Merger Agreement dated May 16, 2007, which it assumed was in substantially final form and would not vary in any respect material to its analysis;

reviewed certain publicly available business and financial information relating to the Company that it deemed to be relevant;

reviewed certain non-public internal financial statements and other non-public financial and operating data relating to the Company that were prepared and furnished to it by our management;

reviewed certain financial projections relating to the Company that were provided to it by and approved for use in connection with its opinion by our management;

discussed the past and current operations, financial projections and current financial condition of the Company with our management;

reviewed the reported prices and trading activity of Company common stock;

compared the financial performance of the Company and the prices and trading activity of Company common stock with that of certain publicly-traded companies and their securities that it deemed relevant;

reviewed the financial terms of certain publicly available transactions that it deemed relevant;

reviewed with advisors to the Company and to the special committee the scope and results of the transaction process conducted on behalf of the Company as of May 17, 2007; and

performed such other analyses and examinations and considered such other factors that it deemed appropriate.

For purposes of its analysis and opinion, Evercore assumed and relied upon, without undertaking any responsibility for independent verification of, the accuracy and completeness of the information publicly available, and the information supplied or otherwise made available to, discussed with, or reviewed by Evercore, including as to the completeness of the transaction process conducted on behalf of the Company by the advisors to the Company, and assumes no liability therefor. For purposes of rendering Evercore s opinion, members of our management provided Evercore certain financial projections related to the Company. With respect to the financial projections, Evercore assumed that they had been reasonably prepared on bases reflecting the best available estimates and good faith judgments of the future competitive, operating and regulatory environments and related financial performance of the Company.

For purposes of rendering its opinion, Evercore assumed, with the Company s consent, that the representations and warranties of each party contained in the Merger Agreement were true and correct, that each party would perform all of the covenants and agreements required to be performed by it under the Merger Agreement and that all conditions to the consummation of the Merger would be satisfied without waiver or modification thereof. Evercore further assumed that all governmental, regulatory or other consents, approvals or releases necessary for the consummation of the Merger would be obtained without any delay, limitation, restriction or condition that would have an adverse effect on the Company or the consummation of the Merger.

Evercore did not make, nor assume any responsibility for making, any independent valuation or appraisal of the assets or liabilities of the Company or any of its subsidiaries, nor was Evercore furnished with any such appraisals, nor did Evercore evaluate the solvency or fair value of the Company or any of its subsidiaries under any state or federal laws relating to bankruptcy, insolvency or similar matters. Evercore s opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to Evercore as of, May 17, 2007. It was acknowledged that subsequent developments may affect Evercore s opinion and agreed that Evercore has no obligation to update, revise or reaffirm its opinion. In connection with the Merger, Evercore was not authorized by the special committee to solicit, nor did Evercore solicit, third party indications of interest for the acquisition of all or part of the Company and did not otherwise participate in the transaction process.

Evercore was not asked to pass upon, and expressed no opinion with respect to, any matter other than the fairness from a financial point of view, as of May 17, 2007, to the holders of our common stock (other than holders of dissenting shares and shares to be cancelled or otherwise converted into stock of the surviving corporation pursuant to the terms of the Merger Agreement) of the Merger Consideration. Evercore assumed that any modification to the structure of the transaction would not vary in any respect material to its analysis. Evercore s opinion did not address

the relative merits of the Merger as compared to other business or financial strategies that might have been available to the Company, nor did it address the underlying business decision of the Company to engage in the Merger. Evercore is not a legal, regulatory, accounting or tax expert and it assumed the accuracy and completeness of assessments by the Company and its advisors with respect to legal, regulatory, accounting and tax matters.

Pursuant to its engagement letter, a fee of $100,000 became payable to Evercore upon the execution of the letter and a fee of $2.2 million became payable upon the special committee s request that Evercore provide it with a written fairness opinion. In addition, the Company agreed to reimburse certain of Evercore s expenses and to indemnify Evercore for certain liabilities arising out of its engagement.

Set forth below is a summary of the material financial analyses presented by Evercore to the special committee and the Company s board of directors in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the analyses performed by Evercore. The order of the analyses described and the results of these analyses do not represent relative importance or weight given to these analyses by Evercore. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before May 16, 2007, and is not necessarily indicative of current market conditions.

The following summary of financial analyses includes information presented in tabular format. You should read these tables together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.

Analysis of Historical Trading Prices and Implied Transaction Premiums. Evercore reviewed the historical closing and intra-day prices of our common stock since June 8, 2001, the first day of regular way trading of our common stock after the Company s initial public offering, calculated the average daily closing prices of our common stock over various time periods, and noted the closing and intra-day stock price on selected dates including and prior to May 16, 2007. Evercore then calculated and compared the premium that the Merger Consideration represented relative to the average daily closing prices of our common stock for the selected periods and dates. The results of these calculations are summarized below:

	Historical Share Price	Premium of Merger Consideration of $81.75 per Share to Historical Share Price
May 16, 2007 (Date of Evercore s Analysis)	$ 62.96	29.8%
May 9, 2007 (1 Week Prior to Evercore s Analysis)	$ 63.38	29.0%
April 18, 2007 (4 Weeks Prior to Evercore s Analysis)	$ 66.29	23.3%
1 Month Average(1)	$ 63.90	27.9%
3 Month Average(2)	$ 62.61	30.6%
6 Month Average(3)	$ 63.48	28.8%
1 Year Average(4)	$ 59.08	38.4%
Average since June 8, 2001(5)	$ 34.68	135.7%
Maximum since June 8, 2001(6)	$ 68.10	20.0%
Minimum since June 8, 2001(7)	$ 11.05	639.8%

(1) One Month Average includes trading days from April 17, 2007 through May 16, 2007.

(2) Three Month Average includes trading days from February 15, 2007 through May 16, 2007.

(3) Six Month Average includes trading days from November 15, 2006 through May 16, 2007.

(4) One Year Average includes trading days from May 17, 2006 through May 16, 2007

(5) Includes trading days from June 8, 2001 through May 16, 2007.

(6) Intra-day maximum on January 31, 2007.

(7) Intra-day minimum on September 21, 2001.

Leveraged Buyout Analysis. Evercore performed a leveraged buyout analysis of the Company in order to ascertain the price of our common stock which might be attractive to a potential financial buyer based upon the financial projections set forth the Organic Scenario and the Acquisition Scenario of the financial projections (also referred to as Scenario A and Scenario B, respectively, under the heading Financial Projections beginning on page 55) prepared by and furnished by our management to Evercore. For the

purposes of this analysis, earnings before interest, taxes, depreciation and amortization adjusted to exclude stock based compensation and impact of one-time items as per the Company s management is defined as Adjusted EBITDA . In addition, for the purposes of this analysis, earnings before interest, taxes, depreciation and amortization adjusted to exclude stock based compensation and impact of one-time items as well as include the increase in deferred revenue liability less increase in redemption settlement assets adjusted for the foreign currency impact as per the Company s management is defined as Operating EBITDA .

Evercore assumed the following in its analysis: (a) a capital structure for the Company consistent with the terms offered to Parent by its financing sources under the debt and financing commitment letters; (b) $180 million of transaction expenses for Parent; (c) a range of projected 2011 Adjusted EBITDA exit multiples of 9.0x to 10.0x; (d) an equity investment that would achieve an annual rate of return over the period between 2007 and 2011, which we refer to as the Projection Period, of between 20.0% and 25.0%. This analysis yielded implied per share present values of our common stock as shown below:

	Management Case Organic Scenario	Management Case Acquisition Scenario
Low	$ 80.24	$ 80.63
High	$ 89.04	$ 90.57

Discounted Cash Flow Analysis. Evercore performed a discounted cash flow (DCF) analysis, which calculates the present value of a company s future cash flow based upon assumptions with respect to such cash flow and assumed discount rates. Evercore s DCF analysis of the Company was based upon the Organic Scenario and the Acquisition Scenario covering the Projection Period.

Evercore calculated a range of implied per share values for our common stock determined by:

(a) adding (1) the implied present value of our forecasted unlevered free cash flows (operating income less income taxes, plus depreciation and amortization, adjusted to reflect changes in working capital, acquisitions, capital expenditures, and the increase in deferred revenue liability less increase in redemption settlement asset) during the Projection Period, determined using a weighted average cost of capital range of between 11.5% and 12.5% (weighted average cost of capital is a measure of the average expected return on all of a company s securities or loans based on the proportions of those securities or loans in such company s capital structure), (2) the implied present value of the terminal value of our future cash flows (the value of future cash flows at a particular point in time), calculated by multiplying the estimated Adjusted EBITDA for fiscal year 2011 by a range of multiples of 9.0x to 10.0x and discounting the result using a weighted average cost of capital range of between 11.5% and 12.5%, and (3) deducting our projected debt, net of estimated cash, as of June 30, 2007; and

(b) dividing the amount resulting from the calculation described in clause (1) by the number of shares of our common stock outstanding, adjusted for certain restricted stock and stock options outstanding using the treasury stock method, as of the date of the Merger Agreement.

This analysis yielded implied per share present values of our common stock as shown below:

	Management Case Organic Scenario	Management Case Acquisition Scenario

Low	$ 78.11	$ 75.24
High	$ 89.01	$ 87.87

Precedent Transactions Analysis. Evercore performed an analysis of selected transactions to compare multiples paid in other transactions to the multiples implied in this transaction. Evercore identified and analyzed a group of sixteen acquisition transactions classified under Transaction Processors and seven acquisition transactions classified under Marketing Services that were announced between 1995 and 2007. Evercore calculated enterprise value as a multiple of EBITDA during the last twelve months implied by these transactions. Although none of the transactions are, in Evercore s opinion, directly comparable to the Merger, the transactions included were chosen because, in Evercore s opinion, they may be considered similar to the Merger in certain respects for purposes of this analysis.

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Transaction Processors

Target	Acquiror
Bisys	Citigroup
First Data	KKR
Affiliated Computer Services Inc.	Cerberus Capital Management, LP
John H. Harland Co.	M&F Worldwide Corp.
Open Solutions, Inc.	Investor Group
Fidelity National Information Services, Inc.	Certegy Inc.
SunGard Data Systems Inc.	Investor Group
National Processing Inc.	Bank of America Corp.
Systems & Computer Technology Corp.	SunGard Data Systems Inc.
Concord EFS, Inc.	First Data Corp.
ProBusiness Services, Inc.	Automatic Data Processing, Inc.
NOVA Corp.	U.S. Bancorp
Star Systems, Inc.	Concord EFS, Inc.
Paymentech, Inc.	First Data Corp.
Electronic Payment Services, Inc.	Concord EFS, Inc.
First Financial Management Corp.	First Data Corp.

The range of implied multiples that Evercore calculated is summarized below:

	Precedent Transaction Multiples	
	Mean	Median
Total Enterprise Value/Last Twelve Months EBITDA	11.7x	11.0x

Marketing Services

Target	Acquiror
Catalina Marketing Corp.	Hellman & Friedman
Trader Media East Ltd.	Hurriyet Invest BV
Hanover Direct Inc.	Chelsey Direct LLC
Cendant Corp Mktg Svcs Div	Affinity Acquisition Holdings
ADVO Inc.	Valassis Communications Inc.
Epsilon Data Management Inc.	Alliance Data Systems Corp.
Grey Global Group Inc.	WPP Group PLC

The range of implied multiples that Evercore calculated is summarized below:

	Precedent Transaction Multiples	
	Mean	**Median**
Total Enterprise Value/Last Twelve Months EBITDA	11.0x	11.0x

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Evercore then applied multiples ranging from 10.5x to 12.5x to the Company s March 31, 2007 Latest Twelve Months Operating EBITDA and Adjusted EBITDA. The range of per share equity values for our common stock implied by this analysis is summarized below:

	3/31/07 LTM Operating EBITDA	3/31/07 LTM Adjusted EBITDA
Low	$ 64.27	$ 60.50
High	$ 78.87	$ 74.37

Premiums Paid Analysis. Evercore identified and analyzed two hundred eighteen all cash acquisition transactions across all industries with transaction values greater than $1.0 billion that were announced in the period from January 1, 2002 to May 16, 2007, of which seventy-six were acquisitions by financial sponsors. Using information from Securities Data Corp, a data source that monitors and publishes information on merger and acquisition transactions, Evercore calculated the premiums paid in those transactions based on the value of the per share consideration received in the transaction relative to the closing stock price of the target company one day, one week and four weeks prior to the respective dates of announcement of the transactions. Evercore then compared the results of the analysis to the premiums implied by the Merger Consideration relative to our common stock trading levels at and prior to May 16, 2007. The results of this analysis are summarized below:

	Premium Paid, 1 Day Prior	Premium Paid, 1 Week Prior	Premium Paid, 4 Weeks Prior
Premium of Merger Consideration of $81.75 per Share to Historical Share Price(1)	29.8%	29.0%	23.3%
Premiums in All Cash Acquisitions greater than $1.0 billion			
Mean	25.0%	26.9%	30.9%
Median	21.2%	23.6%	26.3%
Premiums in All Cash Acquisitions by Financial Sponsors greater than $1.0 billion			
Mean	20.6%	22.2%	24.2%
Median	18.5%	20.2%	22.2%

(1) Relative to the Company s closing share prices on May 16, 2007, May 9, 2007 and April 18, 2007, for 1 day prior, 1 week prior and 4 weeks prior, respectively.

Evercore then applied premiums ranging from 20% to 30% to the closing price of our common stock one day, one week and four weeks prior to the date of announcement. The range of per share equity values for our common stock implied by this analysis is summarized below:

	Premium Paid, 1 Day	Premium Paid, 1 Week	Premium Paid, 4 Weeks

	Prior(1)	Prior(2)	Prior(3)
Low	$ 75.55	$ 76.06	$ 79.55
High	$ 81.85	$ 82.39	$ 86.18

(1) Relative to the Company s share price on May 16, 2007.

