

WILDCARD SYSTEMS INC  
Form 424B5  
April 10, 2013  
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Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-187047

The information in this preliminary prospectus supplement is not complete and may be changed. We are not using this preliminary prospectus supplement and the accompanying prospectus to offer to sell these securities or to solicit offers to buy these securities in any place where the offer or sale is not permitted.

Subject to completion, dated April 10, 2013

Prospectus Supplement

(To Prospectus dated March 5, 2013)

## Fidelity National Information Services, Inc.

\$ % Senior Notes due 20

\$ % Senior Notes due 20

We are offering \$ aggregate principal amount of % senior notes due 20 (the 20 notes ) and \$ aggregate principal amount of % senior notes due 20 (the 20 notes and together with the 20 notes, the senior notes ). The 20 notes will mature on , 20 and the 20 notes will mature on , 20 . We will pay interest on the senior notes on and of each year, beginning on , 2013.

We may redeem the senior notes in whole or in part at any time at the redemption prices described in this prospectus supplement under the heading Description of the Senior Notes Optional Redemption. Upon the occurrence of a Change of Control Triggering Event (as defined herein), we will be required to make an offer to purchase the senior notes at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to, but excluding, the date of purchase.

The senior notes will be our unsecured senior obligations and will rank equally with all our other unsecured senior indebtedness. The senior notes will be fully and unconditionally guaranteed on an unsecured and senior basis by certain of our current and future domestic subsidiaries. The guarantees will rank equally with all other unsecured senior indebtedness of the guarantors.

The senior notes will not be listed on any securities exchange. Currently, there is no public market for the senior notes.

Investing in the senior notes involves risk. See Risk Factors beginning on page S-10 of this prospectus supplement and the risk factors incorporated by reference in this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

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|              |       | Proceeds to Us  |                       |                   |
|--------------|-------|-----------------|-----------------------|-------------------|
|              |       | Price to Public | Underwriting Discount | (Before Expenses) |
| Per 20       | note  | %               | %                     | %                 |
| Total for 20 | notes | \$              | \$                    | \$                |
| Per 20       | note  | %               | %                     | %                 |
| Total for 20 | notes | \$              | \$                    | \$                |
| <b>Total</b> |       | <b>\$</b>       | <b>\$</b>             | <b>\$</b>         |

(1) Plus accrued interest, if any, from \_\_\_\_\_, 2013, if settlement occurs after that date.

The underwriters expect to deliver the senior notes on or about \_\_\_\_\_, 2013 through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking société anonyme and Euroclear Bank, S.A./N.V., as operator of the Euroclear system.

*Joint Book-Running Managers*

**Barclays**

**Credit Agricole CIB**

April , 2013

**BofA Merrill Lynch**

**RBS**

**SunTrust Robinson Humphrey**

**J.P. Morgan**

**US Bancorp**

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering. We have not, and the underwriters have not, authorized anyone else to provide you with additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information provided by this prospectus supplement, the accompanying prospectus, the documents incorporated by reference and any free writing prospectus that we have authorized for use in connection with this offering is accurate only as of the date on the front cover of the respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. You should also read and consider the information in the documents we have referred you to in the section of this prospectus supplement entitled "Where You Can Find More Information."

The distribution of this prospectus supplement and the accompanying prospectus and the offering or sale of the senior notes in some jurisdictions may be restricted by law. Persons outside of the United States who come into possession of this prospectus supplement and the accompanying prospectus are required by us and the underwriters to inform themselves about and to observe any applicable restrictions. This prospectus supplement and the accompanying prospectus may not be used for or in connection with an offer or solicitation by any person in any jurisdiction in which that offer or solicitation is not authorized or to any person to whom it is unlawful to make that offer or solicitation. See "Underwriting" in this prospectus supplement.

## **About this prospectus supplement**

The terms "FIS," "we," "us," and "our" refer to Fidelity National Information Services, Inc. and its subsidiaries.

This prospectus supplement relates to a prospectus which is part of a registration statement that we have filed with the Securities and Exchange Commission (the "SEC") using a "shelf" registration process. Under this shelf registration process, we may sell the securities described in the accompanying prospectus from time to time. The accompanying prospectus provides you with a general description of the securities we may offer. This prospectus supplement contains specific information about the terms of this offering. This prospectus supplement may add, update or change information contained in the accompanying prospectus. Please carefully read both this prospectus supplement and the accompanying prospectus in addition to the information described in the section of this prospectus supplement entitled "Where You Can Find More Information."

The registration statement that contains the accompanying prospectus (including the exhibits filed with and incorporated by reference in the registration statement) contains additional information about us and the senior notes offered under this prospectus supplement. That registration statement can be read at the SEC's website or at the SEC's Public Reference Room mentioned under the section of this prospectus supplement entitled "Where You Can Find More Information."

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## **Forward-looking statements**

The statements contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ) including statements regarding our expectations, hopes, intentions, or strategies regarding the future. These statements relate to, among other things, our future financial and operating results. In many cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, potential, or continue. These terms, and other comparable terminology. Actual results could differ materially from those anticipated in these statements as a result of a number of factors, including, but not limited to:

changes in general economic, business and political conditions, including the possibility of intensified international hostilities, acts of terrorism, and changes in either or both the United States and international lending, capital and financial markets;

the effect of legislative initiatives or proposals, statutory changes, governmental or other applicable regulations and/or changes in industry requirements, including privacy regulations;

the risks of reduction in revenue from the elimination of existing and potential customers due to consolidation in or new laws or regulations affecting the banking, retail and financial services industries or due to financial failures or other setbacks suffered by firms in those industries;

changes in the growth rates of the markets for core processing, card issuer, and transaction processing services;

failures to adapt our services and products to changes in technology or in the marketplace; internal or external security breaches of our systems, including those relating to the theft of personal information and computer viruses affecting our software or platforms, and the reactions of customers, card associations and others to any such events;

the reaction of our current and potential customers to the regulatory letter we received about information security, risk management and internal audit following the security breach we experienced in early 2011 and to any other communications about such topics from our regulators or from us;

competitive pressures on product pricing and services including the ability to attract new, or retain existing, customers;

an operational or natural disaster at one of our major operations centers; and

other risks detailed elsewhere in this document and in our other filings with the Securities and Exchange Commission.

Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition, results of operations and prospects. Accordingly, readers should not place undue reliance on these forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to

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predict. We assume no obligation to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You should carefully consider the possibility that actual results may differ materially from forward-looking statements contained in or incorporated into this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering.

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## Summary

*The following summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this prospectus supplement or the accompanying prospectus. Because this is a summary, it may not contain all of the information that is important to you. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the information incorporated by reference, before making an investment decision.*

### **Fidelity National Information Services, Inc.**

We are a leading global provider of banking and payments technologies. With a long history deeply rooted in the financial services sector, we serve more than 14,000 institutions in over 100 countries. Headquartered in Jacksonville, Florida, we employ more than 35,000 people worldwide and hold leadership positions in payment processing and banking solutions, providing software, services and outsourcing of the technology that drives financial institutions. We topped the 2012 and 2011 annual FinTech 100 list and are a member of the Fortune 500 U.S. and of Standard and Poor's (S&P) 500 Index.

Our growth has been driven organically as well as through acquisitions, which have contributed critical applications that are complementary to or enhance existing offerings, including core banking solutions, outsourcing solutions for community banks, credit unions, and other financial institutions, item processing services, card issuer services, risk management solutions, electronic funds transfer (EFT) services, and prepaid/gift card processing, including solutions for domestic companies, global organizations and for those domiciled outside of North America. These strategic acquisitions have enabled us to quickly broaden our available solution offerings, scale our operations, expand our customer base and strengthen our competitive position.

### ***Operating segments***

We report the results of our operations in four reporting segments: (1) Financial Solutions Group (FSG); (2) Payment Solutions Group (PSG); (3) International Solutions Group (ISG); and (4) Corporate and Other.

*Financial solutions group* The focus of FSG is to provide the most comprehensive software and services for the core processing, customer channel, treasury services, cash management, wealth management and capital market operations of our financial institution customers in North America. We service the core and related ancillary processing needs of North American banks, credit unions, automotive financial companies, commercial lenders, and independent community and savings institutions. We offer a broad selection of in-house and outsourced solutions to banking customers that span the range of asset sizes. FSG customers are typically committed under multi-year contracts that provide a stable, recurring revenue base and opportunities for cross-selling additional financial and payments offerings.

We employ several business models to provide our solutions to our customers. We typically deliver the highest value to our customers when we combine our software applications and deliver them in one of several types of outsourcing arrangements, such as an application service provider, facilities management processing or an application management arrangement. We are also able to deliver individual applications through a software licensing



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arrangement. Based upon our expertise gained through the foregoing arrangements, some clients also retain us to manage their IT operations without using any of our proprietary software.

*Payment solutions group* PSG provides a comprehensive set of software and services for the EFT, card processing, item processing, bill payment, and government payments processing needs of our customers in North America. PSG is focused on servicing the payment and EFT needs of North American headquartered banks and credit unions, commercial lenders, independent community and savings institutions and government institutions. PSG customers typically commit to multi-year contracts that provide recurring revenues based on underlying payment transaction volumes.

*International solutions group* ISG provides local services to our customers in more than 100 countries around the world. The services delivered by us in these locations provide many of the same financial and payments solutions we offer in North America. We provide core banking applications, channel solutions, card and merchant services, item processing and check risk management solutions to financial institutions, card issuers and retailers.

*Corporate and other* The Corporate and Other segment consists of the corporate overhead costs that are not allocated to operating segments. These include costs related to human resources, legal, risk, information security, finance and accounting and domestic sales and marketing, amortization of acquisition-related intangibles and other costs that are not considered when management evaluates operating segment performance.

Our customers include North American banks, credit unions, commercial lenders, independent community and savings institutions, automotive financial companies and government institutions, as well as international (i.e., non-North American) banks and other financial institutions. Of our revenues in 2012, 29% was from large North American financial institutions (those with greater than \$10 billion in assets), 39% was from North American financial institutions with less than \$10 billion in assets, 20% was from our International Solutions Group and the remaining 12% was principally from non-financial institutions in North America. We believe that the international and large North American financial institutions will increase their spending on the types of services we offer at a faster rate in the future than most of the other markets we serve.

### ***Competitive strengths***

We believe that our competitive strengths include the following:

*Global reach and distribution* Our worldwide presence, multidimensional solution offerings, customer breadth and employee depth enable us to leverage our client relationships and global scale to drive revenue growth and operating efficiency. We are a leader in the markets we serve with a sizable and diverse customer base, supported by a large, knowledgeable talent pool of employees around the world.

*Market coverage* We have comprehensive solutions serving a broad array of customers, including domestic and international financial institutions of all sizes, as well as non-financial institutions.

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*Extensive domain expertise and portfolio depth* We have a significant number and wide range of high quality software applications and services that have been developed over many years with substantial input from our customers to provide them with comprehensive business solutions. In addition, we are able to use the modular nature of our software applications and our ability to integrate many of our services with the services of others to provide customized solutions that respond to individualized customer needs. We also offer a wide range of flexible service arrangements for the deployment and support of our software, from traditional license and maintenance fee approaches to managed processing arrangements, either at the customer's site or at one of our locations. We understand the needs of our customers and have developed innovative services that can give them a competitive advantage and reduce their operating costs.