(2) Relative to the Company s share price on May 9, 2007.

(3) Relative to the Company s share price on April 18, 2007.

Public Market Trading Analysis. Evercore calculated and compared enterprise value as a multiple of EBITDA for the Company and for selected publicly-traded companies. Evercore calculated multiples for the selected companies by dividing closing share prices as of May 16, 2007 by calendarized estimates for 2007 EBITDA for each respective company. All of these calculations were based on publicly available filings and

financial data provided by Wall Street Research. The range of implied multiples that Evercore calculated is summarized below:

Transaction Processors

	Public Market Trading Multiples(1)	
	Mean	**Median**
Total Enterprise Value/2007E EBITDA	10.9x	10.3x

(1) Companies included were Automatic Data Processing, Inc., Ceridian Corp., CheckFree Corp., DST Systems Inc., eFunds Corp., Euronet Worldwide, Inc., Fidelity National Information Services Inc., Fiserv, Inc., Global Payments Inc., Heartland Payment Systems, Inc., MoneyGram International, Inc., Net1 UEPS Technologies, Inc., Paychex, Inc., Total System Services, Inc., The Western Union Company, and Wright Express Corp.

Marketing Services

	Public Market Trading Multiples (1)	
	Mean	**Median**
Total Enterprise Value/2007E EBITDA	12.5x	10.1x

(1) Companies included were Acxiom Corp., ChoicePoint Inc., CoStar Group Inc., Dun & Bradstreet Corp., Equifax Inc., Experian Group Ltd., Factset Research Systems Inc., Fair Isaac Inc., First Advantage Corp., Harte-Hanks Inc., Interactive Data Corp., Moody s Corp., and Valassis Inc.

Evercore then applied multiples ranging from 9.5x to 11.5x to the Company s 2007 estimated Adjusted EBITDA and Operating EBITDA per Management as well as an average of Wall Street analyst projections. The range of per share equity values for our common stock implied by this analysis is summarized below:

Adjusted EBITDA	**Wall Street Case**	**Management Case Organic Scenario**	**Management Case Acquisition Scenario**
Low	$ 59.29	$ 62.41	$ 63.62
High	$ 74.37	$ 78.14	$ 79.60

Operating EBITDA	**Management Case Organic Scenario**	**Management Case Acquisition Scenario**

	Wall Street Case		
Low	$ 62.80	$ 65.86	$ 67.06
High	$ 78.62	$ 82.32	$ 83.78

Research Analyst Stock Price Targets. Evercore analyzed Bloomberg and Wall Street Research analyst estimates of potential future value for our common stock (commonly referred to as price targets) based on publicly available equity research published on the Company. As of May 16, 2007, analyst price targets for our common stock ranged from $55.00 to $80.00 and produced an average price target of $75.17.

General. In connection with the review of the Merger by the special committee and the Company s board of directors, Evercore performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary described above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Evercore s opinion. In arriving at its fairness determination, Evercore considered the results of all the analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Evercore made its determination as to fairness on the basis of its experience and professional judgment

after considering the results of all the analyses. In addition, Evercore may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should therefore not be taken to be Evercore s view of the value of the Company. No company used in the above analyses as a comparison is directly comparable to the Company, and no transaction used is directly comparable to the transactions contemplated by the Merger Agreement. Further, in evaluating comparable transactions, Evercore made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company and Evercore, such as the impact of competition on the Company and the industry generally, industry growth and the absence of any adverse material change in the financial condition of the Company or in the markets generally.

Evercore prepared these analyses for the purpose of providing an opinion to the special committee and the Company s board of directors as to the fairness from a financial point of view of the Merger Consideration to be received by the holders of our common stock (other than holders of dissenting shares and shares to be cancelled or otherwise converted into stock of the surviving corporation pursuant to the terms of the Merger Agreement). These analyses do not purport to be appraisals or to necessarily reflect the prices at which the business or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty and are based upon numerous factors, assumptions with respect to industry performance, general business and economic conditions and other matters or events beyond the control of the Company and Evercore, neither the Company nor Evercore assumes responsibility if future results are materially different from those forecast. The Merger Consideration to be received by the holders of our common stock pursuant to the Merger Agreement was determined through arm s length negotiations between the special committee and Blackstone and was approved by the Company s board of directors. Evercore did not recommend any specific Merger Consideration to the Company or that any given Merger Consideration constituted the only appropriate Merger Consideration for the Merger.

Financial Projections

The Company s management does not as a matter of course make public projections as to future performance or earnings beyond the current fiscal year and is particularly wary of making projections for extended earnings periods due to the unpredictability of the assumptions and estimates underlying such projections. However, financial projections prepared by senior management were made available to our board of directors, the special committee and its financial advisors and to the strategic and financial parties that entered into confidentiality agreements with the Company in connection with their respective consideration of a possible transaction with the Company. These financial projections are included in this proxy statement to give our stockholders access to certain non-public information reviewed by our board of directors and the special committee in connection with their consideration and evaluation of the Merger.

The inclusion of the financial projections in this proxy statement should not be regarded as an indication that our board of directors, the special committee, its financial advisors, Blackstone or any other recipient of the information considered, or now considers, them to be a reliable prediction of future results. The financial projections were not prepared with a view toward public disclosure or with a view toward complying with the published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information or with generally accepted accounting principles (GAAP). Neither the Company s independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the financial projections, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the financial projections. Except as required by applicable securities laws, the Company does not intend to update or otherwise revise the financial projections presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be

in error.

The financial projections were prepared based on assumptions and estimates that management believed were reasonable at the time; however, projections of this type are based on estimates and assumptions that are

subjective in nature and are inherently subject to factors such as industry performance, general business, economic, regulatory, market and financial conditions, as well as changes to the business, financial condition or results of operations of the Company, including the factors described under Cautionary Statement Concerning Forward-Looking Information beginning on page 21, which factors may cause the financial projections or the related underlying assumptions to be inaccurate. Accordingly, readers of this proxy statement are cautioned not to place undue reliance on the financial projections.

The Company prepared two scenarios of projected financial information. Management indicated that Scenario A represents projections for the existing business on an organic basis excluding future acquisitions, while Scenario B is identical to Scenario A except in that it assumes that the Company invests $420 million annually in acquiring additional businesses that yield assumed levels of returns.

Scenario A: Management Projections for Existing Base Business

The financial projections described as Scenario A are based upon certain assumptions, including but not limited to:

- revenue growing over the projection period at a growth rate of 10%;
- adjusted EBITDA growing over the projection period at a growth rate of 13%;
- adjusted EBITDA margin increasing over the projection period by approximately 200 basis points; and
- no material change to the Company s current capital structure.

	2007	2008	2009	2010	2011
	(in millions, except per share numbers)				
Revenue	$ 2,291	$ 2,528	$ 2,790	$ 3,069	$ 3,390
Adjusted EBITDA(1)	$ 650	$ 727	$ 816	$ 920	$ 1,044
Operating EBITDA(2)	$ 680	$ 762	$ 854	$ 960	$ 1,089
Cash earnings per share	$ 3.73	$ 4.27	$ 5.02	$ 5.82	$ 6.80
Capex	$ 110	$ 121	$ 134	$ 147	$ 163
Acquisition Capital	$	$	$	$	$

(1) For the purpose of these financial projections, Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted to exclude stock based compensation and impact of one-time items.

(2) For the purpose of these financial projections, Operating EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted to exclude stock based compensation and impact of one-time items as well as include the increase in deferred revenue liability less the increase in redemption settlement assets adjusted for the foreign currency impact.

Scenario B: Management Projections for Existing Base Business with Annual Acquisitions

The financial projections described as Scenario B are based upon the same assumptions that were presented in Scenario A with the additional assumption of one acquisition being consummated as of October 1 of each year that would add approximately $150 million in revenue and $42 million in adjusted EBITDA. It was further assumed that

the incremental revenues and EBITDA associated with such acquired businesses would in subsequent years grow at the same rate as the Company s assumed organic growth rate. The projections also assume that each such acquisition would require $420 million in incremental capital, implying an acquisition purchase multiple of 10.0x EBITDA, and that the Company would utilize approximately $2.1 billion in capital on these acquisitions in aggregate over the projection period. The Company assumed that the acquisitions would be funded entirely by debt at an assumed interest rate of 6%. In preparing

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Scenario B, the Company necessarily made a number of assumptions, including regarding the Company s ability to:

find suitable targets;

negotiate the acquisitions on terms acceptable to the Company, including but not limited to the purchase price multiple assumption;

obtain acquisition financing on terms acceptable to the Company; and

effectuate each such acquisition as of October 1 and integrate the acquired business into the Company in a way that, over the ensuing years, yielded the assumed levels of compounded continuing growth attributable to such acquired businesses.

The Company currently has no identified acquisition targets. Scenario B would also require the acceptance of greater levels of market risk, execution risk, financial risk and risk to the base business from management s focus on integrating the acquired businesses successfully, as compared to Scenario A.

	2007	2008	2009	2010	2011
	(in millions, except per share numbers)				
Revenue from base business	$ 2,291	$ 2,528	$ 2,790	$ 3,069	$ 3,390
Revenue from acquired business	38	187	352	534	696
Revenue	$ 2,329	$ 2,715	$ 3,142	$ 3,603	$ 4,086
Adjusted EBITDA from base business	$ 650	$ 727	$ 816	$ 920	$ 1,044
Adjusted EBITDA from acquired business	11	53	100	153	200
Adjusted EBITDA(1)	$ 661	$ 780	$ 916	$ 1,073	$ 1,244
Operating EBITDA(2)	$ 691	$ 815	$ 954	$ 1,113	$ 1,289
Cash earnings per share	$ 3.75	$ 4.48	$ 5.46	$ 6.46	$ 7.60
Capex	$ 112	$ 130	$ 151	$ 173	$ 196
Acquisition Capital	$ 420	$ 420	$ 420	$ 420	$ 420

(1) For the purpose of these financial projections, Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted to exclude stock based compensation and impact of one-time items.

(2) For the purpose of these financial projections, Operating EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted to exclude stock based compensation and impact of one-time items as well as include the increase in deferred revenue liability less the increase in redemption settlement assets adjusted for the foreign currency impact.

Effects of the Merger

Effect on the Company s Operations

It is expected that, upon consummation of the Merger (and excluding the transactions contemplated in connection with the Merger as described in this proxy statement), the operations of the Company will be conducted substantially as they currently are being conducted.

Nevertheless, following consummation of the Merger, the management and/or board of directors of the surviving corporation may initiate a review of the surviving corporation and its assets, corporate and capital structure, capitalization, operations, business, properties and personnel to determine what changes, if any, would be desirable following the Merger to enhance the business and operations of the surviving corporation and may cause the surviving corporation to make changes in the Company s operations if the management and/or board of directors of the surviving corporation decides that such changes are in the best interests of the surviving corporation upon review. The surviving corporation expressly reserves the right to make any changes it deems appropriate in light of such evaluation and review or in light of future developments.

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If the Merger is approved by the Company s stockholders and the other conditions to the closing of the Merger are either satisfied or waived (as permitted by law), Merger Sub will be merged with and into the Company, with the Company being the surviving corporation. After the Merger, Parent will own all of the capital stock of the Company, Parent will be owned by a group of investors led by affiliates of the Blackstone Group, and the Company will no longer be a publicly-traded company.

Effect on Common Stock and Other Equity-Based Awards

Common Stock. When the Merger is completed, each share of Company common stock issued and outstanding immediately prior to the Effective Time (other than treasury shares, shares held by Parent or Merger Sub or any subsidiary of the Company or Parent, or by the Company s stockholders who choose to be dissenting stockholders by exercising and perfecting their appraisal rights under Delaware law with respect to the Merger) will be converted into the right to receive $81.75 in cash, without interest and less any applicable withholding taxes.

At the Effective Time, current stockholders of the Company will cease to have ownership interests in the Company or rights as stockholders of the Company. Therefore, current stockholders of the Company will not participate in any future earnings or growth of the Company and will not benefit from any appreciation in value of the Company.

The Company s common stock is currently registered under the Exchange Act and is quoted on the NYSE under the symbol ADS. As a result of the Merger, the Company will be a privately held corporation, and there will be no public market for our common stock. After the Merger, the common stock will cease to be quoted on the NYSE, and price quotations with respect to sales of shares of common stock in the public market will no longer be available. In addition, registration of Company common stock under the Exchange Act will be terminated. This termination will make certain provisions of the Exchange Act, such as the requirement of furnishing a proxy or information statement in connection with stockholders meetings, no longer applicable to the Company. After the Effective Time, the Company will also no longer be required to file periodic reports with the SEC.

Options. At the Effective Time, unless otherwise agreed between Parent and the holder thereof, each Company Option will become fully vested (to the extent not already vested) and will be converted into the right to receive an amount in cash, without interest and less any applicable withholding taxes, equal to the product of (a) the total number of shares of Company common stock subject to such Company Option and (b) the excess, if any, of the amount of $81.75 over the exercise price per share of Company common stock subject to such Company Option, rounded down to the nearest cent.