*Excellent relationship with customers* A significant percentage of our business with our customers relates to core processing applications and services, and the nature of this relationship allows us to develop close partnerships with these customers. As the breadth of our service offerings expands, we have found that our access to key customer personnel increases, presenting greater opportunities for cross-selling.

### ***Strategy***

Our mission is to achieve sustainable revenue and earnings growth through providing superior solutions to our customers. Our strategy to achieve this has been and will continue to be built on the following pillars:

*Expand client relationships* The overall market we serve continues to gravitate beyond single-product purchases to multi-solution partnerships. As the market dynamics shift, we expect our clients to rely more on our multidimensional service offerings. Our solutions and processing expertise can drive meaningful value and cost savings to our clients through more efficient operating processes, improved service quality and speed for our clients' customers.

*Buy, build or partner to add solutions to cross-sell* We continue to invest in growth through internal product development, as well as through product-focused or market-centric acquisitions that complement and extend our existing capabilities and provide us with additional solutions to cross-sell. We also partner from time to time with other entities to provide comprehensive offerings to our customers. By investing in solution innovation and integration, we continue to expand our value proposition to clients.

*Support our clients through market transformation* The changing market dynamics are transforming the way our clients operate, which is driving incremental demand for our solutions, consulting expertise, and services around intellectual property. Our depth of services capabilities enables us to become involved earlier in the planning and design process to assist our clients as they manage through these changes.

*Continually improve to drive margin expansion* We strive to optimize our performance through investments in infrastructure enhancements and other measures that are designed to drive organic revenue growth and margin expansion.

*Build global diversification* We continue to deploy resources in emerging global markets where we expect to achieve meaningful scale.

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***Recent developments***

On March 13, 2013, we completed our acquisition of the remaining shares of mFoundry, Inc. ( mFoundry ), a leading provider of mobile banking and payment solutions for financial institutions and retailers, for a purchase price of approximately \$115 million, net of cash acquired. We previously held a minority interest in mFoundry. Owning underlying technology that enables mobile commerce will significantly enhance our strategic positioning as the mobile channel continues to expand, and will enable us to leverage our capabilities over a broader customer base.

In connection with our ongoing liquidity and capital resource management program, we are currently exploring an amendment and restatement of our senior credit facilities to loosen restrictive covenants and increase revolver capacity. We expect there will be no material increase in our net total leverage as a result of any such amendment. There can be no assurance that any such amendment and restatement of our senior credit facilities will be consummated.

***Corporate information***

Fidelity National Information Services, Inc. is a Georgia corporation. Our executive offices are located at 601 Riverside Avenue, Jacksonville, Florida 32204, and our telephone number at that location is (904) 438-6000. Our website address is [www.fisglobal.com](http://www.fisglobal.com). The contents of our website are not incorporated into this prospectus supplement or the accompanying prospectus.

**Table of Contents****The offering**

The summary below describes the principal terms of the senior notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Senior Notes section of this prospectus supplement contains a more detailed description of the terms and conditions of the senior notes.

|                               |  |
|-------------------------------|--|
| <b>Issuer</b>                 | Fidelity National Information Services, Inc.   |
| <b>Securities Offered</b>     | \$ aggregate principal amount of % Senior Notes due 20 (the 20 notes ) and \$ aggregate principal amount of % Senior Notes due 20 (the 20 notes and together with the 20 notes, the senior notes ).  |
| <b>Issue Price</b>            | % plus accrued interest, if any, from , 2013.  |
| <b>Maturity Date</b>          | 20 notes: , 20 .<br>20 notes: , 20 .   |
| <b>Interest Rate</b>          | The 20 notes will bear interest from , 2013, or from the most recent interest payment date to which interest has been paid, at the rate of % per annum.<br>The 20 notes will bear interest from , 2013, or from the most recent interest payment date to which interest has been paid, at the rate of % per annum.   |
| <b>Interest Payment Dates</b> | and of each year, beginning on , 2013.   |
| <b>Guarantors</b>             | The senior notes will be fully and unconditionally guaranteed on a senior unsecured basis by each of our domestic subsidiaries that is a guarantor under our amended senior credit facilities.   |
| <b>Ranking</b>                | The senior notes will be our general unsecured obligations and will (1) rank equally in right of payment with all of our existing and future senior debt, (2) be effectively junior to all of our existing and future secured debt to the extent of the value of the assets securing that secured debt, (3) be effectively junior to all of our non-guarantor subsidiaries existing and future debt and liabilities and (4) rank senior in right of payment to all of our future debt, if any, that is by its terms expressly subordinated to the senior notes. Each note guarantee is and will be a general unsecured obligation of each guarantor and will (1) rank equally in right of payment with all existing and future senior debt of such guarantor, (2) be effectively junior to all of such guarantor s existing and future secured debt to the extent of the value of the assets securing that secured debt and (3) rank senior in right of payment to all existing and future debt of such guarantor, if any, that is by its terms expressly subordinated to such guarantor s note guarantee. |

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|                          |  |
|--------------------------|--|
| <b>Use of Proceeds</b>   | <p>We expect the net proceeds from this offering to be approximately \$            million after deducting the underwriting discounts and commissions and our estimated offering expenses, as described in Underwriting. We intend to use the net proceeds from this offering to fund the purchase, through a call for redemption, of up to \$750 million aggregate principal amount of our 7.625% senior notes due 2017, to pay fees and expenses related to this offering, and for general corporate purposes, which may include the repayment of other existing indebtedness.</p>   |
| <b>Redemption</b>        | <p>The senior notes will be redeemable at our option in whole or in part, at any time and from time to time, at a redemption price equal to the greater of 100% of the principal amount to be redeemed and a make-whole amount calculated as described in this prospectus supplement, in each case plus accrued and unpaid interest to, but excluding, the date of redemption; provided no make-whole amount will be paid for redemptions on the 20            notes during the three months prior to their maturity.</p>  |
| <b>Change of Control</b> |  |
| <b>Triggering Event</b>  | <p>Upon the occurrence of a Change of Control Triggering Event (as defined below), we must offer to purchase the senior notes at 101% of their principal amount, plus accrued and unpaid interest, if any, but excluding the date of the purchase. For more details, see the section Description of the Senior Notes Purchase of Senior Notes Upon a Change of Control Triggering Event.</p>   |
| <b>Covenants</b>         | <p>We will issue the senior notes under an indenture with The Bank of New York Mellon Trust Company, N.A., as trustee. The indenture includes certain covenants, including limitation on our ability to:</p> <ul style="list-style-type: none"><li>create liens on certain of our assets;</li><li>enter into sale and lease-back transactions with respect to properties; and</li><li>merge or consolidate with another entity.</li></ul> <p>These covenants are subject to a number of important exceptions, limitations and qualifications that are described under Description of the Senior Notes Restrictive Covenants.</p> |
| <b>Listing</b>           | <p>The senior notes are new issues of securities with no established trading market. The senior notes are not, and are not expected to be, listed on any national securities exchange or included in any automated dealer quotation system.</p>  |
| <b>Further Issuances</b> | <p>We may create and issue additional senior notes of either series ranking equally and ratably with the applicable series of senior notes offered by this prospectus supplement in all respects, so that such additional senior notes will be consolidated and form a single series with the applicable series of senior notes offered by this prospectus supplement.</p>   |



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The summary of historical consolidated financial and other data as of and for the periods presented below was derived from our audited consolidated financial statements. The information set forth below should be read in conjunction with the consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K filed for the year ended December 31, 2012 (the 2012 Form 10-K) and incorporated by reference into this prospectus supplement and the accompanying prospectus.

| (in millions, except ratios)                                | 2012       | Year ended December 31, |            |
|---|------------|-------------------------|------------|
|   |            | 2011                    | 2010       |
| <b>Statement of earnings data:</b>                          |            |                         |            |
| Processing and services revenues                            | \$ 5,807.6 | \$ 5,625.6              | \$ 5,145.6 |
| Cost of revenues  | 3,946.9    | 3,919.1                 | 3,553.7    |
| Gross profit  | 1,860.7    | 1,706.5                 | 1,591.9    |
| Selling, general and administrative expenses                | 781.5      | 647.9                   | 654.0      |
| Impairment charges  |            | 9.1                     | 154.9      |
| Operating income  | 1,079.2    | 1,049.5                 | 783.0      |
| Other income (expense)                                      | (248.0)    | (322.5)                 | (184.9)    |
| Earnings from continuing operations before income taxes     | 831.2      | 727.0                   | 598.1      |
| Provision for income taxes                                  | 270.9      | 232.4                   | 208.4      |
| Earnings from continuing operations, net of tax             | 560.3      | 494.6                   | 389.7      |
| Loss from discontinued operations, net of tax(1)            | (79.2)     | (13.5)                  | (31.8)     |
| Net earnings  | 481.1      | 481.1                   | 357.9      |
| Net (earnings) loss attributable to noncontrolling interest | (19.9)     | (11.5)                  | 46.6       |
| Net earnings attributable to FIS                            | \$ 461.2   | \$ 469.6                | \$ 404.5   |
| <b>Other financial data (unaudited):</b>                    |            |                         |            |
| Ratio of earnings to fixed charges(2)                       | 4.0x       | 3.2x                    | 3.6x       |

(1) Discontinued operations include the results of operations of our Healthcare Benefit Solutions business, the Brazil item processing and remittance services and of ClearPar, LLC through each date of disposition.

(2) In calculating the ratio of earnings to fixed charges, earnings are the sum of earnings from continuing operations before income taxes and equity in earnings (losses) of unconsolidated entities plus fixed charges and amortization of capitalized interest, less interest capitalized. Fixed charges include interest expense, capitalized interest and amortization of debt issue costs, as well as the imputed interest component of rental expense.

| (in millions)              | As of December 31, |          |
|----------------------------|--------------------|----------|
|                            | 2012               | 2011     |
| <b>Balance sheet data:</b> |                    |          |
| Cash and cash equivalents  | \$ 517.6           | \$ 415.5 |
| Goodwill                   | 8,381.5            | 8,542.8  |

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|                                |          |          |
|--------------------------------|----------|----------|
| Other intangible assets, net   | 1,576.2  | 1,903.3  |
| Total assets                   | 13,549.7 | 13,873.2 |
| Total long-term debt           | 4,385.5  | 4,809.8  |
| Total FIS stockholders' equity | 6,640.9  | 6,503.0  |
| Noncontrolling interest        | 152.7    | 148.2    |
| Total equity                   | 6,793.6  | 6,651.2  |

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Generally accepted accounting principles ( GAAP ) is the term used to refer to the standard framework of guidelines for financial accounting. GAAP includes the standards, conventions, and rules accountants follow in recording and summarizing transactions, and in the preparation of financial statements. Set forth below is information about our Non-GAAP Operating Income and Adjusted EBITDA, which are Non-GAAP financial measures. In addition to reporting financial results in accordance with GAAP, we have provided these non-GAAP financial measures because they are among the measures our management considers in evaluating our performance and because we believe they are useful to help investors better understand our performance, competitive position and prospects for the future.

Non-GAAP Operating Income excludes purchase price amortization and certain other costs. Non-GAAP Operating Income for 2012 excludes charges for payments and accelerated vesting of stock option and restricted stock grants associated with the departure or change in role of certain of our executives. Non-GAAP Operating Income for 2011 excludes a net benefit related to adjustments from the acquisition of The Capital Markets Company NV ( Capco ). In addition to the adjustments to Non-GAAP Operating Income, Adjusted EBITDA excludes depreciation and amortization. These non-GAAP financial measures should be considered in addition to, but not as a substitute for or superior to, operating income, net income, operating cash flow and other measures prepared in accordance with GAAP. Further, our non-GAAP measures may be calculated differently from similarly titled measures of other companies.

We provide a reconciliation of Non-GAAP Operating Income and Adjusted EBITDA to our net earnings, which, in each case, is the most directly comparable GAAP financial measure.

| (in millions)                                      | Year Ended December 31,<br>2012                      2011<br>(unaudited) |            |
|--|--|------------|
| Net Earnings                                       | \$ 481.1   | \$ 481.1   |
| Add: Loss from discontinued operations, net of tax | 79.2   | 13.5       |
| Provision for income taxes                         | 270.9  | 232.4      |
| Total other expense                                | 248.0  | 322.5      |
| Operating income                                   | 1,079.2  | 1,049.5    |
| Stock and other compensation charges(1)            | 43.2   |            |
| Capco adjustment(2)                                |  | (13.2)     |
| Purchase price amortization(3)                     | 241.3  | 242.6      |
| Non-GAAP operating income                          | 1,363.7  | 1,278.9    |
| Depreciation and amortization, as adjusted(4)      | 381.5  | 378.3      |
| Adjusted EBITDA                                    | \$ 1,745.2   | \$ 1,657.2 |

(1) Represents charges for payments and accelerated vesting of stock option and restricted stock grants triggered by changes in responsibility or separation of certain of our executives.

(2) Represents a reduction in the liability established at the acquisition of Capco for contingent consideration, net of an impairment charge of \$9.1 million reducing the value of the Capco trademark in North America. The Capco purchase price included future contingent consideration which was valued at \$113.7 million as of December 31, 2010 based on expected operating performance in 2013 through 2015 and was subsequently reduced by \$22.3 million to \$97.2 million as of December 31, 2011.

(3) Represents purchase price amortization expense on intangible assets acquired through various acquisitions.

- (4) Excludes depreciation and amortization included in other adjustments listed above.

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## Risk factors

*Investment in the senior notes offered hereby will involve certain risks. You should read the risk factors set forth below, as well as those set forth in our 2012 Form 10-K, which are incorporated by reference in this prospectus supplement and the accompanying prospectus, as modified and supplemented in documents subsequently filed by us with the SEC and incorporated by reference in this prospectus supplement and the accompanying prospectus. In consultation with your own financial and legal advisors, you should carefully consider the information included in this prospectus supplement and the accompanying prospectus, together with the other information they incorporate by reference, before deciding whether an investment in the senior notes offered hereby is suitable for you.*

### **The covenants relating to the senior notes, our existing notes and our senior credit facilities are limited and do not prohibit us from incurring additional debt or taking other actions that could negatively impact holders of the senior notes.**

We may be able to incur substantially more debt in the future. The indenture governing the senior notes will not limit, and the indentures governing our existing notes do not currently limit, us or any of our subsidiaries from incurring debt or additional liabilities. Under certain circumstances, such debt may be secured without any requirement to also secure our obligations under the senior notes. Although the agreements governing our senior credit facilities contain restrictions on our incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and under certain circumstances, indebtedness incurred in compliance with these restrictions could be substantial. Also, these restrictions do not prevent us from incurring obligations that do not constitute debt under the terms thereof. As of December 31, 2012, on a pro forma basis for the repayment of our Term Loan A-2 with our revolving loan which occurred in January 2013, we had approximately \$772.9 million of borrowing capacity available under our existing senior credit facilities. To the extent new debt is added to our current levels, the ratings of and our ability to pay our obligations under the senior notes could be adversely affected.

### **There are no financial covenants in the indenture.**

There are no financial covenants in the indenture. You are not protected under the indenture in the event of a highly leveraged transaction, reorganization, change of control, restructuring, merger or similar transaction that may adversely affect you, except to the limited extent described in this prospectus supplement under **Description of the Senior Notes Purchase of Senior Notes Upon a Change of Control Triggering Event** and **Restrictive Covenants Consolidation, Merger, Sale of Assets or Other Transactions**. In addition, the limitation on liens and limitation on sale and lease-back transactions covenants with respect to principal facilities contain exceptions that will allow us to create, grant or incur liens or security interests or enter into sale and lease-back transactions with respect to our facilities in a number of circumstances.

### **Our holding company structure may impact your ability to receive payment on the senior notes.**

We are a holding company with no significant operations or material assets other than the capital stock of our subsidiaries. As a result, our ability to repay our indebtedness, including the

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senior notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, distribution, loan, debt repayment or otherwise. Unless they are guarantors of the senior notes, our subsidiaries do not have any obligation to pay amounts due on the senior notes or to make funds available for that purpose. In addition, our subsidiaries may not be able to, or be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the senior notes. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. Further, while the guarantors will unconditionally guarantee the senior notes, such guarantees could be rendered unenforceable for the reasons described below in **A court could void our subsidiaries' guarantees of the senior notes under fraudulent transfer laws.**

### **Effective subordination of the senior notes and the guarantees to indebtedness of our existing and future non-guarantor subsidiaries and to the claims of secured creditors may reduce amounts available for payment of the senior notes and the guarantees.**

The senior notes and the related guarantees will be effectively subordinated to the unsecured indebtedness and other liabilities of our subsidiaries that are not guarantors and of those guarantors whose guarantees of the senior notes are released or terminated. Except to the extent that we or a guarantor is a creditor with recognized claims against our other subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of our other subsidiaries will have priority with respect to the assets of such subsidiaries over our and the guarantors' claims (and therefore the claims of our creditors, including holders of the senior notes). As of December 31, 2012, our subsidiaries (other than the guarantors) had approximately \$666.5 million of liabilities (including \$63.3 million of deferred revenue) plus \$120.8 million in intercompany liabilities that were owed to us or the guarantors. Further, other than to the extent contemplated under **Description of the Senior Notes Restrictive Covenants Limitation on Liens**, the senior notes will not be secured by any of our or our subsidiaries' assets, and as a result, will be effectively subordinated to any secured debt that we or any of the guarantors may now have or may incur in the future, to the extent of the value of the assets securing such debt.

### **A court could void our subsidiaries' guarantees of the senior notes under fraudulent transfer laws.**

Although the guarantees provide you with a direct claim against the assets of the subsidiary guarantors, under the federal bankruptcy laws and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims with respect to a guarantee could be subordinated to all other debts of that guarantor. In addition, a bankruptcy court could void (*i.e.*, cancel) any payments by that guarantor pursuant to its guarantee and require those payments to be returned to the guarantor or to a fund for the benefit of the other creditors of the guarantor. Each guarantee will contain a provision intended to limit the guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law, or may eliminate the guarantor's obligations or reduce the guarantor's obligations to an amount that effectively makes the guarantee worthless.

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The bankruptcy court might take these actions if it found, among other things, that when a subsidiary guarantor executed its guarantee (or, in some jurisdictions, when it became obligated to make payments under its guarantee):

such subsidiary guarantor received less than reasonably equivalent value or fair consideration for the incurrence of its guarantee; and

such subsidiary guarantor:

was insolvent, or was rendered insolvent, by the incurrence of the guarantee;

was engaged or about to engage in a business or transaction for which its assets constituted unreasonably small capital to carry on its business;

intended to incur, or believed that it would incur, obligations beyond its ability to pay as those obligations matured; or

was a defendant in an action for money damages, or had a judgment for money damages docketed against it and, in either case, after final judgment, the judgment was unsatisfied.

A bankruptcy court would likely find that a subsidiary guarantor received less than fair consideration or reasonably equivalent value for its guarantee to the extent that it did not receive direct or indirect benefit from the issuance of the senior notes. A bankruptcy court could also void a guarantee if it found that the subsidiary issued its guarantee with actual intent to hinder, delay or defraud creditors.

Although courts in different jurisdictions measure solvency differently, in general, an entity would be deemed insolvent if the sum of its debts, including contingent and unliquidated debts, exceeds the fair value of its assets, or if the present fair salable value of its assets is less than the amount that would be required to pay the expected liability on its debts, including contingent and unliquidated debts, as they become due.

If a court voided a guarantee, it could require that noteholders return any amounts previously paid under such guarantee. If any guarantee were voided, noteholders would retain their rights against us and any other subsidiary guarantors, although there is no assurance that those entities assets would be sufficient to pay the senior notes in full.

### **The guarantees will be released under certain circumstances.**

On the issue date, the senior notes will be guaranteed by each of our subsidiaries that is a borrower under or is a guarantor of obligations under our existing senior credit facilities. Upon the occurrence of certain events, including if the obligations of any guarantor as a borrower and guarantor under such credit agreements terminate or are released, such guarantor's guarantee of the senior notes will also be released. See

Description of the Senior Notes Guarantees. In such event, the risks applicable to the senior notes with respect to our subsidiaries that are not guarantors upon consummation of the offering will also be applicable with respect to such guarantor.

### **Our foreign subsidiaries may become borrowers under our existing senior credit facilities without guaranteeing the senior notes.**

Under the terms of our existing senior credit facilities, we may designate foreign subsidiaries as borrowers, and such foreign subsidiaries would not be required to guarantee the senior notes. As

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of the time of this offering, each of our subsidiaries that is a borrower or a guarantor under our existing credit agreement is a domestic subsidiary, and will be a guarantor guaranteeing the senior notes. However, if a foreign subsidiary is designated as a borrower under our credit agreement and borrows under the credit agreement, the senior notes and the guarantees will be effectively subordinated to the claims of the lenders under the credit agreement with respect to such borrowings and with respect to the assets of such foreign subsidiary.