Restricted Stock and Restricted Stock Units. At the Effective Time, unless otherwise agreed between Parent and the holder thereof:

- each share of Company Restricted Stock outstanding immediately prior to the Effective Time will become fully vested without restrictions thereon and will be converted into the right to receive an amount in cash equal to the product of (a) the number of shares of Company Restricted Stock and (b) $81.75;
- each award of annual performance based restricted stock units outstanding immediately prior to the Effective Time will become contingently vested with respect to the number of restricted stock units that would have vested in the ordinary course (without regard to time-based vesting) based upon the Company s performance for the applicable performance period through the Effective Time. If the holder of such contingently vested restricted stock units is employed by the Company or any Company subsidiary on February 1, 2008, then such holder will receive a lump sum cash payment equal to the product of (a) the total number of restricted stock units subject to such award and (b) $81.75;

the performance criteria applicable to each award of retention restricted stock units will be deemed to have been satisfied in full, and the restricted stock units subject to the award for retention restricted stock units will become fully vested, if the holder satisfies the time-based vesting criteria thereof (with the applicable vesting dates being deemed to be February 21 of each of 2008, 2009 and 2010), and

upon vesting of such restricted stock units the Company will distribute to each holder a lump sum cash payment, together with 8% interest thereon from the Effective Time, equal to the product of (a) the total number of retention restricted stock units subject to such award and (b) $81.75; and

all restricted stock units other than retention restricted stock units and annual performance based restricted stock units will fully vest (to the extent not already vested) and will be automatically converted into the right to receive promptly following the Effective Time an amount in cash equal to the product of (a) the total number of such restricted stock units and (b) $81.75;

in each case (other than as noted with respect to retention restricted stock units) without interest and less any applicable withholding taxes. See The Merger Agreement Company Options and Stock-Based Awards beginning on page 73.

Other Company Common Stock-Based Awards. At the Effective Time, unless otherwise agreed between Parent and the holder thereof, any other Company common stock-based awards will become fully vested and will automatically be converted into the right to receive a cash payment equal to the product of (a) the total number of shares of Company common stock subject to such award and (b) $81.75; without interest and less any applicable withholding taxes. See The Merger Agreement Company Options and Stock-Based Awards beginning on page 73.

Effect on the Company s Officers and Directors

At the Effective Time, the directors of Merger Sub and the officers of the Company immediately prior to the Effective Time will become the initial directors and officers, respectively, of the surviving corporation. In addition, at the Effective Time the certificate of incorporation and bylaws of the Company will be amended to be the same as the certificate of incorporation and bylaws of Merger Sub as in effect immediately prior to the Effective Time, except that the name of the surviving corporation shall be the name of the Company.

Effect on the Company if the Merger is Not Completed

In the event that the proposal to adopt the Merger Agreement is not approved by the Company s stockholders, or if the Merger is not completed for any other reason, our stockholders will not receive any payment for their shares in connection with the Merger. Instead, the Company will remain an independent public company and its common stock will continue to be listed and traded on the NYSE. In addition, if the Merger is not completed, we expect that management will operate the business in a manner similar to that in which it is being operated today and that Company stockholders will continue to be subject to the same risks and opportunities as they currently are, including, among other things, the nature of the industries in which the Company operates and general industry, economic and market conditions. Accordingly, if the Merger is not consummated, there can be no assurance as to the effect of these risks and opportunities on the future value of Company common stock. From time to time, the board of directors will evaluate and review the business operations, properties and capitalization of the Company, among other things, make such changes as are deemed appropriate and continue to seek to identify strategic alternatives to maximize stockholder value. If the proposal to adopt the Merger Agreement is not approved by the Company s stockholders, or if the Merger is not consummated for any other reason, there can be no assurance that any other transaction acceptable to the Company will be offered, or that the business, prospects or results of operations of the Company will not be adversely impacted.

In addition, if the Merger Agreement is terminated under certain circumstances, the Company will be obligated to pay a termination fee of $170 million to Parent or its designee. The Company may also be required to pay up to $20 million of Parent s expenses in the event that the Merger Agreement is terminated. See The Merger Agreement Termination Fees and Expenses; Business Interruption Fee beginning on page 85.

Interests of the Company s Directors and Executive Officers in the Merger

In considering the recommendation of the board of directors with respect to the Merger Agreement, you should be aware that some of the Company s directors and executive officers have interests in the Merger that are different from, or in addition to, the interests of our stockholders generally. These interests, to the extent material, are described below. The board of directors and the special committee were aware of these interests and considered them, among other matters, in approving the Merger Agreement and the Merger.

Treatment of Options, Restricted Stock, Restricted Stock Units and Other Equity Based Awards

Options. As of the record date, there were 2,181,925 outstanding Company Options held by our directors and executive officers as a group under the Company s incentive plans. All Company Options, have an exercise price below $81.75, and are considered in the money. Each outstanding Company Option that remains outstanding and unexercised as of the Effective Time, whether vested or unvested, will be converted into the right to receive an amount in cash equal to the product of (a) the total number of shares of Company common stock subject to such Company Option and (b) the excess of the amount of $81.75 over the exercise price per share of Company common stock subject to such Company Option, rounded down to the nearest cent. As of the Effective Time, the Company Options will no longer be outstanding and will automatically cease to exist, and the holders thereof will no longer have any rights with respect to the Company Options, except the right to receive the cash payment, if any, described in the preceding sentence.

Restricted Stock. As of the record date, our directors and executive officers as a group held 74,607 shares of Company Restricted Stock. Each share of Company Restricted Stock that remains outstanding as of the Effective Time, including Company Restricted Stock held by our executive officers and directors, whether vested or unvested, will become fully vested without restrictions thereon and will be converted into the right to receive an amount in cash equal to the product of (a) the number of shares of Company Restricted Stock and (b) $81.75. As of the Effective Time, all shares of Company Restricted Stock will cease to be outstanding and cease to exist, and our directors and executive officers holding such shares of Company Restricted Stock will no longer have any rights with respect to those shares of Company Restricted Stock, except the right to receive the cash payment described in the preceding sentence.

Annual Performance Based Restricted Stock Units. As of the record date, our executive officers as a group held 61,757 awards of annual performance based restricted stock units. Each award of annual performance based restricted stock units immediately prior to the Effective Time, including awards held by our executive officers, will automatically become contingently vested with respect to the number of restricted stock units that would have vested in the ordinary course (without regard to time-based vesting) based upon the Company s performance for the applicable performance period through the Effective Time. Subject to accelerated vesting upon termination without cause after the Merger is completed and prior to February 1, 2008, if the holder of such contingently vested restricted stock unit is employed by the Company or any Company subsidiary on February 1, 2008, then such holder will receive a lump sum cash payment equal to the product of (a) the total number of restricted stock units subject to such award and (b) $81.75.

Retention Based Restricted Stock Units. As of the record date, our executive officers as a group held 80,563 awards of retention based restricted stock units. As of the Effective Time, the performance criteria applicable to each award of retention restricted stock units, including awards held by certain of our executive officers, will be deemed to have been satisfied in full, and the restricted stock units subject to the award for retention restricted stock units will become fully vested if the holder satisfies the time-based vesting criteria thereof (with the applicable vesting dates deemed to

be February 21 of each of 2008, 2009 and 2010), subject to accelerated vesting upon termination without cause within 12 months following the closing of the Merger, and upon vesting of such restricted stock units the Company will distribute to each holder a lump sum cash payment, together with 8% interest thereon from the Effective Time, equal to the product of (a) the total number of retention restricted stock units subject to such award and (b) $81.75.

Other Restricted Stock Units. As of the record date, our executive officers as a group held 127,349 awards of restricted stock units other than retention based restricted stock units and annual performance based restricted stock units. At the Effective Time, all such other restricted stock units, including awards held by our

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executive officers, will fully vest (to the extent not already vested) and will be automatically converted into the right to receive promptly following the Effective Time an amount in cash equal to the product of (a) the total number of such restricted stock units and (b) $81.75.

Other Equity Based Awards. At the Effective Time, any other Company common stock-based awards, including awards held by our executive officers and directors, will become fully vested and will automatically be converted into the right to receive a cash payment equal to the product of (a) the total number of shares of Company common stock subject to such award and (b) $81.75.

Summary Information. The table below sets forth, as of July 2, 2007, for each of our directors and executive officers:

the number of Company Options (both vested and unvested) held by such persons;

the aggregate cash payment that will be made in respect of such Company Options upon consummation of the Merger;

the number of shares of Company Restricted Stock underlying restricted stock units and other equity based awards held by such person;

the aggregate cash payment that will be made in respect of shares of Company Restricted Stock awards and shares underlying restricted stock units and other equity based awards upon consummation of the Merger (which payments are in part subject to vesting based on continued employment and not paid until a future date as described above);

the number of shares of Company common stock held by such person; and

the aggregate cash payment that will be made in respect of such shares of Company common stock upon consummation of the Merger.

The table assumes that each outstanding award is settled in cash upon consummation of the Merger (subject to any required vesting or service condition).

	Options					Restricted Stock Restricted Stock Units and Other Equity Based Awards		Common Stock	
	Vested Options	Weighted Average Exercise Price of Vested Options	Unvested Options	Weighted Average Exercise Price of Unvested Options	Resulting Consideration	Unvested Shares or Units	Resulting Consideration	Shares Owned	Resulting Consideration
1)	698,013	$ 20.79	104,606	$ 50.74	$ 45,794,376	60,506(2)(3)	$ 4,946,366	70,371	$ 5,752,829
	9,783	$ 43.02		$	378,903			1,695	138,566
on	55,529	$ 17.33	2,462	$ 45.38	3,666,729			844,791	69,061,664

	13,529	$ 33.88	2,462	$ 45.38	737,229			4,286	350,381
	9,783	$ 43.02		$	378,903			2,495	203,966
	4,743	$ 42.36	2,462	$ 45.38	276,350			1,251	102,269
n	57,991	$ 18.52		$	3,666,729			12,786	1,045,256
	56,307	$ 17.47	1,684	$ 53.54	3,666,729			144,104	11,780,502
s									
	164,018	$ 26.99	53,886	$ 49.42	10,722,907	42,944(2)(3)	3,510,672	32,043	2,619,515
	22,351	$ 36.92	96,163	$ 41.56	4,867,213	24,323(2)(3)	1,988,405	18,256	1,492,428
	83,285	$ 31.36	36,191	$ 51.26	5,300,219	48,232(2)(3)	3,942,966	32,773	2,679,193
	164,379	$ 26.08	46,580	$ 50.25	10,618,759	53,736(2)(3)	4,392,918	38,605	3,155,959
	1,811	$ 43.01	21,328	$ 46.77	816,316	24,405(2)(3)	1,995,109	2,090	170,858
er	109,700	$ 27.90	34,164	$ 50.07	6,990,184	34,911(2)(3)	2,853,974	6,736	550,668
	116,053	$ 24.74	25,540	$ 50.46	7,415,360	26,374(2)(3)	2,156,075	19,166	1,566,821
	28,948	$ 40.24	22,734	$ 44.73	2,043,255	5,532	452,241	2,676	218,763
	2,548	$ 43.01	18,065	$ 49.94	673,405	10,404	850,527	5,251	429,269
c	26,347	$ 29.72	9,782	$ 48.70	1,694,219	5,325	435,319	6,556	535,953
n	57,978	$ 30.85	20,720	$ 46.66	3,678,312	7,584	619,992	11,314	924,920

(1) Mr. Parks also serves as our chief executive officer.

(2) Includes a target award of 17,601 shares of common stock for Mr. Parks, 7,765 shares of common stock for Mr. Scullion, 3,494 shares of common stock for Mr. Finkelman, 6,471 shares of common stock for Mr. Heffernan, 7,377 shares of common stock for Mr. Szeftel, 2,071 shares of common stock for Mr. Taylor, 5,306 shares of common stock for Mr. Tucker and 4,141 shares of common stock for Mr. Utay, each of whom serve on the executive committee of the Company. Each target award referenced above is represented by annual performance based restricted stock units, which could be adjusted up to 200% of the target or down to zero at the time of vesting, in each case based on the Company s 2007 performance through the Effective Time. As a result, each member of the executive

committee could receive up to an additional 100% of the target award in vested shares of common stock, depending on the Company s 2007 performance through the Effective Time, which additional shares are not reflected in the table above. The right to receive the Merger Consideration for each such share of common stock represented by annual performance based restricted stock units is subject to the executive committee member being employed by the Company on February 1, 2008 (except if such member s employment is terminated without cause after the Merger is completed and prior to February 1, 2008).

(3) Each member of the Company s executive committee identified in note 2 above holds a special award designed to retain and incentivize such committee member. The special award includes cash and retention based restricted stock units, split 50% cash and 50% retention based restricted stock units, with a three-year vesting schedule providing for 25% of the award vesting on February 21, 2008, 25% of the award vesting on February 21, 2009 and 50% of the award vesting on February 21, 2010. The restrictions on the retention based restricted stock units will lapse, the restricted stock units will be settled, together with 8% interest thereon, and the payment of the cash portion of the special award will occur, in accordance with the above-referenced vesting schedule subject to (i) the Company s performance in 2007, which will be deemed to be satisfied at the Effective Time and (ii) the executive committee member remaining employed with the Company on each vesting date in February 2008, 2009 and 2010 (except if such member s employment is terminated without cause within 12 months following the closing of the Merger). Included in the table above is the stock portion of the award, which is 13,395 shares of common stock for Mr. Scullion, 4,659 shares of common stock for Mr. Finkelman, 20,966 shares of common stock for Mr. Heffernan, 21,354 shares of common stock for Mr. Szeftel, 4,659 shares of common stock for Mr. Taylor, 9,706 shares of common stock for Mr. Tucker and 5,824 shares of common stock for Mr. Utay, in each case represented by the retention based restricted stock units. The cash portion of the special award, which is $862,500 for Mr. Scullion, $300,000 for Mr. Finkelman, $1,350,000 for Mr. Heffernan, $1,375,000 for Mr. Szeftel, $300,000 for Mr. Taylor, $625,000 for Mr. Tucker and $375,000 for Mr. Utay, is not reflected in the table above.

(4) As part of the director compensation package, each of the Company s non-employee directors was entitled to, among other things, an annual equity award for the 2007-2008 term valued at $80,000 that would have been delivered 70% in nonqualified stock options and 30% in restricted stock following the Company s 2007 annual meeting of stockholders. In connection with the Company s 2007 annual meeting of stockholders, each of Messrs. Anderson, Ballou, Benveniste, Cobb, Draper, Jensen and Minicucci will receive $60,000 in cash in lieu of this annual equity award, which amount is not reflected in the total consideration to be received in the Merger by each of these directors. The $60,000 cash award in lieu of the annual equity award to non-employee directors was recommended by the compensation committee and approved by the board of directors of the Company.