### **The credit ratings assigned to the senior notes may not reflect all risks of an investment in the senior notes.**

We expect that the senior notes will be rated by at least three nationally recognized statistical rating organizations. These credit ratings are limited in scope, and do not address all material risks relating to an investment in the senior notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the applicable rating agencies if, in such rating agency's judgment, circumstances so warrant. Agency credit ratings are not a recommendation to buy, sell or hold any security. Each agency's rating should be evaluated independently of any other agency's rating. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

### **We may not be able to repurchase the notes upon a Change of Control Triggering Event.**

We may not be able to repurchase the senior notes upon a Change of Control Triggering Event because we may not have sufficient funds. Upon a Change of Control Triggering Event, holders of the notes may require us to make an offer to purchase the senior notes for cash at a purchase price equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest. Our failure to purchase such tendered senior notes upon the occurrence of such Change of Control Triggering Event would result in an Event of Default under the indenture governing the senior notes and a cross-default under the agreements governing certain of our other indebtedness which may result in the acceleration of such indebtedness requiring us to repay that indebtedness immediately. If such a Change of Control Triggering Event were to occur, we may not have sufficient funds to repay any such accelerated indebtedness. In addition, you may not be able to require us to repurchase the senior notes under the change of control provisions in the indenture in the event of certain important corporate events, such as a leveraged recapitalization (which would increase the level of our indebtedness, potentially resulting in a downgrade of our credit ratings, thereby negatively affecting the value of the senior notes), reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a Change of Control Triggering Event under the indenture. Such a transaction may not involve a change in voting power or beneficial ownership or, even if it does, may not involve a change that constitutes a Change of Control Triggering Event that would trigger our obligation to purchase the senior notes. Therefore, if an event occurs that does not constitute a Change of Control Triggering Event, we will not be required to make an offer to purchase the senior notes and you may be required to continue to hold your senior notes despite the event. See Description of the Senior Notes Purchase of Senior Notes Upon a Change of Control Triggering Event.

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**An active after-market for the senior notes may not develop.**

The senior notes constitute a new issue of securities, for which there is no established trading market. We cannot assure you that an active after-market for the senior notes will develop or be sustained or that holders of the senior notes will be able to sell their notes at favorable prices or at all. Although the underwriters have indicated to us that they intend to make a market in the senior notes, as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue any such market-making at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the senior notes. The senior notes are not listed and we do not plan to apply to list the senior notes on any securities exchange or to include them in any automated dealer quotation system.

**If a trading market does develop, changes in our credit ratings or the debt markets could adversely affect the market price of the senior notes.**

The market price for the senior notes depends on many factors, including:

- our credit ratings with major credit rating agencies;
- the prevailing interest rates being paid by other companies similar to us;
- our financial condition, financial performance and future prospects; and
- the overall condition of the financial markets.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Such fluctuations could have an adverse effect on the price of the senior notes.

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## **Use of proceeds**

We expect the net proceeds from this offering to be approximately \$ \_\_\_\_\_ million after deducting the underwriting discounts and commissions and our estimated offering expenses, as described in Underwriting. We intend to use the net proceeds from this offering to fund the purchase, through a call for redemption, of up to \$750 million aggregate principal amount of our 7.625% senior notes due 2017, to pay fees and expenses related to this offering, and for general corporate purposes, which may include the repayment of other existing indebtedness. Pending application of the net proceeds as described above, we expect to deposit the net proceeds of this offering in interest or non-interest bearing accounts or invest them in certificates of deposit, United States government obligations or other short-term, high-quality debt instruments or funds selected at our discretion.

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Table of Contents**Capitalization**

The following table sets forth our consolidated cash and cash equivalents and capitalization as of December 31, 2012 on an actual basis and on an as adjusted basis to give effect to this offering and the application of the net proceeds from this offering in the manner described in Use of Proceeds. The information presented below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes incorporated by reference into this prospectus supplement and the accompanying prospectus.

| (in millions)  | As of December 31, 2012 |              |
|--|-------------------------|--------------|
|  | Actual                  | As adjusted  |
| Cash and cash equivalents  | \$ 517.6                | \$           |
| <b>Long-term debt:</b>   |                         |              |
| Term Loan A-2(1)(2)  | \$ 250.0                | \$ 250.0     |
| Term Loan A-3(1)   | 2,021.3                 | 2,021.3      |
| Revolving loan(1)(2)   | 126.3                   | 126.3        |
| 7.625% Senior Notes due 2017   | 750.0                   |              |
| 7.875% Senior Notes due 2020   | 500.0                   | 500.0        |
| 5.000% Senior Notes due 2022   | 700.0                   | 700.0        |
| % Senior Notes due 20  |                         |              |
| % Senior Notes due 20  |                         |              |
| Other  | 37.9                    |              |
| <b>Total long-term debt</b>  | <b>\$ 4,385.5</b>       | <b>\$</b>    |
| <b>Stockholders' equity:</b>   |                         |              |
| Common stock   | 3.8                     | 3.8          |
| Additional paid-in capital   | 7,197.0                 | 7,197.0      |
| Retained earnings  | 2,105.8                 |              |
| Accumulated other comprehensive earnings                               | 30.0                    | 30.0         |
| Less: treasury stock   | (2,695.7)               | (2,695.7)    |
| <b>Total FIS stockholders' equity</b>                                  | <b>6,640.9</b>          |              |
| <b>Noncontrolling interests in equity of consolidated subsidiaries</b> | <b>152.7</b>            | <b>152.7</b> |
| <b>Total equity</b>  | <b>\$ 6,793.6</b>       | <b>\$</b>    |
| <b>Total capitalization</b>  | <b>\$ 11,179.10</b>     | <b>\$</b>    |

- (1) In connection with our ongoing liquidity and capital resource management program, we are currently exploring an amendment and restatement of our senior credit facilities to loosen restrictive covenants and increase revolver capacity. We expect there will be no material increase in our net total leverage as a result of any such amendment. There can be no assurance that any such amendment and restatement of our senior credit facilities will be consummated.
- (2) The Term Loan A-2 was repaid in full on January 11, 2013 through additional borrowings on our revolving loan. Accordingly, the amount outstanding under our revolving loan increased by \$250.0 million on such date.

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## **Description of the senior notes**

The following description of certain material terms of the senior notes offered hereby does not purport to be complete. This description supplements, and to the extent it is inconsistent therewith replaces, the description of the general terms and provisions of the debt securities set forth under "Description of Debt Securities" in the accompanying prospectus.

The 20        notes and the 20        notes will be issued as separate series of debt securities under an indenture to be dated as of       , 2013 (the "Base Indenture"), among us, the Subsidiary Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Base Indenture will be supplemented by a first supplemental indenture and a second supplemental indenture, each to be entered into concurrently with the delivery of the senior notes (such supplemental indentures, together with the base indenture, the "Indenture"). The following description is subject to, and is qualified in its entirety by reference to, the Indenture, including the definitions of certain terms contained therein and those terms made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Capitalized and other terms not otherwise defined in this prospectus supplement have the meanings given to them in the Indenture. As used in the following description, the terms "FIS," "we," "us" and "our" refer to Fidelity National Information Services, Inc. and not any of its subsidiaries, unless the context requires otherwise.

We urge you to read the Indenture (including definitions of terms used therein) because it, and not this description, defines your rights as a beneficial holder of the senior notes. For information about how to obtain copies of the Indenture from us, see "Where You Can Find More Information" in this prospectus supplement.

### **General**

The 20        notes will be initially limited to \$        aggregate principal amount and will mature on       , 20       . The 20        notes will be initially limited to \$        aggregate principal amount and will mature on       , 20       . We may from time to time, without notice to, or the consent of, the holders of the applicable series of senior notes, increase the principal amount of the senior notes of that series, on the same terms and conditions (except for the issue date, the public offering price and, in some cases, the first interest payment date) as such series of senior notes being offered hereby, provided that if such additional senior notes will not be fungible with the previously issued senior notes of the applicable series for U.S. federal income tax purposes, such additional senior notes will have a separate CUSIP number. All senior notes will be issued only in fully registered form without coupons in minimum denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof.

The senior notes will be our senior unsecured obligations and will rank equally with all of our existing and future other senior unsecured indebtedness. The senior notes will be fully and unconditionally guaranteed, on a joint and several basis, by each of our domestic wholly-owned subsidiaries that guarantees our obligations under the Credit Agreement. The senior notes will be effectively subordinated to any secured indebtedness to the extent of the assets securing such indebtedness and will be structurally subordinated to the obligations (including trade accounts payable) and preferred equity of our non-guarantor subsidiaries. At December 31, 2012, on a pro forma basis for the release of security with respect to our senior credit facilities which occurred in January 2013, we had outstanding, on a consolidated basis, approximately \$4,347.6 million of unsecured senior indebtedness and approximately \$31.1 million of secured indebtedness, and our

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non-guarantor subsidiaries had outstanding approximately \$666.5 million of liabilities (including trade accounts payable) and no preferred equity. As of December 31, 2012, our non-guarantor subsidiaries held approximately 26% of our consolidated assets. For the year ended December 31, 2012, the non-guarantor subsidiaries generated approximately 21.9% and 19.6% of our consolidated total revenues and operating income, respectively. See Risk Factors Effective subordination of the senior notes and the guarantees to indebtedness of our existing and future non-guarantor subsidiaries and to the claims of secured creditors may reduce amounts available for payment of the senior notes and the guarantees.

The Indenture does not contain any covenants or provisions that would afford the holders of the senior notes protection in the event of a highly leveraged or other transaction that is not in the best interests of senior noteholders, except to the limited extent described below under Purchase of Senior Notes upon a Change of Control Triggering Event and Restrictive Covenants.

## **Guarantees**

The senior notes will be guaranteed, on a joint and several basis, by each of our domestic wholly-owned subsidiaries that guarantees our obligations under the Credit Agreement (each, a Subsidiary Guarantor). These guarantees will be senior unsecured obligations of each Subsidiary Guarantor and will rank equal with all existing and future senior unsecured indebtedness of such Subsidiary Guarantor and senior to all subordinated indebtedness of such Subsidiary Guarantor. The guarantees will be effectively subordinated to any secured indebtedness of such Subsidiary Guarantor to the extent of the assets securing such indebtedness. The guarantees will be full and unconditional, provided that the obligations of a Subsidiary Guarantor under its applicable guarantee will be limited as necessary to prevent the guarantees from constituting a fraudulent conveyance or fraudulent transfer under federal or state law. By virtue of this limitation, a Subsidiary Guarantor's obligations under its guarantee could be significantly less than amounts payable with respect to the senior notes, or a Subsidiary Guarantor may have effectively no obligation under its guarantee. See Risk Factors A court could void our subsidiaries' guarantees of the senior notes under fraudulent transfer laws.

As of December 31, 2012, the Subsidiary Guarantors had approximately \$17.0 million of secured indebtedness, and our non-guarantor subsidiaries had approximately \$666.5 million of liabilities outstanding (including trade accounts payable) and no preferred equity. We will cause each new wholly-owned domestic subsidiary of ours that incurs any Debt under our Credit Facilities to become an additional Subsidiary Guarantor of the senior notes on the terms set forth above.

The guarantee of a Subsidiary Guarantor with respect to the senior notes will terminate and be discharged and of no further force and effect and the applicable Subsidiary Guarantor will be automatically and unconditionally released from all of its obligations thereunder:

1. concurrently with any direct or indirect sale or other disposition (including by way of consolidation, merger or otherwise) of the Subsidiary Guarantor or the sale or disposition (including by way of consolidation, merger or otherwise) of all or substantially all the assets of the Subsidiary Guarantor (other than to FIS or any of its subsidiaries);
2. at any time that such Subsidiary Guarantor is released from all of its obligations (other than contingent indemnification obligations that may survive such release) under all of its guarantees of all Debt of FIS under the Credit Facilities except a discharge by or as a result of payment under such guarantee;

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3. upon the merger or consolidation of any Subsidiary Guarantor with and into FIS or any Subsidiary Guarantor that is the surviving person in such merger or consolidation, or upon the liquidation of such Subsidiary Guarantor following or contemporaneously with the transfer of all of its assets to FIS or any Subsidiary Guarantor;
4. for the applicable series of senior notes, upon the defeasance or discharge of such series of senior notes, as provided in the Indenture, or upon satisfaction and discharge of the Indenture; or
5. for the applicable series of senior notes, upon the prior consent of the holders of such series of senior notes then outstanding.