(5) The Company and Mr. Finkelman are currently in discussions regarding the termination of Mr. Finkelman s employment. Mr. Finkelman is not expected to be an executive officer of the Company at the time the Merger is completed and, depending upon the outcome of his discussions with the Company, may not be eligible to receive all or portions of some of the contingent awards described in the table and the accompanying footnotes.

(6) The Company and Mr. Taylor are currently in discussions regarding the termination of Mr. Taylor s employment. Mr. Taylor is not expected to be an executive officer of the Company at the time the Merger is completed and, depending upon the outcome of his discussions with the Company, may not be eligible to receive all or portions of some of the contingent awards described in the table and the accompanying footnotes.

Change in Control Agreements

We have entered into a change in control agreement with each of the following executive officers of the Company: J. Michael Parks, John W. Scullion, Daniel P. Finkelman, Edward J. Heffernan, Ivan M. Szeftel, Transient C. Taylor,

Dwayne H. Tucker and Alan M. Utay. Payouts under the change in control agreements are triggered upon a qualifying termination, defined in the change in control agreement as: (a) termination by the executive officer for good reason within two years of a change in control event, which includes the closing of the Merger; or (b) termination of the executive officer by the Company without cause within two years of a change in control event. With regard to our chief executive officer, termination for good reason or termination without cause must occur within three years of a change in control event. A termination of an executive officer s employment due to disability, retirement or death will not constitute a qualifying termination.

Pursuant to the change in control agreement, cause for termination includes: (a) material breach of an executive officer s covenants or obligations under any applicable employment agreement or offer letter or any other agreement for services or non-compete agreement; (b) continued failure after written notice from the company or any applicable affiliate to satisfactorily perform assigned job responsibilities or to follow the reasonable instructions of the executive officer s superiors, including, without limitation, the board of directors; (c) commission of a crime constituting a felony (or its equivalent) under the laws of any jurisdiction in which we or any of our applicable affiliates conducts business or other crime involving moral turpitude; or (d) material violation of any material law or regulation or any policy or code of conduct adopted by the company or engaging in any other form of misconduct which, if it were made public, could reasonably be expected to adversely affect the business reputation or affairs of the company or of an affiliate. The board of directors, in good faith, shall determine all matters and questions relating to whether the executive officer has been discharged for cause. Pursuant to the change in control agreement, good reason for termination by the executive officer includes the occurrence of any of the following events, in each case without the executive officer s consent: (a) lessening of the executive officer s responsibilities; (b) a reduction of at least five percent in the executive officer s annual salary and/or incentive compensation; or (c) the Company s requiring the executive officer to be based anywhere other than within 50 miles of the executive officer s place of employment at the time of the occurrence of the change in control, except for reasonably required travel to the

extent substantially consistent with the executive officer s business travel obligations as in existence at the time of the change in control.

Mr. Szeftel is a party to an employment agreement that contains definitions for the terms termination without cause and termination for good reason that are different from the comparable definitions in the change in control agreement described above. Pursuant to the terms of the change in control agreement, the definitions in Mr. Szeftel s employment agreement apply in lieu of those set forth in the change in control agreement. Under Mr. Szeftel s employment agreement, termination without cause includes termination for any reason other than the commission of a felony, dishonesty, fraud, material misrepresentation, willful misconduct and gross neglect of responsibilities. Good reason for termination by Mr. Szeftel includes the occurrence of any of the following events: (1) a material change in job title, position or responsibilities; (2) a change in required home base or work location; or (3) any material breach by the company of the terms of the employment agreement.

Upon a qualifying termination, an executive officer will be paid all earned and accrued salary due and owing to the executive officer, a pro-rata portion of the executive officer s target bonus for the year of employment termination, continued medical, dental and hospitalization coverages for 24 months (or 36 months for our chief executive officer), equivalent to those benefits provided to the executive and his or her dependents immediately prior to the closing of the Merger or, if greater, at any time thereafter, other benefits due under benefit plans, all accrued and unpaid vacation and a severance amount. For our chief executive officer, the severance amount is equal to three times the sum of his current base salary (or, if greater, his base salary in effect at the Effective Time) and target cash incentive compensation, and for our chief financial officer and other executive officers, the severance amount is equal to two times the sum of the executive officer s current base salary (or, if greater, the executive s base salary in effect at the Effective Time) and target cash incentive compensation. Target incentive compensation for this purpose is the greater of the executive s annual target bonus in effect immediately prior to employment termination or the annual target bonus for the year of the Merger. Any severance amounts to which the executive officer is entitled will be paid in a lump sum within thirty days of execution by the executive officer of a general release.

The change in control agreements further provide that if any payments or benefits that the executive officer receives are subject to the golden parachute excise tax imposed under Section 4999 of the Internal Revenue Code, the executive officer will be entitled to a gross-up payment so that the executive officer is placed in the same after-tax position as if no excise tax had been imposed.

The following table sets forth an estimate of the potential cash severance payment and the value of continued benefits and gross-up payments that could be received by each of our executive officers who is party to a change in control agreement or an employment agreement in the event of a qualifying termination. The table assumes that a qualifying termination occurs after the Effective Time on December 31, 2007. As such, no amounts have been included with respect to the executive s annual bonus for the year of termination. The table is based on these executive officers 2007 base salary and target annual bonus. The actual severance amount will depend upon the actual date of employment termination and the executive s actual compensation on that date. In addition, if the executive s employment is terminated without cause within 12 months of the closing of the Merger, any unpaid restricted stock units as of such termination shall be paid to the executive.

Executive Officer	**Severance Amount**	**Benefits**	**Gross-Up**
J. Michael Parks	$ 6,300,000	$ 32,175	$
John W. Scullion(1)	$ 3,209,133	$	$
Daniel P. Finkelman(2)	$ 1,300,000	$ 20,400	$ 991,214

Edward J. Heffernan	$	1,800,000	$	20,400	$	
Ivan M. Szeftel	$	2,150,000	$	21,000	$	
Transient C. Taylor(3)	$	1,150,000	$	20,400	$	803,500
Dwayne H. Tucker	$	1,650,000	$	20,400	$	
Alan M. Utay	$	1,500,000	$	20,400	$	

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(1) Canadian dollars converted to US dollars using $0.93868 average conversion rate for June 1 through June 28, 2007.

(2) The Company and Mr. Finkelman are currently in discussions regarding the termination of Mr. Finkelman s employment, and Mr. Finkelman is not expected to be an executive officer of the Company at the time the Merger is completed. Accordingly, Mr. Finkelman may not receive all or portions of some of the payments contemplated under his change in control agreement.

(3) The Company and Mr. Taylor are currently in discussions regarding the termination of Mr. Taylor s employment, and Mr. Taylor is not expected to be an executive officer of the Company at the time the Merger is completed. Accordingly, Mr. Taylor may not receive all or portions of some of the payments contemplated under his change in control agreement.

Pursuant to the terms of our change in control agreements with these executive officers, if an executive officer becomes entitled to a severance amount under the change in control agreement, the executive officer will not be entitled to severance payments under any other agreement or arrangement, including any employment agreement.

Indemnification and Insurance

We have entered into indemnification agreements with certain of our executive officers and key employees. Under these indemnification agreements, if a current or former executive officer or key employee is made a party or is threatened to be made a party, as a witness or otherwise, to any threatened, pending or completed action, suit, inquiry or other proceeding by reason of any action or inaction on his part while acting on behalf of the Company, the board of directors may approve payment or reimbursement of properly documented expenses, including judgments, fines, penalties, attorneys fees and other costs reasonably incurred by the executive officer or key employee in connection with such proceeding, to the extent not paid by applicable insurance policies. This indemnification only applies to the extent permitted by Delaware general corporation law, and the Company will not be liable for damages or judgments: (a) based upon or attributable to the executive officer or key employee gaining any personal profit or advantage to which the executive officer or key employee was not legally entitled; (b) with respect to an accounting of profits made from the purchase or sale by the executive officer or key employee of securities of the company within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended; or (c) resulting from an adjudication that the executive officer or key employee committed an act of active and deliberate dishonesty with actual dishonest purpose and intent, which act was material to the cause of action adjudicated.

We have also entered into an indemnification agreement with each of our directors on substantially the same terms as described above with respect to our executive officers and key employees.

Our directors and executive officers are also entitled to indemnification by the Company pursuant to provisions of the Company s certificate of incorporation and bylaws and are covered by directors and officers insurance coverage maintained by the Company. Pursuant to the terms of the Merger Agreement, Parent has agreed that:

subject to certain conditions, the surviving corporation will indemnify and hold harmless, and will advance expenses as incurred by, each present and former director and officer of the Company and its subsidiaries against any liabilities incurred in connection with claims arising out of or related to such person s service as a director or officer of the Company or its subsidiaries or services performed by such person at the request of the Company or its subsidiaries at or prior to the Effective Time, to the fullest extent permitted under applicable laws;

for a period of six years after the Effective Time, the certificate of incorporation and bylaws of the surviving corporation will contain provisions with respect to indemnification and elimination of liability of present and former directors, officers, employees and agents of the Company and its subsidiaries that are no less favorable than as presently set forth in the Company s certificate of incorporation and bylaws; and

subject to limitations regarding the cost of coverage, the Company, and, if the Company is unable to, the surviving corporation, will either (a) obtain and maintain tail insurance policies with a claims period of at least six years from the Effective Time of the Merger with respect to directors and officers liability insurance and fiduciary liability insurance for acts and omissions occurring at or prior to the Effective Time of the Merger and covering those persons who are currently covered by the Company s existing directors and officers insurance policies or (b) maintain such directors and officers insurance for a period of six years after the Effective Time, in each case on terms and conditions no less advantageous to such covered parties than the Company s existing insurance coverage.

These obligations will be binding upon any successor to or assignee of substantially all of the properties and assets of the surviving corporation. See The Merger Agreement Directors and Officers Indemnification and Insurance beginning on page 87.

Financing of the Merger

The total amount of funds necessary to complete the Merger is anticipated to be approximately $7.9 billion, consisting of (a) approximately $6.74 billion to pay the Company s stockholders, option holders and holders of restricted stock units the amounts due to them under the Merger Agreement, assuming that no Company stockholder validly exercises and perfects its appraisal rights, (b) approximately $303 million to pay related fees and expenses in connection with the Merger and (c) approximately $825 million to refinance certain existing indebtedness, including all of the Company s existing bank indebtedness and certain issues of the Company s outstanding notes. These payments are expected to be funded by Parent and Merger Sub through a combination of equity contributions by BCP V, debt financing obtained by Parent and/or Merger Sub and made available to the Company and to the extent available, cash of the Company. Parent and Merger Sub have obtained equity and debt financing commitments described below in connection with the transactions contemplated by the Merger Agreement.

Equity Financing

Parent has received an equity commitment letter from BCP V for a commitment of up to approximately $1.8 billion. BCP V, directly or indirectly through one or more affiliates or equity co-investors, has agreed to contribute or cause to be contributed up to approximately $1.8 billion of cash to Parent, which will constitute the equity portion of the Merger financing. The equity commitment of BCP V is subject to (a) the satisfaction or waiver of all of the conditions to the obligations of Parent and Merger Sub to consummate the transactions contemplated by the Merger Agreement and (b) the concurrent consummation of the Merger in accordance with the terms of the Merger Agreement. The equity commitment letter will terminate upon the valid termination of the Merger Agreement or if the Company or any of its affiliates asserts a claim against BCP V or its affiliates under the Limited Guarantee (as described below under Limited Guarantee) or otherwise with respect to the Merger Agreement, excluding claims regarding payment of certain fees and expenses.

Debt Financing

In connection with the execution and delivery of the Merger Agreement, Merger Sub has received a debt commitment letter, dated May 17, 2007 (the Debt Commitment Letter), from Credit Suisse and Credit Suisse Securities (USA) LLC to provide approximately $6.6 billion in aggregate debt financing, consisting of (a) senior secured credit facilities in an aggregate principal amount of $4.4 billion (of which at least $3.9 billion will be available at closing for purposes of financing the Merger and related transactions), (b) a senior unsecured bridge loan facility in an aggregate principal amount of up to $1.8 billion, and (c) a senior subordinated unsecured bridge loan facility in an aggregate principal amount of up to $410 million, to finance, in part, the payment of the Merger Consideration, the repayment or

refinancing of certain of our debt outstanding on the closing date of the Merger and the payment of fees and expenses in connection with the Merger, refinancing, financing and related transactions and, after the closing date of the Merger, to provide for ongoing working capital and general corporate purposes.

The debt commitments expire on the date that is 364 days following the date of the Debt Commitment Letter or, if earlier, the date on which the Merger Agreement terminates. The facilities contemplated by the debt financing commitments are subject to customary closing conditions, including:

the consummation of the Merger in accordance with the Merger Agreement;

the absence of any amendments or waivers to the Merger Agreement that are materially adverse to the lenders and which have not been approved by the lead arrangers under the Debt Commitment Letter;

the absence of any material adverse effect (as defined below under The Merger Agreement Representations and Warranties) on the Company;

the receipt of cash equity contributions which constitute at least 20% of the aggregate pro forma capitalization of the Company;

the execution of definitive credit documentation consistent with the term sheets for the debt facilities;

the receipt of specified financial statements and offering memoranda of the Company; and

the receipt of customary closing documents and deliverables.

Merger Sub has agreed to use its commercially reasonable efforts to arrange the debt financing on the terms and conditions described in the debt financing commitments. If any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the Debt Commitment Letter, Merger Sub has agreed to use its reasonable best efforts to obtain alternative financing from alternative sources.

Although the debt financing described in this proxy statement is not subject to due diligence or a typical market out provision (i.e. a provision allowing lenders not to fund their commitments if certain conditions in the financial markets prevail) such financing may not be considered assured. As of the date of this proxy statement, no alternative financing arrangements or alternative financing plans have been made in the event the debt financing described in this proxy statement is not available as anticipated.