**Principal and interest**

The 20        notes will mature on                   , 20       , unless we redeem or purchase the 20        notes prior to that date, as described below under Optional Redemption and Purchase of Senior Notes upon a Change of Control Triggering Event. Interest on the 20        notes will accrue at the rate of % per year and will be paid on the basis of a 360-day year of twelve 30-day months.

The 20        notes will mature on                   , 20       , unless we redeem or purchase the 20        notes prior to that date, as described below under Optional Redemption and Purchase of Senior Notes upon a Change of Control Triggering Event. Interest on the 20        notes will accrue at the rate of % per year and will be paid on the basis of a 360-day year of twelve 30-day months.

We will pay interest on each series of senior notes semi-annually in arrears on                    and                    of each year, beginning on                   , 2013, to the holder in whose name each such senior note is registered on the                    or                    preceding the applicable interest payment date, whether or not such day is a business day.

Amounts due on the stated maturity date or earlier redemption date of each series of senior notes will be payable at the corporate trust office of the Trustee. We may make payment of interest on an interest payment date in respect of each series of senior notes in certificated form by check mailed to the address of the person entitled to the payment as it appears in the security register or by transfer to an account maintained by the payee with a bank located in the United States, provided that the Paying Agent shall have received the relevant wire transfer information by the related record date. We will make payments of principal, premium, if any, and interest in respect of senior notes in book-entry form to DTC in immediately available funds, while disbursement of such payments to owners of beneficial interests in each series of senior notes in book-entry form will be made in accordance with the procedures of DTC and its participants in effect from time to time.

Neither we nor the Trustee will impose any service charge for any transfer or exchange of a senior note. However, we may ask you to pay any taxes or other governmental charges in connection with a transfer or exchange of senior notes.

If any interest payment date, stated maturity date or earlier redemption or purchase date falls on a day that is not a business day, we will make the required payment of principal, premium, if any, and/or interest on the next business day as if it were made on the date payment was due, and no interest will accrue on the amount so payable for the period from and after that interest

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payment date, the stated maturity date or earlier redemption or purchase date, as the case may be, to the next business day. The term "business day" means any day other than a Saturday, Sunday or other day on which banking institutions in The City of New York are authorized or obligated by law, regulation or executive order to close.

**Optional redemption**

We may, at our option, redeem either series of senior notes, in whole or in part, at any time prior to the maturity date in the case of the 20\_\_\_\_\_ notes and prior to \_\_\_\_\_, 20\_\_\_\_\_ (three months prior to the maturity date of the 20\_\_\_\_\_ notes) in the case of the 20\_\_\_\_\_ notes, at a redemption price equal to the greater of:

100% of the aggregate principal amount of any senior notes being redeemed; or

the sum of the present values of the remaining scheduled payments of principal and interest on the senior notes being redeemed, not including accrued and unpaid interest, if any, to the redemption date, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus basis points with respect to the 20\_\_\_\_\_ notes and \_\_\_\_\_ basis points with respect to the 20\_\_\_\_\_ notes, plus, in each case, accrued and unpaid interest, if any, on the senior notes being redeemed to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on any interest payment date that is on or prior to the redemption date).

On or after \_\_\_\_\_, 20\_\_\_\_\_, we may, at our option, redeem the 20\_\_\_\_\_ notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the 20\_\_\_\_\_ notes being redeemed, plus accrued and unpaid interest, if any, on the 20\_\_\_\_\_ notes being redeemed to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on any interest payment date that is on or prior to the redemption date).

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the applicable series of senior notes being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such senior notes.

Comparable Treasury Price of a Comparable Treasury Issue means, with respect to any redemption date:

the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations; or

if we obtain fewer than four Reference Treasury Dealer Quotations, the arithmetic average of such Reference Treasury Dealer Quotations; or

if we obtain only one Reference Treasury Dealer Quotation, such Reference Treasury Dealer Quotation.

Independent Investment Banker means one of the Reference Treasury Dealers or its successor selected by us or, if it is unwilling or unable to select the applicable Comparable Treasury Issue, an independent investment banking institution of national standing appointed by us.

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Reference Treasury Dealers means Barclays Capital Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or their respective successors) and one other primary U.S. government securities dealer selected by Barclays Capital Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (each, a Primary Treasury Dealer ). If any of the foregoing ceases to be a Primary Treasury Dealer, we will substitute another Primary Treasury Dealer in its place.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us (or the Independent Investment Banker), of the bid and asked prices for the Comparable Treasury Issue for the applicable series of senior notes, expressed in each case as a percentage of its principal amount, quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated H.15(519) or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption Treasury Constant Maturities, for the maturity corresponding to the applicable Comparable Treasury Issue (if no maturity is within three months before or after the maturity date of the relevant series of senior notes, yields for the two published maturities most closely corresponding to the applicable Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month), (2) if the period from the redemption date to the maturity date of the senior notes to be redeemed is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used, or (3) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity, computed as of the third business day immediately preceding the redemption date, of the applicable Comparable Treasury Issue, assuming a price for such Comparable Treasury Issue, expressed as a percentage of its principal amount, equal to the applicable Comparable Treasury Price for the redemption date.

We will give written notice of any redemption of the senior notes to holders of the senior notes to be redeemed at their addresses, as shown in the security register for the affected notes, not more than 60 nor less than 30 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the aggregate principal amount of the applicable series of senior notes to be redeemed, the redemption date and the redemption price.

If we choose to redeem less than all of the senior notes of a series, then we will notify the Trustee at least 60 days before the redemption date, or such shorter period as is satisfactory to the Trustee, of the aggregate principal amount of the senior notes to be redeemed and the redemption date. The Trustee will select, in the manner it deems fair and appropriate, the senior notes to be redeemed in part; provided, that with respect to senior notes issued in global form, beneficial interests therein shall be selected for redemption by DTC in accordance with its standard procedures. See also Book-Entry Delivery and Form below.

If we have given notice as provided in the Indenture and made funds irrevocably available for the redemption of the senior notes called for redemption on the redemption date referred to in that

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notice, then those senior notes will cease to bear interest on that redemption date and the only remaining right of the holders of those senior notes will be to receive payment of the redemption price.

The senior notes will not be subject to, or have the benefit of, a sinking fund.

### **Purchase of senior notes upon a change of control triggering event**

If a Change of Control Triggering Event occurs, with respect to a series of senior notes, holders of such senior notes will have the right to require us to purchase all or any part of their senior notes of the applicable series pursuant to the offer described below (the Change of Control Offer ) on the terms set forth in such senior notes (provided that with respect to senior notes of the applicable series submitted for purchase in part, the remaining portion of such senior notes is in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof). In the Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of the senior notes purchased plus accrued and unpaid interest, if any, on the senior notes purchased, to, but excluding, the date of purchase (the Change of Control Payment ). Within 30 days following any Change of Control Triggering Event with respect to a series of senior notes, we will be required to mail a notice to the holders of such senior notes describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to purchase such senior notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed (the Change of Control Payment Date ), pursuant to the procedures required by such senior notes and described in such notice. The notice will, if mailed prior to the date of the consummation of the Change of Control, state that the offer to purchase is conditioned on the Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date. We must comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, as amended (the Exchange Act ) and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the purchase of the senior notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the change of control provisions of the senior notes, we will be required to comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the change of control provisions of the senior notes by virtue of such conflicts. On the Change of Control Payment Date, we will be required, to the extent lawful, to:

accept for payment all senior notes or portions of senior notes of the applicable series properly tendered pursuant to the Change of Control Offer;

deposit with the paying agent an amount equal to the Change of Control Payment in respect of all senior notes or portions of senior notes of the applicable series properly tendered; and

deliver or cause to be delivered to the Trustee the senior notes of the applicable series properly accepted together with an officers certificate stating the aggregate principal amount of senior notes or portions of senior notes of the applicable series being purchased. The paying agent will promptly mail to each holder of senior notes properly tendered the purchase price for the senior notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each holder a new senior note equal in principal amount to any unpurchased portion of any senior notes surrendered; provided that each new senior note will be in a principal amount of \$2,000 and any integral multiple of \$1,000 in excess thereof.

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We will not be required to make an offer to purchase any senior notes upon a Change of Control Triggering Event if (1) a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by us, and such third party purchases all senior notes of the applicable series properly tendered and not withdrawn under its offer; or (2) prior to the occurrence of the related Change of Control Triggering Event, we have given written notice of a redemption of the senior notes of the applicable series to the holders thereof as provided under **Optional Redemption** above, unless we have failed to pay the redemption price on the redemption date.

For purposes of the foregoing discussion of a purchase at the option of holders, the following definitions are applicable:

**Below Investment Grade Rating Event** means, with respect to a series of senior notes, the rating on such senior notes is lowered by each of the Rating Agencies and such senior notes are rated below an Investment Grade Rating by each of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of the Change of Control (which 60-day period shall be extended so long as the rating of such senior notes is under publicly announced consideration for possible downgrade by any Rating Agency).

**Change of Control** means the occurrence of any of the following: (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties and assets of FIS and our subsidiaries taken as a whole to any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act) other than us or one of our subsidiaries; (2) the approval by the holders of our common stock of any plan or proposal for the liquidation or dissolution of FIS (whether or not otherwise in compliance with the provisions of the Indenture); (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person or group (as those terms are used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the then outstanding number of shares of our voting stock; (4) FIS consolidates or merges with or into any entity, pursuant to a transaction in which any of the outstanding voting stock of FIS or such other entity is converted into or exchanged for cash, securities or other property (except when voting stock of FIS constitutes, or is converted into, or exchanged for, at least a majority of the voting stock of the surviving person); or (5) the first day on which a majority of the members of our board of directors are not Continuing Directors.

**Change of Control Triggering Event** means, with respect to a series of senior notes, the occurrence of both a Change of Control and a Below Investment Grade Rating Event with respect to such series.

**Continuing Directors** means, as of any date of determination, any member of our board of directors who (1) was a member of our board of directors on the date of the issuance of the senior notes; or (2) was nominated for election or elected to our board of directors with the approval of at least a majority of the Continuing Directors who were members of our board of directors at the time of such nomination or election (either by a specific vote or by approval of our proxy statement in which such member was named as a nominee for election as a director, without objection to such nomination).

**Fitch** means Fitch Ratings, Inc.



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Investment Grade Rating means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, respectively.

Moody's means Moody's Investors Service, Inc.

Ratings Agencies means each of Fitch, Moody's and S&P, so long as such entity makes a rating of the applicable series of senior notes publicly available; provided, however, if any of Fitch, Moody's or S&P ceases to rate the applicable series of senior notes or fails to make a rating of such senior notes publicly available for reasons outside of the control of FIS, FIS shall be allowed to designate a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(e)(2)(vi)(F) under the Exchange Act (as certified by a resolution of the board of directors of FIS) as a replacement agency for the agency that ceased to make such a rating publicly available. For the avoidance of doubt, failure by FIS to pay rating agency fees to make a rating of the senior notes shall not be a reason outside of the control of FIS for the purposes of the preceding sentence.

S&P means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all of the properties and assets of us and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of senior notes to require us to purchase its senior notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties and assets of us and our subsidiaries taken as a whole to another person or group may be uncertain.

## **Restrictive covenants**

### ***Limitation on liens***

We shall not, and shall not permit any of our subsidiaries to, create or assume any mortgage, pledge, lien, charge, security interest, conditional sale or other title retention agreement or other encumbrance (lien) on any Principal Facility, or upon any stock or Debt of any of our subsidiaries, to secure Debt unless the senior notes then outstanding are, for so long as such Debt is so secured, secured by such lien equally and ratably with (or prior to) such Debt. However, this requirement does not apply to:

1. liens existing on the date of the Indenture;
2. any lien for taxes or assessments or other governmental charges or levies not overdue for more than 30 days (or which, if due and payable, are being contested in good faith and for which adequate reserves are being maintained, to the extent required by GAAP) or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on us and our subsidiaries taken as a whole;
3. any warehousemen's, materialmen's, landlord's or other similar liens arising by law for sums not overdue for more than 30 days (or which, if due and payable, are being contested in good faith and with respect to which adequate reserves are being maintained, to the extent required by GAAP) or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on us and our subsidiaries taken as a whole;

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4. survey exceptions, encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telephone lines and other similar purposes, or zoning or other similar restrictions as to the use of real properties or liens incidental to the conduct of the business of such person or to the ownership of its properties which do not individually or in the aggregate materially adversely affect the value of FIS and its subsidiaries taken as a whole or materially impair the operation of the business of FIS and its subsidiaries taken as a whole;
5. pledges or deposits (i) in connection with workers' compensation, unemployment insurance and other types of statutory obligations or the requirements of any official body; (ii) to secure the performance of tenders, bids, surety, stay, customs, appeals, or performance bonds, leases, purchase, construction, sales or servicing contracts (including utility contracts) and other similar obligations incurred in the normal course of business consistent with industry practice (including, without limitation, those to secure health, safety and environmental obligations); (iii) to obtain or secure obligations with respect to letters of credit, guarantees, bonds or other sureties or assurances given in connection with the activities described in clauses (i) and (ii) above, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or services or imposed by ERISA or the Internal Revenue Code in connection with a plan (as defined in ERISA); or (iv) arising in connection with any attachment unless such liens shall not be satisfied or discharged or stayed pending appeal within 60 days after the entry thereof or the expiration of any such stay;
6. liens on property or assets of a person existing at the time such person is acquired or merged with or into or consolidated with us or with a subsidiary, or becomes a subsidiary (and not created or incurred in anticipation of such transaction), provided that such liens are not extended to our property and assets or the property and assets of our subsidiaries, other than the property or assets acquired;
7. liens securing Debt of a subsidiary owed to and held by us or by our subsidiaries;
8. liens to secure any permitted extension, renewal, refinancing or refunding (or successive extensions, renewals, refinancings or refundings), in whole or in part, of any Debt secured by liens referred to in clauses (1), (6), (10) and (11) hereof; provided that such liens do not extend to any other property or assets (other than improvements, accessions, or proceeds in respect thereof) and the principal amount of the obligations secured by such liens is not increased;
9. liens upon specific items of inventory or other goods and proceeds of any person securing such person's obligation in respect of banker's acceptances issued or created in the ordinary course of business for the account of such person to facilitate the purchase, shipment, or storage of such inventory or other goods;
10. liens securing Debt incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such person; provided, however, that the lien may not extend to any other property owned by such person at the time the lien is incurred (other than assets and property affixed or appurtenant thereto and proceeds thereof), and the Debt (other than any interest thereon) secured by the lien may

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not be incurred more than 270 days after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the lien;

11. liens on property or assets existing at the time of the acquisition thereof;
  
12. liens (i) that are contractual rights of set-off (A) relating to the establishment of depository relations with banks not given in connection with the issuance of Debt, (B) relating to our pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations and other cash management activities incurred in the ordinary course of business or (C) relating to purchase orders and other agreements entered into with our customers in the ordinary course of business and (ii) (W) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection, (X) encumbering reasonable customary initial deposits and margin deposits and attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business, (Y) in favor of banking institutions arising as a matter of law or pursuant to customary account agreements encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry, and (Z) of financial institutions funding the Vault Cash Operations in the cash provided by such institutions for such Vault Cash Operations;
  
13. liens pursuant to the terms and conditions of any contracts between us or any subsidiary and the U.S. government;
  
14. liens arising in connection with the Cash Management Practices;
  
15. Settlement Liens; and
  
16. liens not otherwise permitted under the Indenture securing Debt in an aggregate principal amount that, together with the aggregate Attributable Value of property involved in sale and leaseback transactions permitted by clause (i) of Limitation on Sale Leaseback Transactions below and all other Debt then secured by liens permitted only pursuant to this clause (16), does not exceed 10% of our consolidated net worth.

Each lien, if any, granted, pursuant to the provisions described above, to secure the senior notes shall automatically and unconditionally be deemed to be released and discharged upon the release and discharge of the lien whose existence caused the senior notes to be required to be so secured. For purposes of determining compliance with this covenant, any lien need not be permitted solely by reference to one category of permitted liens but may be permitted in part by one provision and in part by one or more other provisions. In the event that a lien securing Debt or any portion thereof meets the criteria of more than one such provision, we shall divide and classify and may later re-divide and reclassify such lien in our sole discretion.

***Limitation on sale leaseback transactions***

We may not sell or transfer, and will not permit any subsidiary to sell or transfer (except to us or one or more subsidiaries, or both), any Principal Facility owned by FIS or any of its subsidiaries with the intention of taking back a lease on such facility longer than 36 months, unless (1) the sum of the aggregate Attributable Value of the property involved in sale and leaseback transactions not otherwise permitted plus the aggregate principal amount of Debt secured by all

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liens permitted only by clause (16) of Limitation on Liens above does not exceed 10% of our consolidated net worth; or (2) within 270 days after such sale or transfer, we apply an amount equal to the greater of the net proceeds of the sale or the fair market value of the property sold to the purchase of real property or the retirement of senior notes or other long-term Debt of us or our subsidiaries, other than any such Debt that is expressly subordinated to the senior notes.

### ***Consolidation, merger, sale of assets and other transactions***

We may not, in any transaction or series of related transactions, consolidate or merge with or into, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the assets of FIS and its subsidiaries, taken as a whole, to, any person unless:

1. the person formed by or surviving any such consolidation or merger (if other than FIS), or which acquires by sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of our assets, is a corporation, limited partnership, limited liability company or similar entity organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia and, if such entity is not a corporation, a co-obligor of the senior notes is a corporation organized or existing under any such laws;
2. the person formed by or surviving any such consolidation or merger (if other than FIS), or which acquires by sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of our assets, expressly assumes by supplemental indenture, in a form satisfactory to the Trustee, the due and punctual payment of all amounts due in respect of the principal of and premium, if any, and interest on the senior notes and the performance of all of our obligations under the senior notes and the Indenture; and
3. immediately after giving effect to the transaction no Event of Default or event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing.

We shall deliver to the Trustee prior to the proposed transaction an officers certificate and an opinion of counsel each stating that the proposed transaction and such supplemental indenture comply with the Indenture and that all conditions precedent to the consummation of the transaction under the Indenture have been met.

If we consolidate or merge with or into any other corporation, limited partnership, limited liability company or similar entity or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of our assets according to the terms and conditions of the Indenture, the resulting or acquiring entity will be substituted for us under the Indenture with the same effect as if it had been an original party to the Indenture. As a result, such successor corporation may exercise our rights and powers under the Indenture, in our name or its own name, and, except in the case of a lease, we will be released from all our liabilities and obligations under the Indenture and under the senior notes.

### ***Definitions***

Set forth below is a summary of certain of the defined terms used in the foregoing provisions. Reference is made to the Indenture for the full definition of all such terms, as well as any other terms used above for which no definition is provided.

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**Affiliate** means, with respect to any person, any other person directly or indirectly controlling, directly or indirectly controlled by, or under direct or indirect common control with, such person. For purposes of this definition, **control** (including, with correlative meanings, the terms **controlling**, **controlled by** and **under common control with** ) with respect to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract or otherwise. For the avoidance of doubt, Fidelity National Financial, Inc., Lender Processing Services, Inc., and each of their respective subsidiaries, shall not be deemed to be Affiliates of FIS or any of its subsidiaries solely due to overlapping officers or directors.

**Attributable Value** in respect of any sale and leaseback transaction means, as of the time of determination, the lesser of (1) the sale price of the Principal Facility involved in such transaction multiplied by a fraction the numerator of which is the remaining portion of the base term of the lease included in such sale and leaseback transaction and the denominator of which is the base term of such lease and (2) the present value (discounted at the rate of interest implicit in such transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease involved in such transaction (including any period for which the lease has been extended).

**Cash Management Practices** means the cash, Eligible Cash Equivalents, and short-term investment management practices of FIS and its subsidiaries as approved by our board of directors or chief financial officer from time to time, including Debt of us or any of our subsidiaries having a maturity of 92 days or less representing the borrowings from any financial institution with which we or any of our subsidiaries has a depository or other investment relationship in connection with such practices (or any Affiliate of such financial institution), which borrowings may be secured by the cash, Eligible Cash Equivalents and other short-term investments purchased by us or any of our subsidiaries with the proceeds of such borrowings.

**Credit Agreement** means the Third Amended and Restated Credit Agreement dated as of March 30, 2012 among FIS, the guarantors thereunder, J.P. Morgan Chase Bank, N.A., as administrative agent, and various financial institutions and other persons from time to time parties thereto, as amended, supplemented, or modified from time to time.

**Credit Facilities** means one or more credit facilities (including the Credit Agreement) with banks or other lenders providing for revolving loans or term loans or the issuance of letters of credit or bankers' acceptances or the like.

**Debt** means, in respect of any person, (1) all indebtedness in respect of borrowed money, (2) all obligations of such person evidenced by bonds, notes, debentures or similar instruments and (3) the indebtedness of any other persons of the foregoing types to the extent guaranteed by such person; but only, for each of clauses (1) through (3), if and to the extent any of the foregoing indebtedness would appear as a liability upon an unconsolidated balance sheet of such person prepared in accordance with GAAP (but not including contingent liabilities which appear only in a footnote to a balance sheet).

**Eligible Bank** means a bank or trust company (1) that is organized and existing under the laws of the United States or Canada, or any state, territory, province or possession thereof and (2) the senior Debt of which is rated at least **A3** by Moody's or at least **A-** by S&P.