Under the Merger Agreement, the Debt Commitment Letter may be amended or superseded to replace or add lenders and arrangers, except that the Debt Commitment Letter may not be amended or superseded in a manner that would (a) expand or adversely amend the conditions to the debt financing set forth in the Debt Commitment Letter; (b) reasonably be expected to delay or prevent the closing of the Merger; (c) reduce the aggregate amount of debt financing set forth in the Debt Commitment Letter (unless replaced with new equity financing); or (d) adversely impact the ability of Parent or Merger Sub to enforce their rights against the other parties to the Debt Commitment Letter.

Brief summaries of the expected terms of the components of the anticipated debt financing are set forth below.

Senior Secured Credit Facilities. The borrower under the senior secured credit facilities will initially be Parent and, in the future, at the option of the Company, may include one or more of the Company s subsidiaries, including foreign subsidiaries. The senior secured credit facilities are expected to be comprised of up to a $3.9 billion senior secured term loan facility with a term of seven years, and a $500 million senior secured revolving credit facility with a term of six years. The senior secured term loan facility may, at the option of the borrower, include a Canadian dollar-denominated tranche in an amount to be determined. Loans under the senior secured credit facilities are expected to bear interest, at the borrower s option, at a rate equal to LIBOR (London Interbank Offered Rate) plus an

applicable margin or an alternate base rate based on the prime rate plus an applicable margin. Canadian dollar-denominated loans, if any, are expected to bear interest at a rate based on benchmarks customary in such financings. The Company will pay customary commitment and other fees under the senior secured credit facilities. All obligations under the senior secured credit facilities will be guaranteed by each existing and future direct and indirect domestic subsidiary of the Company (other than regulated financial institution subsidiaries, securitization entities, unrestricted subsidiaries and certain immaterial subsidiaries to be agreed upon) and also, in the case of any obligations of foreign borrowers, if any, certain foreign subsidiaries to be determined, in each case only to the extent permitted by applicable law, regulation and contract and to the extent such guarantee would not result in adverse tax or accounting consequences. The obligations of the borrowers and the guarantors under the senior secured credit facilities will be secured, subject to permitted liens and other agreed upon exceptions, (a) in the case of

obligations of domestic borrowers and guarantors, by all the capital stock of the direct, wholly owned subsidiaries owned by the Company and each guarantor (limited, in the case of foreign subsidiaries, to 65% of the voting stock of such subsidiaries) and substantially all other present and future tangible and intangible assets of the Company and each guarantor (subject to certain agreed upon exceptions) and (b) in the case of obligations of foreign borrowers and guarantors, by customary collateral for the applicable jurisdiction to be mutually agreed. The senior secured credit facilities will contain customary representations and warranties and customary affirmative and negative covenants, including restrictions on indebtedness, liens, investments and acquisitions, sales of assets, mergers and consolidations, dividends and other distributions on or redemptions of stock and prepayments of certain subordinated indebtedness. The senior secured facilities will also include customary events of default, including a change of control default.

High-Yield Debt Financing. Parent is expected to issue (a) $1.8 billion in aggregate principal amount of senior unsecured notes and (b) $410 million in aggregate principal amount of senior subordinated unsecured notes. The notes will contain customary high yield negative covenants, events of default and redemption provisions. The notes will not be registered under the Securities Act and may not be offered or sold in the United States absent registration under, or an applicable exemption from the registration requirements of, the Securities Act. The notes will be offered to qualified institutional buyers, as that term is defined in Rule 144A under the Securities Act, and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The Company and all of the Company s subsidiaries that guarantee the portion of the senior secured credit facilities borrowed by U.S. borrowers will guarantee the notes.

Bridge Facilities. If the offering of notes by Parent is not completed substantially concurrently with the consummation of the Merger, Credit Suisse and Credit Suisse Securities (USA) LLC have committed to provide to Merger Sub: (a) up to $1.8 billion in loans under a senior unsecured bridge facility and (b) up to $410 million in loans under a senior subordinated unsecured bridge facility. If the bridge loans are not paid in full on or before the first anniversary of the completion of the Merger, the senior unsecured bridge loans will convert into senior unsecured term loans maturing on the eighth anniversary of the completion of the Merger and the senior subordinated unsecured bridge loans will convert into senior subordinated unsecured term loans maturing on the tenth anniversary of the completion of the Merger. The bridge loans will bear interest at a floating rate equal to LIBOR plus a margin that increases over time (subject to a cap). The bridge loans and, after conversion, if any, the term loans, will contain covenants customary for financings of this type, including covenants restricting the ability of the borrower, among other things and subject to exceptions, to incur or repay certain debt, to make dividends, distributions or redemptions and to incur liens. Prior to the fourth anniversary of the completion of the Merger, the borrower will be able to pay interest from time to time on the senior unsecured bridge loans and, after conversion, if any, on the senior unsecured term loans, by issuing additional loans or exchange notes in an amount equal to the interest then due. The senior unsecured bridge loans will be guaranteed on a senior unsecured basis by each relevant guarantor of the U.S. portion of the senior secured credit facilities, and the senior subordinated unsecured bridge loan will be guaranteed by the same guarantors on a senior subordinated basis.

Limited Guarantee

In connection with the Merger Agreement, BCP V and the Company entered into a Limited Guarantee pursuant to which, among other things, BCP V is providing the Company a guarantee of payment of the Business Interruption Fee and certain other amounts for which Parent or Merger Sub are or may become liable under the Merger Agreement up to a maximum of $3 million.

Material United States Federal Income Tax Consequences

The following is a summary of the material U.S. federal income tax consequences of the Merger relevant to beneficial holders of Company common stock whose shares are converted to cash in the Merger. The discussion is for general

information only and does not purport to consider all aspects of federal income taxation that might be relevant to holders of Company common stock. The discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, which we refer to in this proxy statement as the Code, existing, proposed and temporary regulations promulgated thereunder, rulings, administrative

pronouncements and judicial decisions, changes to which could materially affect the tax consequences described herein and could be made on a retroactive basis. The discussion applies only to holders of Company common stock in whose hands shares are capital assets within the meaning of Section 1221 of the Code and may not apply to holders who acquired their shares pursuant to the exercise of employee stock options or other compensation arrangements with the Company or hold their shares as part of a hedge, straddle or conversion transaction or who are subject to special tax treatment under the Code (such as dealers in securities or foreign currency, insurance companies, other financial institutions, regulated investment companies, tax-exempt entities, S corporations, partnerships and taxpayers subject to the alternative minimum tax). In addition, this discussion does not address the effect of any state, local or foreign tax laws.

As used herein, a U.S. Holder means a beneficial owner of Company common stock that is an individual or entity that is (a) a citizen or resident of the United States, (b) a corporation or business entity treated as a corporation for U.S. federal income tax purposes created or organized in or under the laws of the United States or any state, (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source or (d) a trust (1) that is subject to the primary supervision of a court within the United States and one or more U.S. persons has the authority to control all substantial decisions of the trust, or (2) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

As used herein, a Non-US Holder means a person (other than a partnership) that is not a U.S. Holder.

If shares of Company common stock are held by a partnership, the U.S. federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships that hold shares of Company common stock and partners in such partnerships are urged to consult their own tax advisors regarding the tax consequences to them of the Merger.

U.S. Holders

The receipt of cash for Company common stock pursuant to the Merger will be a taxable transaction for United States federal income tax purposes. In general, a U.S. Holder who receives cash in exchange for shares pursuant to the Merger will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount of cash received and the U.S. Holder s adjusted tax basis in the shares surrendered for cash pursuant to the Merger. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same price per share in a single transaction) surrendered for cash pursuant to the Merger. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder s holding period for such shares is more than one year at the time of consummation of the Merger. The current maximum federal income tax rate on net long-term capital gain recognized by individuals is 15% under current law. The maximum federal income tax rate on net long-term capital gain realized by a corporation is 35%. Capital losses are subject to limitations on deductibility for both corporations and individuals.

In general, holders who exercise appraisal rights will also recognize gain or loss in an amount equal to the difference between the amount of cash received and the holder s adjusted tax basis in the shares surrendered. Any holder considering exercising statutory appraisal rights should consult his, her or its own tax advisor.

Backup withholding at a 28% rate may apply to cash payments a U.S. Holder (other than certain exempt entities such as corporations) of Company common stock receives pursuant to the Merger. Backup withholding generally will apply only if the U.S. Holder fails to furnish a correct taxpayer identification number or otherwise fails to comply with applicable backup withholding rules and certification requirements. Each U.S. Holder (other than certain exempt entities such as corporations) should complete and sign the substitute Form W-9 that will be part of the letter of transmittal to be returned to the exchange agent in order to provide the information and certification necessary to

avoid backup withholding, unless an applicable exemption exists and is otherwise proved in a manner acceptable to the exchange agent. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowable as a refund or credit against a U.S. Holder s United States federal income tax liability provided the required information is furnished to the Internal Revenue Service in a timely manner.

Non-U.S. Holders

Any gain realized on the receipt of cash in the Merger by a Non-U.S. Holder generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment of the Non-U.S. Holder);
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the Merger, and certain other conditions are met; or
- the Company is or has been a United States real property holding corporation for U.S. federal income tax purposes and the Non-U.S. Holder owned more than 5% of the Company common stock at any time during the five years preceding the Merger.

A Non-U.S. Holder whose gain is described in the first bullet point above will be subject to tax on its net gain in the same manner as if it were a U.S. Holder. In addition, if a Non-U.S. Holder is a corporation whose gain is described under the first bullet point above, such holder may be subject to a branch profits tax equal to 30% of its effectively connected earnings and profits (including such gain) or at such lower rate as may be specified by an applicable income tax treaty. An individual Non-U.S. Holder described in the second bullet point above will be subject to tax at a 30% rate on the gain recognized, equal to the difference, if any, between the amount of cash received in exchange for shares of Company common stock and the Non-U.S. Holder s adjusted tax basis in such shares, which may be offset by U.S. source capital losses.

The Company believes that it is not and has not been a United States real property holding corporation for U.S. federal income tax purposes.

Cash received by Non-U.S. Holders in the Merger also will be subject to information reporting, unless an exemption applies. Moreover, backup withholding of tax at a rate of 28% may apply to cash received by a Non-U.S. Holder in the Merger, unless the holder or other payee establishes an exemption in a manner satisfactory to the paying agent and otherwise complies with the backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder s U.S. federal income tax liability provided that the required information is timely furnished to the Internal Revenue Service.

The United States federal income tax consequences set forth above are not intended to constitute a complete description of all tax consequences relating to the Merger. Because individual circumstances may differ, each beneficial holder of shares, including any beneficial holder who is not a U.S. Holder, is urged to consult such beneficial holder s own tax advisor as to the particular tax consequences to such beneficial holder of the Merger, including the application and effect of state, local, foreign and other tax laws.

Regulatory Approvals

Hart-Scott-Rodino

The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) and the rules promulgated thereunder provide that transactions such as the Merger may not be completed until certain information has been

submitted to the Federal Trade Commission (the FTC) and the Antitrust Division of the U.S. Department of Justice (the DOJ) and specified waiting period requirements have been satisfied. On June 1, 2007, the Company, Parent and Merger Sub made the required filings, and early termination of the applicable waiting period was granted on June 11, 2007.

At any time before or after consummation of the Merger, the FTC and DOJ may, however, challenge the Merger on antitrust grounds. Private parties could take antitrust action under the antitrust laws, including seeking an injunction prohibiting or delaying the Merger, divestiture or damages under certain circumstances. Additionally, at any time before or after consummation of the Merger, notwithstanding the termination of the

applicable waiting period, any state could take action under its antitrust laws as it deems necessary or desirable in the public interest. There can be no assurance that a challenge to the Merger will not be made or that, if a challenge is made, the Company and Merger Sub will prevail.

Under the Merger Agreement, the Company, Parent and Merger Sub have agreed to use their reasonable best efforts to obtain all required governmental approvals in connection with the execution of the Merger Agreement and completion of the Merger. In addition, the Company, Parent and Merger Sub have agreed to use their reasonable best efforts to resolve any objections or suits asserted by the FTC or DOJ or any other applicable governmental agency.

Except as noted above, as described below under Canadian Competition Act, German Filing and Bankin Regulations and the filing of a certificate of merger in Delaware at or before the Effective Time, we are unaware of any material federal, state or foreign regulatory requirements or approvals required for the execution of the Merger Agreement or completion of the Merger.

Canadian Competition Act

The Competition Act (Canada) the (Canadian Competition Act) requires that parties to certain transactions that exceed specified size thresholds (Notifiable Transactions) provide to the Commissioner of Competition (the Commissioner) appointed under the Canadian Competition Act prior notice of, and information relating to, the transaction. Except where an advance ruling certificate (ARC) is issued or notification is waived, notification must be made either on the basis of a short-form filing (in respect of which there is a 14-day statutory waiting period from the time a complete notification is made) or a long-form filing (in respect of which there is a 42-day waiting period from the time a complete notification is made). The Commissioner s review of the competitive impact of a Notifiable Transaction may take longer than the statutory waiting period. Upon completion of the Commissioner s review, the Commissioner may decide to (a) challenge the Notifiable Transaction, if the Commissioner concludes that it is likely to lessen or prevent competition substantially, and if the Competition Tribunal, a specialized tribunal empowered to deal with certain matters under the Canadian Competition Act, finds that the Merger is likely to prevent or lessen competition substantially, it may order that the Merger not proceed or, in the event that the Merger has been completed, order its dissolution or the disposition of some of the assets or shares involved, (b) issue a no action letter stating that the Commissioner is of the view that grounds do not exist to initiate proceedings before the Competition Tribunal under the merger provisions of the Canadian Competition Act in respect of the Notifiable Transaction at that time but retains the authority to do so for three years after completion of the Notifiable Transaction, or (c) issue an ARC. Where an ARC is issued and the Notifiable Transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Commissioner cannot seek an order of the Competition Tribunal in respect of the Notifiable Transaction solely on the basis of information that is the same or substantially the same as the information on the basis on which the ARC was issued. The Merger is a Notifiable Transaction. The parties filed a request for an ARC with the Commissioner on June 1, 2007 and received an ARC from the Commissioner on June 7, 2007.