**Eligible Cash Equivalents** means any of the following: (1) securities issued or directly and fully guaranteed or insured by the United States or any agency or instrumentality thereof (provided

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that the full faith and credit of the United States is pledged in support thereof) maturing not more than one year after the date of acquisition (or such other maturities if not prohibited by the Credit Agreement); (2) time deposits in and certificates of deposit of any Eligible Bank (or in any other financial institution to the extent the amount of such deposit is within the limits insured by the Federal Deposit Insurance Corporation), provided that such investments have a maturity date not more than two years after the date of acquisition and that the average life of all such investments is one year or less from the respective dates of acquisition; (3) repurchase obligations with a term of not more than 180 days for underlying securities of the types described in clause (1) above or clause (4) below entered into with any Eligible Bank or securities dealers of recognized national standing; (4) direct obligations issued by any state of the United States or any political subdivision or public instrumentality thereof, provided that such investments mature, or are subject to tender at the option of the holder thereof, within 365 days after the date of acquisition (or such other maturities if not prohibited by the Credit Agreement) and, at the time of acquisition, have a rating of at least A-2 or P-2 (or long-term ratings of at least A3 or A ) from either S&P or Moody s, or, with respect to municipal bonds, a rating of at least MIG 2 or VMIG 2 from Moody s (or equivalent ratings by any other nationally recognized rating agency); (5) commercial paper of any person other than an Affiliate of FIS and other than structured investment vehicles, provided that such investments have a rating of at least A-2 or P-2 from either S&P or Moody s and mature within 180 days after the date of acquisition (or such other maturities if not prohibited by the Credit Agreement); (6) overnight and demand deposits in and bankers acceptances of any Eligible Bank and demand deposits in any bank or trust company to the extent insured by the Federal Deposit Insurance Corporation against the Bank Insurance Fund; (7) money market funds (and shares of investment companies that are registered under the Investment Company Act of 1940) substantially all of the assets of which comprise investments of the types described in clauses (1) through (7); (8) United States dollars, or money in other currencies received in the ordinary course of business; (9) asset-backed securities and corporate securities that are eligible for inclusion in money market funds; (10) fixed maturity securities which are rated BBB- and above by S&P or Baa3 and above by Moody s; provided that such investments will not be considered Eligible Cash Equivalents to the extent that the aggregate amount of investments by us and our subsidiaries in fixed maturity securities which are rated BBB+, BBB or BBB- by S&P or Baa1, Baa2 or Baa3 by Moody s exceeds 20% of the aggregate amount of investments in fixed maturity securities by us and our subsidiaries; and (11) instruments equivalent to those referred to in clauses (1) through (6) above or funds equivalent to those referred to in clause (7) above denominated in Euros or any other foreign currency customarily used by corporations for cash management purposes in jurisdictions outside the United States to the extent advisable in connection with any business conducted by FIS or any of its subsidiaries, all as determined in good faith by FIS.

**Principal Facility** means the real property, fixtures, machinery and equipment relating to any facility owned by us or any subsidiary, except for any facility that, in the opinion of our board of directors, is not of material importance to the business conducted by us and our subsidiaries, taken as a whole.

**Settlement** means the transfer of cash or other property with respect to any credit, charge or debit card charge, check or other instrument, electronic funds transfer, or other type of paper-based or electronic payment, transfer, or charge transaction for which a person acts as a processor, remitter, funds recipient or funds transmitter in the ordinary course of its business.

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**Settlement Asset** means any cash, receivable or other property, including a Settlement Receivable, due or conveyed to a person in consideration for a Settlement made or arranged, or to be made or arranged, by such person or an Affiliate of such person.

**Settlement Debt** means any payment or reimbursement obligation in respect of a Settlement Payment.

**Settlement Lien** means any lien relating to any Settlement or Settlement Debt (and may include, for the avoidance of doubt, the grant of a lien in or other assignment of a Settlement Asset in consideration of a Settlement Payment, liens securing intraday and overnight overdraft and automated clearing house exposure, and similar liens).

**Settlement Payment** means the transfer, or contractual undertaking (including by automated clearing house transaction) to effect a transfer, of cash or other property to effect a Settlement.

**Settlement Receivable** means any general intangible, payment intangible, or instrument representing or reflecting an obligation to make payments to or for the benefit of a person in consideration for and in the amount of a Settlement made or arranged, or to be made or arranged, by such person.

**Vault Cash Operations** means the vault cash or other arrangements pursuant to which various financial institutions fund the cash requirements of automated teller machines and cash access facilities operated by us or our subsidiaries at customer locations.

## **Events of default, notice and waiver**

The following shall constitute **Events of Default** under the Indenture with respect to the senior notes of a particular series:

1. default in the payment of any interest on the senior notes of such series when due and payable and continuance of such default for a period of 30 days;
2. default in the payment of any principal of or premium, if any, on the senior notes of such series when due (whether at stated maturity, upon redemption, purchase at the option of the holder or otherwise);
3. default in the performance, or breach, of any covenant or warranty with respect to the senior notes of such series (other than a covenant or warranty a default in whose performance or whose breach is specifically dealt with elsewhere in clauses (1), (2) or (4) through (6) or a covenant or warranty which is solely for the benefit of another series of securities), and the continuance of such default or breach for a period of 60 days after there has been given written notice of such default or breach (which notice shall, among other things, state that such notice is a **Notice of Default** under the Indenture) to us (by registered or certified mail) by the Trustee or to us and the Trustee (in each case by registered or certified mail) by holders of at least 25% in aggregate principal amount of the outstanding senior notes of such series;
4. default in the payment by us, when due (after the expiration of any applicable grace period thereto), of an aggregate principal amount of Debt in respect of borrowed money (other than the senior notes) exceeding \$300 million, or default which results in such Debt (other than the senior notes) in an aggregate principal amount exceeding \$300 million becoming or being declared due and payable prior to the date on which it would otherwise have become

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due and payable, in each case without such acceleration having been rescinded or annulled, or such Debt having been paid in full, or there having been deposited into trust a sum of money sufficient to pay in full such Debt, within 15 days after receipt of written notice of such default or breach (which notice shall state that such notice is a Notice of Default under the Indenture) to us (by registered or certified mail) by the Trustee or to us and the Trustee (in each case by registered or certified mail) by holders of at least 25% in aggregate principal amount of the outstanding senior notes of such series;

5. certain events of bankruptcy, insolvency or reorganization of FIS; and
6. the denial or disaffirmance by any Subsidiary Guarantor of such Subsidiary Guarantor's obligations under its guarantee of the senior notes of such series, or the holding of any such guarantee as being unenforceable or invalid in any judicial proceeding, or any such guarantee ceasing to be in full force and effect, except as permitted under the Indenture.

If an Event of Default with respect to the senior notes of a particular series occurs and is continuing, other than an Event of Default arising from certain events of bankruptcy, insolvency or reorganization of FIS, then the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding senior notes of such series may declare, by written notice to us (and if given by the holders, to the Trustee), the principal of and accrued interest, if any, on all the senior notes of such series to be due and payable immediately; provided that, after such a declaration of acceleration, the holders of a majority in aggregate principal amount of the senior notes of such series may, by written notice to the Trustee, rescind or annul such declaration and its consequences if all Events of Default, other than the non-payment of accelerated principal of or interest, if any, on the senior notes of such series, have been cured or waived as provided in the Indenture. An Event of Default arising from certain events of bankruptcy, insolvency or reorganization of FIS shall cause the principal of and accrued interest, if any, on all the senior notes of each series to be due and payable immediately without any declaration or other act by the Trustee, the holders of either series of senior notes or any other party.

The holders of a majority in aggregate principal amount of the outstanding senior notes of a particular series, by written notice to the Trustee, may waive any past default or event of default with respect to the senior notes of such series except (1) a default or event of default in the payment of the principal of, or premium, if any, or interest on, the senior notes of such series or (2) default in respect of a covenant or provision which may not be amended or modified without the consent of each holder of senior notes of such series affected. Upon any such waiver, such default shall cease to exist, and any event of default arising therefrom shall be deemed to have been cured.

The Trustee is not required to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders of the senior notes of either series, unless the holders have offered the Trustee security or indemnity satisfactory to the Trustee. Subject to such right of indemnification and to certain other limitations, the holders of a majority in aggregate principal amount of the outstanding senior notes of a particular series may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the senior notes of such series.

No holder of any senior note of either series may institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy unless (1) the holder has given to the Trustee written notice of a continuing Event of Default with respect to



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the senior notes of such series, (2) the holders of at least 25% in aggregate principal amount of the outstanding senior notes of such series shall have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee, (3) the holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be incurred in pursuing the remedy, (4) the Trustee has failed to institute any such proceedings for 60 days after its receipt of such request, and (5) during such 60 day period, the holders of a majority in aggregate principal amount of the outstanding senior notes of such series have not given to the Trustee a direction inconsistent with such written request. Such limitations do not apply, however, to a suit instituted by a holder of any senior note of either series directly (as opposed to through the Trustee) for enforcement of payment of principal of, and premium, if any, or interest on such senior note on or after the respective due dates expressed or provided for therein.

Each year, we will either certify to the Trustee that we are not in default of any of our obligations under the Indenture or we will notify the Trustee of any default that exists under the Indenture. We are not otherwise required to deliver to the Trustee notice of the occurrence of any default or Event of Default.

## **Discharge, defeasance and covenant defeasance**

The provisions described in Description of Debt Securities Discharge, Defeasance and Covenant Defeasance in the accompanying prospectus are applicable to the senior notes. If we effect covenant defeasance with respect to the senior notes as described in the accompanying prospectus, then the covenants described above under Restrictive Covenants and Purchase of Senior Notes upon a Change of Control Triggering Event will cease to be applicable to the senior notes.

## **Modification of the indenture**

Under the Indenture, we, our Subsidiary Guarantors and the Trustee, at any time and from time to time, may enter into supplemental indentures without the consent of any holders of the senior notes of a particular series to:

evidence the succession of another person to FIS or any Subsidiary Guarantor and the assumption by any such successor of the covenants of FIS or of such Subsidiary Guarantor in the Indenture and in the senior notes of such series; or

add to the covenants of FIS or of any Subsidiary Guarantor for the benefit of the holders of the senior notes of such series or surrender any right or power conferred upon FIS or such Subsidiary Guarantor in the Indenture or in the senior notes of such series; or

add any additional Events of Default with respect to the senior notes of such series; or

add to or change any of the provisions of the Indenture to such extent as shall be necessary to facilitate the issuance of bearer securities or to facilitate the issuance of senior notes of such series in global form; or

amend or supplement any provision contained in the Indenture or in any supplemental indentures, provided that such amendment or supplement does not apply to any outstanding senior notes of such series issued prior to the date of such supplemental indenture and entitled to the benefits of such provision; or

secure the senior notes of such series; or

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establish the form or terms of the senior notes of such series as permitted by the Indenture; or

add or release any Subsidiary Guarantor as required or permitted by the Indenture;

evidence and provide for the acceptance of appointment by a successor trustee with respect to the senior notes of such series under the Indenture and add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts by more than one trustee under the Indenture; or

if allowed without penalty under applicable laws and regulations, permit payment in the United States of principal, premium, if any, or interest, if any, on bearer securities or coupons, if any; or

cure or reform any ambiguity, defect, omission, mistake, manifest error or inconsistency, or conform the Indenture or the senior notes of such series to any provision of the description thereof set forth in the prospectus, as supplemented as of the time of sale, under which such senior notes were sold; or

make any other change that does not adversely affect the rights of any holder; or

make any change to comply with the Trust Indenture Act or any amendment thereof, or any requirement of the Securities and Exchange Commission in connection with the qualification of the Indenture under the Trust Indenture Act or any amendment thereof.