German Competition Act

Under the German Act against Restraints of Competition (the German Competition Act), the Merger may not be completed until a notification has been filed with the German Federal Cartel Office (the FCO) and the FCO has approved the transaction or the applicable waiting period has expired. A notification was filed under the German Competition Act with the FCO on June 14, 2007. The waiting period under the German Competition Act will expire on July 14, 2007. The FCO is entitled to initiate an in-depth investigation within a one-month period if there is a serious risk that the proposed transaction might lead to a, or enhance an already existing, dominant position in one of the relevant markets. The FCO s approval may only be challenged by third party interveners if the FCO has rendered the approving decision after having completed an in-depth investigation. An approval granted within the initial one-month period cannot be challenged by third-party interveners.

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Banking Regulations

The Company owns World Financial Network National Bank, a credit card bank chartered under federal law, and World Financial Capital Bank, an industrial bank chartered under Utah law, both of which are insured by the FDIC. The Change in Bank Control Act and its implementing regulations prohibit any person, acting directly or indirectly or through or in concert with one or more other persons, from acquiring control of any FDIC-insured depository institution through a disposition of voting stock, such as the Merger, unless the appropriate Federal banking agency has been given 60 days prior written notice and has not disapproved the acquisition. The 60-day notice period begins to run when the agency deems the notice filing to be complete. The agency may extend the notice period for an additional 30 days. In addition, the Utah Financial Institutions Act prohibits any person from acquiring, directly or indirectly, control of a depository institution without the prior written consent of the Commissioner of Financial Institutions. Accordingly, Parent filed the required notices with the OCC with respect to World Financial Network National Bank on June 28, 2007. Parent also filed the required notices with the FDIC and the UDFI with respect to World Financial Capital Bank, in each case on July 2, 2007.

When reviewing a change in control notice, the banking agencies may consider several factors, including but not limited to: (a) the competence, experience, and integrity of the acquiring person or any of the proposed management personnel; (b) the financial condition of the acquiring person; (c) the effect of the proposed acquisition on competition and trade; (d) the balance between any anticompetitive effects and the transaction s probable effect in meeting the convenience and needs of the community to be served; (e) the effect of the proposed acquisition on the financial stability of the bank; (f) whether the acquisition would be in the interest of the depositors and the public; and (g) any public comments that the banking agency has received. The OCC, FDIC, or UDFI could disapprove the Merger for any of the foregoing reasons, or on other grounds.

Merger Related Litigation

The Company is aware of four lawsuits filed in connection with the proposed Merger. On May 18, 2007, Sherryl Halpern filed a putative class action (cause no. 07-04689) on behalf of Company stockholders in the 68th Judicial District of Dallas County, Texas against the Company, all of its directors and Blackstone (the Halpern Petition); on May 21, 2007, Levy Investments, Ltd. filed a purported derivative lawsuit (cause no. 219-01742-07) on behalf of the Company, in the 219th Judicial District of Collin County, Texas against all of the Company s directors and Blackstone (the Levy Petition) (this suit was subsequently transferred to the 296th Judicial District of Collin County, Texas, and assumed the cause no. 296-01742-07); on May 29, 2007, Linda Levine filed a putative class action (cause no. 07-05009), on behalf of Company stockholders in the 192nd Judicial District of Dallas County, Texas against the Company and all of its directors (the Levine Petition); and on May 31, 2007, the J&V Charitable Remainder Trust filed a putative class action (cause no. 07-05127-F) on behalf of Company stockholders in the 116th Judicial District of Dallas County, Texas against the Company, all of its directors and Blackstone (the J&V Petition).

All four petitions allege, generally, that the defendants breached their fiduciary duties to the Company in approving the Merger Agreement. The Halpern, Levy and J&V Petitions allege that Blackstone aided and abetted these alleged acts. The Levine Petition alleges that the Company aided and abetted the director defendants alleged breaches. The Levy Petition further alleges that the defendants other than Blackstone abused their control of the Company. The Halpern, Levine and J&V Petitions seek, among other things, an injunction preventing the proposed Merger and attorneys fees and expenses. The Halpern and J&V Petitions seek a declaration that the Company s directors breached their fiduciary duties. The Levine and the J&V Petitions seek unspecified damages. The Levy Petition seeks, among other things, a declaration that the Merger Agreement is void and unenforceable, an injunction preventing the proposed Merger, a constructive trust and attorneys fees and expenses.

Defendants in the Levy suit entered into an agreement with the plaintiff postponing a response to the petition until 20 days after plaintiff files an amended petition, without prejudice to plaintiff s ability to seek expedited relief, including demands for discovery. On June 29, 2007, the Company and its directors filed a motion to transfer venue, plea in abatement and general denial. They have asked the court to transfer the Levy

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case to Dallas County, Texas. Alternatively, they have asked the court to abate the Levy case in favor of the first-filed lawsuit, the Halpern case in Dallas County, Texas.

Plaintiffs in the Halpern and Levine suits have jointly filed a motion to consolidate the Halpern, Levine and J&V cases before the 68th Judicial District of Dallas County, Texas and to have their attorneys appointed co-lead counsel. The J&V suit plaintiff has filed a competing motion for appointment of its counsel as lead counsel for the Halpern, Levine, and J&V cases, and stated it did not oppose the motion for consolidation filed by the Halpern and Levine plaintiffs.

The Company believes that these lawsuits are without merit and plans to defend itself vigorously. Additional lawsuits pertaining to the proposed Merger could be filed in the future.

THE MERGER AGREEMENT

This section of the proxy statement describes the material provisions of the Merger Agreement but does not purport to describe all of the terms of the Merger Agreement. The following summary is qualified in its entirety by reference to the complete text of the Merger Agreement, which is attached as Annex A to this proxy statement and incorporated into this proxy statement by reference. We urge you to read the full text of the Merger Agreement because it is the legal document that governs the Merger. This section is not intended to provide you with any other factual information about us. Such information can be found elsewhere in this proxy statement and in the public filings we make with the SEC, as described in the section entitled Where You Can Find Additional Information beginning on page 95.

The Merger

The Merger Agreement provides for the Merger of Merger Sub, a newly-formed, wholly owned subsidiary of Parent, with and into the Company upon the terms, and subject to the conditions, of the Merger Agreement. The Merger will be effective at the time the certificate of merger is filed with the Secretary of State of the State of Delaware (or at a later time, if agreed upon by the parties and specified in the certificate of merger). We expect to complete the Merger as promptly as practicable after our stockholders adopt the Merger Agreement and, if necessary, the expiration of the marketing period described below. See The Merger Agreement Marketing Period; Efforts to Obtain Financing beginning on page 79.

The Company will be the surviving corporation in the Merger and the surviving corporation will change its name to Alliance Data Systems Corporation. Upon consummation of the Merger, the directors of Merger Sub and the officers of the Company immediately before the Merger will be the directors and officers, respectively, of the surviving corporation until their successors are duly elected and qualified or until the earlier of their resignation or removal.

Consideration to be Received in the Merger

At the time of the Merger, each share of Common Stock issued and outstanding immediately before the Merger will automatically be cancelled and will cease to exist and will be converted into the right to receive $81.75 in cash, without interest and less any required withholding taxes, other than:

- shares held by Parent, Merger Sub or in the treasury of the Company immediately prior to the Effective Time which will be cancelled;

- shares held by any Company subsidiary or any subsidiary of Parent, other than Merger Sub, which will be converted into and exchanged for one newly and validly issued, fully paid and nonassessable share of Common Stock of the surviving corporation; and

- shares held by holders who have properly demanded and perfected their appraisal rights.

After the Merger is effective, each holder of a certificate representing any shares of Common Stock (other than shares for which appraisal rights have been properly demanded and perfected) will no longer have any rights with respect to the shares, except for the right to receive the Merger Consideration. If any of the Company s stockholders exercise and perfect dissenters rights with respect to any of the Company s shares, then the Company will treat those shares as described under Dissenters Rights of Appraisal beginning on page 91.

Company Options and Stock-Based Awards

Upon the consummation of the Merger, except as otherwise agreed by the holder and Parent:

each outstanding option to acquire Common Stock issued pursuant to the Company s equity incentive plans will become fully vested (to the extent not already vested) and will be converted automatically into the right to receive an amount in cash equal to the product of (a) the total number of shares of Common Stock of the Company subject to such option and (b) the excess, if any, of the amount (if any) by which $81.75 exceeds the option exercise price per share of the Common Stock of the

Company subject to such option, rounded down to the nearest cent, without interest and less any applicable withholding taxes;

each share of restricted stock and each outstanding deferred stock unit, other than the annual restricted stock units and retention restricted stock units, granted under the Company s equity incentive plans outstanding immediately prior to the Effective Time will become fully vested, if applicable, without restrictions thereon and will be converted into the right to receive $81.75 in cash, without interest and less any applicable withholding taxes;

each award of annual restricted stock units outstanding immediately prior to the Merger will become contingently vested if such annual restricted stock unit would have vested in the ordinary course (without regard to time-based vesting) based upon the Company s performance for the period through the Effective Time; if the holder of such a contingently vested annual restricted stock unit is employed by the Company or any subsidiary of the Company on February 1, 2008, then the contingently vested annual restricted stock units will become fully vested and such holder will receive a lump sum cash payment equal to the product of (a) the total number of annual restricted stock units subject to such award and (b) $81.75, without interest and less any applicable withholding taxes; and

the performance criteria applicable to each award of retention restricted stock units shall be deemed to be satisfied in full and the restricted stock units subject to the award of retention restricted stock units will become fully vested if the holder satisfies the time-based vesting criteria thereof (with the applicable vesting dates being deemed to be February 21 of each of 2008, 2009 and 2010), and upon vesting of such restricted stock units the Company will distribute to each such holder a lump sum cash payment, together with 8% interest thereon from the Effective Time, equal to the product of (a) the total number of vested restricted stock units subject to such award of retention restricted stock units and (b) $81.75, without interest and less any applicable withholding taxes.

The effect of the Merger upon the Company s stock purchase and certain other employee benefit plans is described under The Merger Agreement Employee Benefits beginning on page 87.

Exchange of Certificates; Lost Certificates

Before the consummation of the Merger, Parent will designate a paying agent reasonably satisfactory to the Company to make payment of the Merger Consideration as described above. Immediately upon the closing of the Merger, Parent will deposit, or shall cause to be deposited with the paying agent, the funds appropriate to pay the Merger Consideration to the stockholders.

Promptly after the Effective Time (but in no event later than three business days thereafter), Parent will instruct the paying agent to send you a letter of transmittal and instructions advising you how to surrender your certificates in exchange for the Merger Consideration. The paying agent will pay you your Merger Consideration after you have (1) surrendered your certificates to the paying agent and (2) provided to the paying agent your signed letter of transmittal and any other items specified by the letter of transmittal. Interest will not be paid or accrue in respect of the Merger Consideration. The surviving corporation will reduce the amount of any Merger Consideration paid to you by any applicable withholding taxes. YOU SHOULD NOT FORWARD YOUR STOCK CERTIFICATES TO THE PAYING AGENT WITHOUT A LETTER OF TRANSMITTAL, AND YOU SHOULD NOT RETURN YOUR STOCK CERTIFICATES WITH THE ENCLOSED PROXY.

If any cash deposited with the paying agent is not claimed within one year following the Effective Time, such cash will be returned to the surviving corporation upon demand. Any unclaimed amounts remaining immediately prior to

when such amounts would escheat to or become property of any governmental authority will be returned to the surviving corporation free and clear of any prior claims or interest thereto.

The transmittal instructions will tell you what to do if you have lost your certificate, or if it has been stolen or destroyed. You will have to provide an affidavit to that effect and, if required by Parent, post a bond in an amount that Parent reasonably directs as indemnity against any claim that may be made against it in respect of the certificate.

Representations and Warranties

The Merger Agreement contains representations and warranties made by the Company to Parent and Merger Sub and representations and warranties made by Parent and Merger Sub to the Company as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the Merger Agreement and may be subject to important qualifications and limitations agreed by the parties in connection with negotiating its terms. Moreover, some of those representations and warranties may not be accurate or complete as of any particular date because they are subject to a contractual standard of materiality or material adverse effect different from that generally applicable to public disclosures to stockholders or may have been used for the purpose of allocating risk between the parties to the Merger Agreement rather than establishing matters of fact. For the foregoing reasons, you should not rely on the representations and warranties contained in the Merger Agreement as statements of factual information.

In the Merger Agreement, the Company, Parent and Merger Sub each made representations and warranties relating to, among other things:

- corporate organization and existence;
- corporate power and authority to enter into and perform its obligations under, and enforceability of, the Merger Agreement;
- required regulatory filings and consents and approvals of governmental entities required as a result of the parties execution and performance of the Merger Agreement;
- the absence of conflicts with or defaults under organizational documents, other contracts and applicable laws and judgments; and
- litigation.

The Company also made representations and warranties relating to, among other things:

- capital structure;
- compliance with applicable laws;
- reports and other documents filed with the SEC, compliance of such reports and documents with applicable requirements of federal securities laws and regulations, and the accuracy and completeness of such reports and documents;
- absence of undisclosed liabilities;
- transactions with affiliates;
- absence of certain changes or events since December 31, 2006;
- material contracts and indebtedness;
- intellectual property;

- tax matters; and
- real estate.

Parent and Merger Sub also each made representations and warranties relating to, among other things:

- the availability of the funds necessary to perform its obligations under the Merger Agreement;
- debt financing commitments;
- solvency of Parent and the surviving corporation; and
- ownership of Merger Sub.

Many of the Company s representations and warranties are qualified by a material adverse effect standard. For purposes of the Merger Agreement, material adverse effect for the Company is defined to mean any material

adverse change or effect on the business, properties, assets, results or operations or financial condition of the Company and the Company Subsidiaries, taken as a whole, other than any change or effect relating to or resulting from:

changes generally affecting the economy or financial markets;

changes generally affecting any segment of the industries in which the Company or its subsidiaries operate;

changes in law or general accepting U.S. accounting principles (or interpretations thereof);

any acts of God, calamities, national or international political or social conditions, including the engagement by any country in hostilities, whether commenced before or after May 17, 2007, or the occurrence of any military or terrorist attack;

any litigation arising from allegations of a breach of fiduciary duty or other violation of applicable law relating to the Merger Agreement or the transactions contemplated by the Merger Agreement;

any failure by the Company to meet any projections or forecasts for any period ending on or after the date of the Merger Agreement (provided that the underlying cause of such failure shall not be excluded);

the negotiation, execution, delivery and announcement of, or compliance with, the Merger Agreement;

any change or announcement of a potential change in the credit rating of the Company (provided that the underlying causes of such change shall not be excluded); or

changes in the Company s stock price or trading volume in and of itself (provided that the underlying causes of such change shall not be excluded);

except, in the case of the first two bullet points above, to the extent such changes referred to therein have a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to other participants in the industries in which the Company and its subsidiaries conduct their businesses.

Conduct of Business by the Company Pending the Merger

The Company has agreed in the Merger Agreement that until the consummation of the Merger, except as set forth in the Company disclosure schedule or as otherwise contemplated by the Merger Agreement or as consented to in writing by Parent (which consent shall not be unreasonably withheld), the Company will, and will cause each of its subsidiaries to, in all material respects:

conduct its business in the ordinary course consistent with past practice; and

use its reasonable best efforts to keep available the services of the current officers, key employees and consultants of the Company and each subsidiary of the Company and to preserve the current relationships of the Company and each subsidiary of the Company with each of the customers, suppliers and other persons with whom the Company or any subsidiary of the Company has business relations as is reasonably necessary to preserve substantially intact its business organization.

The Company also agreed that, until the consummation of the Merger, except as expressly contemplated by the Merger Agreement or consented to in writing by Parent (which consent will not be unreasonably withheld), the

Company will not, and will not permit any of its subsidiaries to, among other things:

amend its governing documents;

issue, deliver, sell, pledge or otherwise encumber, or authorize, propose or agree to the issuance, delivery, sale, pledge or encumbrance of, any shares of its capital stock, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of any class or series of its capital stock (other than pursuant to the exercise of Company stock options or stock-based awards existing as of the closing date of the Merger); provided that the Company shall be permitted to issue stock-based awards, as long as the sum of (x) the difference between (A) the

product of (1) the aggregate number of shares included in such issuances and (2) the Merger Consideration and (B) the aggregate amount paid to the Company for such shares upon their issuance (such difference, the Cash Shortfall) and (y) the aggregate amount of payments made by the Company under new retention agreements or programs shall not exceed $10 million;

establish a record date for, declare, set aside or pay any dividend or other distribution with respect to its capital stock or other equity interests, or enter into any voting agreement with respect to its capital stock or equity interests;

reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire or offer to acquire, directly or indirectly, any of its capital stock, except pursuant to the exercise or settlement of Company stock options, Company stock-based awards, employee severance, retention, termination, change of control and other contractual rights existing as of May 17, 2007;

acquire (including by merger, consolidation, or acquisition of stock or assets) or make any investment in any interest in any person or any division thereof or any assets thereof, except any such acquisitions or investments (a) that are consistent with past practices and are for consideration that is individually not in excess of $20 million, or in the aggregate, not in excess of $100 million for all such acquisitions by the Company taken as a whole or (b) of portfolios of credit card receivables upon the termination of credit card programs related thereto;

sell, transfer, license or otherwise dispose of any business, assets, rights or properties having a current value in excess of $20 million in the aggregate other than the sale, transfer, license or disposition of (a) data in the ordinary course of business, (b) portfolios of credit card receivables upon the termination of the credit card program related thereto and (c) credit card receivables as part of the Company s securitization program in the ordinary course of business;

grant any lien in any of its assets to secure any indebtedness for borrowed money;

redeem, repurchase, prepay, defease, cancel, incur or otherwise acquire, or modify the terms of, any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person or entity other than a wholly owned subsidiary of the Company) for borrowed money, other than (a) indebtedness incurred under existing facilities, (b) indebtedness in a principal amount not, in the aggregate in excess of $10 million for the Company and the Company s subsidiaries taken as a whole, (c) intercompany debt, (d) indebtedness incurred to refinance any existing indebtedness in an amount not to exceed, and on terms no less favorable in the aggregate than, such existing indebtedness, and (e) indebtedness in connection with permitted acquisitions and capital expenditures; provided, that any indebtedness incurred before consummation of the Merger may not be subject to a prepayment penalty;

enter into any new line of business outside of its existing business segments;

make capital expenditures in excess of $5 million individually and $25 million in the aggregate, except for capital expenditures that would not cause the Company s aggregate annual capital expenditures to exceed the Company s existing plan for annual capital expenditures for 2007 or 2008 and previously made available to Parent;

pay, discharge or settle any material claim or obligation other than (a) performance of contractual obligations in accordance with their terms, (b) payment, discharge, settlement or satisfaction, in the ordinary course of

business or (c) payment, discharge, settlement or satisfaction in accordance with their terms, of claims, liabilities or obligations that have been (x) disclosed in the most recent financial statements (or the notes thereto) of the Company included in the Company SEC Filings filed prior to May 17, 2007 to the extent of such disclosure or (y) incurred since the date of such financial statements in the ordinary course of business;

adopt or enter into a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any subsidiary of the Company;

except as reasonably necessary to comply with applicable law or as required pursuant to existing written agreements, adopt or materially amend any material benefit plan, increase in any manner the compensation or fringe benefits of any director, officer or employee of the Company or any subsidiary of the Company or pay or commit to pay any material benefit not provided for by any existing Company benefit plan, except (a) in connection with entering into or extending any employment or other compensatory agreements with individuals, other than executive officers or directors of the Company or any subsidiary of the Company in the ordinary course of business consistent with past practices, (b) in connection with entering into any retention agreements or programs determined by the board of directors of the Company as being reasonably necessary in order to maintain its business operations prior to, and extending through, the effective date of the Merger, provided that the sum of (x) the Cash Shortfall and (y) the aggregate amount of payments made by the Company under its benefit plans shall not exceed $10 million, (c) general salary increases in the ordinary course of business consistent with past practices or (d) the amendment of any Company benefit plan that may be subject to Code Section 409A consistent with Code Section 409A and any guidance issued thereunder;

fail to maintain in full force and effect the material insurance policies covering the Company and Company s subsidiaries and their respective properties, assets and businesses in a form and amount consistent with past practices unless the Company determines in its reasonable commercial judgment that the form or amount of such insurance should be modified;

except as may be required by general accepting U.S. accounting principles or as a result of a change in law, make any material change in its principles, practices, procedures and methods of accounting;

other than in the ordinary course of business consistent with past practices, make or change any material tax election, settle or compromise any material liability for taxes, obtain any material tax ruling or amend any material tax return;

enter into, amend or modify in any material respect, cancel or consent to the termination of any material contract (other than any such amendments or modifications to material contracts that are not material revenue producing contracts that are made in the ordinary course of business consistent with past practices; or

knowingly take any action that would reasonably be expected to cause the closing conditions to the Merger not to be satisfied or that would reasonably be expected to prevent, materially delay or materially impair the ability of the Company to consummate the Merger.

Efforts to Complete the Merger

Subject to the terms and conditions set forth in the Merger Agreement, the Company, Parent and Merger Sub have each agreed to use reasonable best efforts to take, or cause to be taken, all actions necessary, proper or advisable under applicable laws to consummate and make effective any transactions contemplated by the Merger Agreement, including preparing and filing as soon as practicable all documentation to effect all necessary filings, approvals, consents, orders, exemptions or waivers from all governmental authorities or other persons, including preparing and filing any required submissions under the HSR Act, the Canadian Competition Act, the Change in Bank Control Act, the Bank Merger Act, the Bank Holding Company Act of 1956, as amended, and the Home Owners Loan Act, as amended.

Additionally, the Company, Parent and Merger Sub will use its reasonable best efforts to obtain FDIC and Utah Commissioner of Financial Institutions approval for the acquisition and control by Parent and its affiliates of World Financial Capital Bank (IB). If Parent does not get such approval by August 17, 2007 (provided that Parent may

extend such period up to an additional two (2) months if Parent determines in good faith, after consulting with its outside legal counsel and the Company, that there is a reasonable prospect that such approvals will be obtained), the Company, in consultation with Parent, shall use reasonable best efforts to restructure the IB, including transferring assets or liquidating the IB, in a manner reasonably acceptable to Parent.

Parent has agreed to take all steps to avoid or eliminate impediments under any antitrust, competition or trade regulation law asserted by any governmental authority with respect to the Merger to enable the Merger to be consummated prior to the Termination Date (as defined below), including by divesting, or limiting its freedom of action with respect to, the assets, properties or services of Parent or the surviving corporation in the Merger in order to avoid any injunction or restraining order or other order that may adversely affect the ability of the parties to consummate the Merger. At Parent s request, the Company will divest, or limit its freedom of action with respect to, any of its businesses, assets, properties or services, provided that such action will be conditioned on consummation of the Merger.

Existing Indebtedness

The Company has agreed to take certain actions with respect to its outstanding 6% Senior Notes, Series A due May 16, 2009 and 6.14% Senior Notes, Series B, due May 16, 2011 (the Notes), if requested by Parent, including effecting a tender offer and consent solicitation, or facilitating the redemption or discharge of such Notes. The Company s obligation to consummate these actions is conditioned on the receipt of requisite consents to amend the documents relating to the Notes and the closing of the Merger. Parent will, upon request by the Company, reimburse the Company for its reasonable out-of-pocket expenses and indemnify the Company against losses incurred in connection with these actions.

Marketing Period; Efforts to Obtain Financing

Unless otherwise agreed by the parties to the Merger Agreement, the parties are required to close the Merger on the second business day after the satisfaction or waiver of the conditions described under Closing Conditions beginning on page 80, provided that the parties are not obligated to close the Merger until the earliest of (a) a date during the marketing period specified by Parent and (b) the last day of the marketing period.

The Company (following the recommendation of the special committee) can terminate the Merger Agreement if all of the mutual closing conditions and the conditions to the obligations of Parent and Merger Sub to consummate the Merger are satisfied and Parent or Merger Sub fails to effect the Merger and/or satisfy their respective obligations with respect to payment of the Merger Consideration by 11:59 p.m. on the last day of the marketing period.

For purposes of the Merger Agreement, marketing period means the first period of 20 consecutive business days following the execution of the Merger Agreement during which:

Parent has certain financial information required to be provided by the Company under the Merger Agreement in connection with the financing of the Merger;

no event has occurred and no conditions exist that would cause the conditions to the obligations of Parent and Merger Sub to complete the Merger to fail to be satisfied, assuming the closing were to be scheduled during the 20-consecutive business day period; and

the mutual conditions to complete the Merger are satisfied.

If the marketing period would not end on or prior to August 17, 2007, the marketing period will commence no earlier than September 4, 2007 and if the marketing period would not end on or prior to December 20, 2007, the market period will commence no earlier than January 2, 2008. In addition, the marketing period will not be deemed to have commenced if, prior to the completion of the marketing period, Deloitte & Touche LLP shall have withdrawn its audit opinion with respect to any financial statements contained in the Company s reports filed with the SEC or if any required financial statements available to Parent on the first day of any such 20-consecutive business day period

would not be sufficiently current on any day during such 20-consecutive business day period to permit a registration statement using such financial statements to be declared effective by the SEC on the last day of such 20-consecutive business period.

The purpose of the marketing period is to provide Parent with a reasonable and appropriate period of time during which they can market and place the permanent debt financing contemplated by the debt financing commitments for the purposes of financing the Merger. In connection therewith, Parent has agreed:

- to use reasonable best efforts to arrange the debt financing and to satisfy on a timely basis all conditions applicable to Parent in any definitive agreements entered into relating to the debt financing; and

- to use its reasonable best efforts to arrange alternative financing on terms no less favorable to Parent and Merger Sub (as determined in the reasonable judgment of Parent) as promptly as practicable but no later than the last day of the marketing period in the event that any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the debt financing commitments.

In addition, in the event that any portion of the debt financing structured as privately offered notes has not been received by Parent and Merger Sub and the conditions to closing are satisfied (or will be satisfied at closing), then, subject to certain exceptions, Parent must use the proceeds of the bridge financing to replace the privately offered notes no later than the last day of the marketing period.

Parent has agreed to use its reasonable best efforts to arrange the debt financing to fund the proposed Merger and related transactions contemplated by the Debt Commitment Letter and to cause its financing sources to fund the financing required to consummate the proposed Merger. See The Merger Financing of the Merger beginning on page 65 for a description of the financing arranged by Parent to fund the proposed Merger and related transactions.

The Company has agreed to cooperate in connection with the arrangement of the financing, including:

- participating in a reasonable number of meetings and road shows;

- assisting in preparation of offering materials and furnishing financial information reasonably requested; and

- executing financing and security documents as reasonably requested by Parent.

Parent will reimburse the Company for reasonable out-of-pocket expenses in connection with such cooperation and indemnify the Company against losses incurred in connection with the debt financing.

Closing Conditions

Conditions to the Obligations of Each Party

Each party s obligation to complete the Merger is subject to the satisfaction or waiver of the following conditions:

- the Merger Agreement must have been adopted by the affirmative vote of the holders of a majority of all outstanding shares of Common Stock;

- any applicable waiting period (and any extension thereof) under the HSR Act shall have expired or been terminated and an advance ruling certificate shall have been issued under, or the expiration period shall have expired under, the Completion Act (Canada);

- applicable bank regulatory approvals shall have been obtained and be in full force and effect, or if the applicable bank regulatory approvals have not been obtained, all consents, registrations, approvals, permits and authorizations required to be obtained prior to the Effective Time from any governmental entity in order to

effect the bank restructuring shall have been obtained and any applicable waiting periods shall have expired; and

no law or order shall have been issued by any court of competent jurisdiction or other governmental entity or other legal restraint or prohibition be in effect that prevent the consummation of the Merger.

Conditions to Parent s and Merger Sub s Obligations

The obligation of Parent and Merger Sub to complete the Merger is subject to the satisfaction or waiver of the following additional conditions:

The Company s representations and warranties with respect to capitalization and authority must be true and correct in all material respects as of the closing of the Merger as if made at and as of the closing (except that representations and warranties made by the Company as of a particular date need only be true and correct in all material respects as of such date);

all other representations and warranties made by the Company in the Merger Agreement must be true and correct in all respects as of the closing of the Merger as if made at and as of the closing (except that representations and warranties made by the Company as of a particular date need only be true and correct as of such date) without giving effect to any exception in such representations and warranties relating to materiality or to a material adverse effect, except for such failures to be true and correct which, individually or in the aggregate, would not reasonably be expected to have a material adverse effect on the Company;

the Company shall have performed or complied in all material respects with the agreements and covenants, required to perform by it under the Merger Agreement at or prior to the closing date; and

the Company must deliver to Parent at closing a certificate confirming the Company s satisfaction of the foregoing conditions relating to the Company s obligations, representations, warranties, agreements and covenants.

Conditions to the Company s Obligations

The Company s obligation to complete the Merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties made by Parent and Merger Sub in the Merger Agreement must be true and correct in all material respects as of the closing as if made at and as of the closing (except that representations and warranties made by Parent and Merger Sub as of a particular date need only be true and correct as of such date), except where the failure of such representations and warranties (other than those pertaining to solvency of the surviving corporation) to be so true, individually or in the aggregate, would not reasonably be expected to prevent consummation of the Merger;

Parent and Merger Sub must have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants required to be performed by them under the Merger Agreement at or prior to the closing date; and

Parent must deliver to the Company at closing a certificate confirming Parent s and Merger Sub s satisfaction of the foregoing conditions relating to Parent s and Merger Sub s obligations, representations, warranties, agreements and covenants.

If a failure to satisfy one of these conditions to the Merger is not considered by the Company s board of directors to adversely affect the rights to the Company s stockholders, the board of directors (following the recommendation of the special committee if such committee still exists) could waive compliance with that condition. Under Delaware law,

after the Merger Agreement has been adopted by the Company s stockholders, the Merger Consideration cannot be changed and the Merger Agreement cannot be altered in a manner adverse to the stockholders without re-submitting the revisions to the stockholders for their approval.

Restrictions on Solicitations of Other Offers

The Merger Agreement provides that, from May 17, 2007 until the Effective Time or, if earlier, the termination of the Merger Agreement in accordance with its terms, the Company may not (and will cause its subsidiaries and will use reasonable best efforts to cause its representatives not to):

directly or indirectly solicit, initiate or knowingly encourage any Takeover Proposal (including by way of providing non-public information relating to the Company); or

participate in any way in any negotiations or discussions regarding, or furnish or disclose to any third party any information with respect to, any Takeover Proposal.

Notwithstanding the above restrictions, at any time prior to the approval of the Merger Agreement by the stockholders, the Company is permitted to (a) engage in discussions or negotiations with a third party with respect to a bona fide Takeover Proposal that was not solicited in violation of the Merger Agreement or (b) furnish information with respect to the Company and the Company s subsidiaries to the third party making such Takeover Proposal (and its officers, directors, employees, accountants, consultants, legal counsel, advisors, agents and other representatives) pursuant to a confidentiality agreement that contains provisions that are no less favorable in the aggregate to the Company than those contained in the confidentiality agreement entered into with Blackstone Management Partners V L.L.C. (provided all such information has previously been made available to Parent or is made available to Parent promptly (within 24 hours) after the time it is provided to such third party) if, in each case, the Company s board of directors or special committee believes in good faith:

after consultation with its financial advisors, that such Takeover Proposal constitutes, or could reasonably be expected to lead to, a Superior Proposal; and

after consultation with outside legal counsel, that failure to take such action would reasonably be expected to be inconsistent with the fiduciary duties of the members of the special committee or the board to the holders of the shares of Company common stock under applicable law.

After the date of the Merger Agreement, the Company is required to promptly (within 36 hours) notify Parent of the Company s receipt of any Takeover Proposal, to provide to Parent a copy of such Takeover Proposal made in writing or the material terms and conditions of such Takeover Proposal to the extent it is not made in writing and will keep Parent apprised of any material developments, discussions and negotiations regarding such Takeover Proposal, and upon reasonable request of Parent, to apprise Parent of the status of such Takeover Proposal. Additionally, the Company will promptly (within 24 hours) notify Parent if its determines to begin providing information or engaging in negotiations concerning a Takeover Proposal. Promptly upon determination by the Company s special committee or the board of directors that a Takeover Proposal constitutes a Superior Proposal, the Company shall deliver to Parent a written notice advising it that the special committee or the board of directors has made such determination, specifying the material terms and conditions of such Superior Proposal and the identity of the third party making such Superior Proposal.

A Takeover Proposal means any inquiry, proposal or offer relating to (a) the acquisition of 15% or more of the outstanding shares of the Company common stock and any other voting securities of the Company by any third party, (b) a merger, consolidation, business combination, reorganization, share exchange, sale of assets, recapitalization, liquidation, dissolution or similar transaction which would result in any third party acquiring assets representing 15% or more of the net revenues, net income or assets (based on the fair market value thereof) of the Company and the

Company s subsidiaries, taken as a whole (including capital stock of Company s subsidiaries), (c) any other transaction which would result in a third party acquiring assets representing 15% or more of the net revenues, net income or assets (based on the fair market value thereof) of the Company and the Company s subsidiaries, taken as a whole (including capital stock of Company s subsidiaries), immediately prior to such transaction (whether by purchase of assets, acquisition of stock of a Company s subsidiary or otherwise) or (d) any combination of the foregoing.

A Superior Proposal means a bona fide written Takeover Proposal (with all of the percentages included in the definition of Takeover Proposal increased to 50%) and not solicited in violation of the Merger

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Agreement which the Company s board of directors or special committee determines in good faith (after consultation with its financial advisors and outside legal counsel) and taking into account such factors as the Company s board of directors or special committee considers to be appropriate (a) is reasonably likely to be consummated in accordance with its terms (if accepted) and (b) if consummated, would result in a transaction more favorable to the holders of Company common stock than the transactions provided for in the Merger Agreement taking into account any revisions to the Merger Agreement, the equity commitment letter and/or the guarantee made or proposed in writing by Parent or Merger Sub prior to the time of determination.

Recommendation Withdrawal/Termination in Connection with a Superior Proposal

If at any time prior to the approval of the Merger Agreement by the Company s stockholders, the Company receives a bona fide written Takeover Proposal which the Company s board of directors or special committee concludes in good faith constitutes a Superior Proposal, the board of directors may (a) withdraw or modify in a manner adverse to Parent or Merger Sub its recommendation of the Merger (b) approve or recommend or publicly propose to approve or recommend the Superior Proposal, or (c) enter into an agreement or agreements regarding the Superior Proposal (any action described in (a) or (b) being an Adverse Recommendation Change), if the board of directors or the special committee concludes in good faith that failure to do so would reasonably be expected to be inconsistent with the fiduciary duties of the members of the special committee or the board of directors to the holders of the shares of Company common stock under applicable law.

The Company s board of directors may only take any of the actions described above if:

- the Company gives three days prior written notice to Parent of the board of directors intention to effect an Adverse Recommendation Change or terminate the Merger Agreement, which notice must include a written summary of the material terms and conditions of the Superior Proposal (including the identity of the party making the Superior Proposal) and provide a copy of the proposed transaction agreements; and

- prior to effecting such Adverse Recommendation Change and/or terminating the Merger Agreement, the Company (and its legal and financial advisors), during the three business day notice period, negotiates with Parent and Merger Sub in good faith (to the extent Parent and Merger Sub desire to so negotiate in good faith) to make such amendments or changes to the terms and conditions of the Merger Agreement, the equity commitment letter and/or the limited guarantee that would cause such Takeover Proposal to cease to constitute a Superior Proposal.

In addition, prior to entering into an agreement relating to a Superior Proposal, the Company must terminate the Merger Agreement and concurrently with such termination pay the applicable termination fee to Parent.

See The Merger Agreement Termination beginning on page 84 for a description of the termination provisions in the proposed Merger and related transactions.

Stockholders Meeting

The Company has agreed to convene and hold a stockholders meeting as promptly as reasonably practicable following clearance of the proxy statement by the SEC for purposes of considering and voting upon the adoption of the Merger Agreement by its stockholders. Unless the Merger Agreement is terminated in accordance with its terms, the Merger Agreement will be submitted to the stockholders of the Company for the purposes of obtaining the Stockholder Approval.

Anti-Takeover Statutes

Parent, the Company and their respective boards of directors (or with respect to the Company, the special committee, if appropriate) agreed to (a) take all reasonable action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to the Merger and (b) if any state takeover statute or similar statute becomes applicable to the Merger, to take all reasonable action necessary to ensure

that the transactions provided for in the Merger Agreement may be consummated as promptly as practicable on the terms contemplated by the Merger Agreement, and to otherwise minimize the effect of such statute or regulation on the Merger.

Termination

The Merger Agreement may be terminated at any time prior to the Effective Time of the Merger, by action taken or authorized by the board of directors of the terminating party or, whether before or after approval of the stockholders of the Company:

(a) by mutual written consent of Parent and the Company (upon approval of the special committee);

(b) by either Parent or the Company (and in the case of the Company, so long as it has not materially violated the no-solicitation provisions of the Merger Agreement and upon approval of the special committee) if:

stockholder approval is not obtained at the meeting of the Company s stockholders or any adjournment thereof at which the Merger Agreement has been voted upon;

the Merger is not consummated by 11:59 p.m. New York City time on April 17, 2008 (such date being the Termination Date); provided that if the marketing period has commenced on or before April 17, 2008 but has not ended on or before April 17, 2008, the Termination Date shall automatically be extended until May 17, 2008; provided that the right to terminate the Merger Agreement based upon such failure to consummate the Merger by the Termination Date is not available to any party whose breach of any provision of the Merger Agreement has been the cause of, or resulted in, the failure of the Merger to occur on or before the Termination Date; or

there is any law that makes consummation of the Merger illegal or otherwise prohibited or any order of any governmental entity having competent jurisdiction is entered enjoining the Company, Parent or Merger Sub from consummating the Merger and such order has become final and non-appealable and, prior to termination each of the parties has used its reasonable best efforts to resist, appeal, obtain consent under, resolve or lift, as applicable, the law or order and has complied in all material respects with its obligation to obtain regulatory and other approvals under the Merger Agreement, provided that the right to terminate the Merger Agreement based upon such illegality or prohibition is not available to any party whose breach of any provision of the Merger Agreement results in the imposition of any such order or the failure of such order to be resisted, resolved or lifted, as applicable;

(c) by the Company (upon approval of the special committee):

if (1) Parent or Merger Sub has breached any of its respective representations or warranties or failed to perform any of its covenants or agreements, which breach or failure (A) would cause the closing conditions not to be satisfied and (B) is incapable of being cured prior to the Termination Date or, if capable of being cured, is not cured within 30 business days of notice thereof, or (2) if all the conditions of closing set forth in the Merger Agreement are satisfied (excluding conditions that, by their terms, cannot be satisfied until the closing date of the Merger, but which would be reasonably capable of being satisfied at closing) and Parent or Merger Sub fails to effect the Merger and/or satisfy their respective obligations with respect to the payment of the Merger Consideration, including depositing with the paying agent sufficient funds to make all payments to the Company s stockholders pursuant to the Merger Agreement by 11:59 p.m. New York City time on the final day of the marketing period, provided that the Company may not terminate the Merger Agreement if, at the time of such termination, a breach of any of the Company s

representations, warranties, covenants or agreements contained in the Merger Agreement exists that would result in the closing conditions not being satisfied; or

if prior to the obtaining of the approval of the Company s stockholders (1) the Company has received a Superior Proposal, (2) the special committee or the Company s board of directors

determines in good faith that the failure to terminate the Merger Agreement would reasonably be expected to be inconsistent with the fiduciary duties of the members of the special committee or the board of directors to the holders of shares of Company common stock under applicable law, (3) the Company has complied in all material respects with the no solicitation provisions of the Merger Agreement and (4) not later than the day of such termination, the Company pays the termination fee to Parent; and

(d) by Parent:

if the Company has breached any of its representations or warranties or failed to perform any of its covenants or agreements, which breach or failure (1) would cause the closing conditions not to be satisfied and (2) is incapable of being cured prior to the Termination Date or, if capable of being cured, is not cured within 30 business days of notice thereof, provided that Parent may not terminate the Merger Agreement if, at the time of such termination, a breach of any representation, warranty, covenant or agreement of Parent or Merger Sub contained in the Merger Agreement exists that would result in closing conditions not being satisfied; or

if, prior to the obtaining of the approval of the Company s stockholders (1) the Company s board of directors has effected an Adverse Recommendation Change, (2) the Company fails to include in its proxy statement the recommendation of the board of directors that the stockholders adopt the Merger Agreement, or (3) the board of directors approves or recommends to the stockholders a Takeover Proposal or approves or recommends that its stockholders tender their shar