With the consent of the holders of a majority in aggregate principal amount of the outstanding senior notes of a particular series affected by such supplemental indenture, we, the Subsidiary Guarantors and the Trustee may enter into supplemental indentures to add provisions to, or change or eliminate any provisions of the Indenture or any supplemental indenture or to modify the rights of the holders of the senior notes of such series so affected. However, we need the consent of the holder of each outstanding senior note of a particular series affected in order to:

change the stated maturity of the principal of or premium, if any, on or of any installment of principal of or premium, if any, or interest, if any, on, or additional amounts, if any, with respect to, any senior note of such series; or

reduce the principal amount of, or any installment of principal of, or premium, if any, or interest, if any, on, or any additional amounts payable with respect to, any senior note of such series or the rate of interest on any senior note of such series; or

reduce the amount of premium, if any, payable upon redemption of any senior note of such series or the purchase by us of any senior note of such series at the option of the holder of such senior note; or

change the manner in which the amount of any principal of or premium, if any, or interest on or additional amounts, if any, with respect to, any senior note of such series is determined; or

reduce the amount of the principal of any original issue discount security or indexed security that would be due and payable upon a declaration of acceleration of the maturity thereof; or

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change the currency in which any senior note of such series or any premium or the interest thereon or additional amounts, if any, with respect thereto, is payable; or

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change the index, securities or commodities with reference to which or the formula by which the amount of principal of or any premium or the interest on any senior note of such series is determined; or

impair the right to institute suit for the enforcement of any payment on or after the stated maturity thereof (or on or after the redemption date or on or after the purchase date, as the case may be); or

except as provided in the Indenture, release the guarantee of any Subsidiary Guarantor with respect to such series of senior notes; or

reduce the percentage in principal amount of the outstanding senior notes of such series, the consent of whose holders is required for any such supplemental indenture or for any waiver (of compliance with certain provisions of the Indenture or certain defaults under the Indenture and their consequences) provided for in the Indenture; or

change any obligation of FIS to maintain an office or agency in the places and for the purposes specified in the Indenture; or

make any change in the provision governing waiver of past defaults, except to increase the percentage in principal amount of the outstanding senior notes of such series, the holders of which may waive past defaults on behalf of holders of the senior notes of such series or make any change in the provision governing supplemental indentures that requires consent of holders of the senior notes of such series, except to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holders of each outstanding senior note of such series affected thereby.

## **Governing law**

The Indenture, the senior notes and the guarantees will be governed by, and construed in accordance with, the internal laws of the State of New York.

## **Relationship with the trustee**

The Trustee under the Indenture is The Bank of New York Mellon Trust Company, N.A. We and our subsidiaries maintain ordinary banking and trust relationships with a number of banks and trust companies, including the Trustee.

## **Book-entry delivery and form**

The senior notes of each series will be issued in registered, global form in minimum denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof. Initially, each series of senior notes will be represented by one or more permanent global certificates (the global senior notes ) (which may be subdivided) in definitive, fully registered form without interest coupons. The global senior notes will be issued on the issue date only against payment in immediately available funds.

The global senior notes will be deposited upon issuance with the Trustee as custodian for DTC and registered in the name of Cede & Co. (DTC's nominee) or another DTC nominee for credit to an account of a direct or indirect participant in DTC, as described below under Depository Procedures.

Except as set forth below, the global senior notes may be transferred, in whole and not in part, only to DTC, to another nominee of DTC or to a successor of DTC or its nominee. Beneficial

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interests in the global senior notes may not be exchanged for notes in certificated form except in the limited circumstances described below under Exchange of Book-Entry Notes for Certificated Notes.

Transfers of beneficial interests in the global senior notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear System ( Euroclear ) and Clearstream Banking S.A. ( Clearstream )), which may change from time to time.

### ***Depository procedures***

The following description of the operations and procedures of DTC, Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of DTC and are subject to changes by it. We do not take any responsibility for these operations and procedures and urge investors to contact DTC or its participants directly to discuss these matters.

DTC has advised us that it is a limited-purpose trust company created to hold securities for its participating organizations, referred to as participants, and to facilitate the clearance and settlement of transactions in those securities among DTC's participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations some of whom (and/or their representatives) own DTC. Access to DTC's system is also available to other entities such as banks, brokers, dealers, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly, which entities are referred to as indirect participants. Persons who are not DTC participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants. DTC has no knowledge of the identity of beneficial owners of securities held by or on behalf of DTC. DTC's records reflect only the identity of its participants to whose accounts securities are credited. The ownership interests and transfer of ownership interests of each beneficial owner of each security held by or on behalf of DTC are recorded on the records of DTC's participants and indirect participants.

Pursuant to the procedures established by DTC:

upon deposit of the global senior notes, DTC will credit the accounts of its participants designated by the underwriters with portions of the principal amount of the global senior notes; and

ownership of such interests in the global senior notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the participants) or by the participants and the indirect participants (with respect to other owners of beneficial interests in the global senior notes).

Investors in the global senior notes who are participants in DTC's system may hold their interests therein directly through DTC. Investors in the global senior notes who are not participants may hold their interests therein indirectly through organizations which are participants in such system. Euroclear and Clearstream may hold interests in the global senior notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Morgan Guaranty Trust Company of New York, Brussels office, as operator of Euroclear, and Citibank, N.A., as operator of Clearstream. All interests in

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the global senior notes, including those held through Euroclear or Clearstream, will be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in the global senior notes to such persons will be limited to that extent. Because DTC can act only on behalf of its participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in the global senior notes to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the global senior notes will not have notes registered in their names, will not receive physical delivery of notes in certificated form and will not be considered the registered owners or holders thereof under the Indenture for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on a global senior note registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Indenture. Under the terms of the Indenture, we and the Trustee will treat the persons in whose names the senior notes, including the global senior notes, are registered as the owners thereof for the purpose of receiving such payments and for any and all other purposes.

Consequently, neither we nor the Trustee nor any of our respective agents has or will have any responsibility or liability for:

any aspect of DTC's records or any participant's or indirect participant's records relating to or payments made on account of beneficial ownership interests in the global senior notes, or for maintaining, supervising or reviewing any of DTC's records or any participant's or indirect participant's records relating to the beneficial ownership interests in the global senior notes; or

any other matter relating to the actions and practices of DTC or any of its participants or indirect participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the senior notes (including principal and interest), is to credit the accounts of the relevant participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. The account of each relevant participant is credited with an amount proportionate to the amount of its interest in the principal amount of the global senior notes as shown on the records of DTC. Payments by the participants and the indirect participants to the beneficial owners of notes will be governed by standing instructions and customary practices, and will be the responsibility of the participants or the indirect participants and will not be the responsibility of DTC, the Trustee or us. Neither we nor the Trustee will be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the senior notes, and we and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures. Cross-market transfers between the participants in DTC, on the one hand, and Euroclear or Clearstream

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participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depository; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant global senior note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised us that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants to whose account DTC has credited the interests in the global senior notes and only in respect of such portion of the aggregate principal amount of the senior notes as to which such participant or participants has or have given such direction.

Although DTC, Euroclear and Clearstream have agreed to the procedures described above to facilitate transfers of interests in the global senior notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform those procedures, and those procedures may be discontinued or changed at any time. Neither we nor the Trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### ***Exchange of book-entry notes for certificated notes***

The global senior notes of a series are exchangeable for certificated notes of such series in definitive, fully registered form without interest coupons only in the following limited circumstances:

DTC (1) notifies us that it is unwilling or unable to continue as depository for the global senior notes of such series and we fail to appoint a successor depository within 90 days of receipt of such notice or (2) has ceased to be a clearing agency registered under the Exchange Act and we fail to appoint a successor depository within 90 days of our becoming aware of such cessation;

we notify the Trustee in writing that we have elected (subject to DTC's procedures) to cause the issuance of certificated notes of such series under the Indenture; or

an Event of Default has occurred and is continuing with respect to such series of senior notes.

In all cases, certificated notes delivered in exchange for any global senior notes or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of DTC (in accordance with its customary procedures).

### ***Payment and paying agents***

Payments on the global senior notes will be made in U.S. dollars by wire transfer. If we issue definitive notes, the holders of definitive notes will be able to receive payments of principal of and interest on their notes at the office of our paying agent. Payment of principal of a definitive

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note may be made only against surrender of the note to our paying agent. We have the option, however, of making payments of interest by wire transfer or by mailing checks to the address of the holder appearing in the register of note holders maintained by the registrar.

We will make any required interest payments to the person in whose name a note is registered at the close of business on the record date for the interest payment.

The Trustee will be designated as our paying agent for payments on the senior notes. We may at any time designate additional paying agents, rescind the designation of any paying agent or approve a change in the office through which any paying agent acts.

***Notices***

Any notices required to be given to the holders of the senior notes will be given to DTC, as the registered holder of the global senior notes. In the event that the global senior notes are exchanged for notes in definitive form, notices to holders of the senior notes will be sent by overnight delivery service or mailed by first-class mail, postage prepaid, to the addresses that appear on the register of noteholders maintained by the registrar.



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## Material U.S. federal income tax considerations

The following discussion summarizes material U.S. federal income tax considerations to U.S. Holders and Non-U.S. Holders (each as defined below) of the purchase, ownership and disposition of the senior notes. It is included herein for general information only and does not address all tax considerations that may be relevant to investors in light of their personal investment circumstances or that may be relevant to certain types of investors subject to special rules (for example, financial institutions, tax-exempt organizations, insurance companies, regulated investment companies, real estate investment trusts, retirement plans, persons that are broker-dealers, traders in securities who elect the mark to market method of accounting for their securities, U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar, certain former U.S. citizens or long-term residents, investors in partnerships or other pass-through entities or persons holding the senior notes as part of a straddle, hedge, conversion transaction or other integrated transaction). The discussion set forth below is limited to initial investors who hold the senior notes as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code) and who purchase the senior notes for cash at the initial issue price (i.e., the first price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, at which a substantial amount of the senior notes is sold for money). In addition, this discussion does not address the effect of federal alternative minimum tax, gift or estate tax laws, or any state, local or foreign tax laws. Furthermore, the discussion below is based upon provisions of the Code, the legislative history thereof, U.S. Treasury regulations thereunder and administrative rulings and judicial decisions thereunder as of the date hereof. Such authorities may be repealed, revoked or modified (including changes in effective dates, and possibly with retroactive effect) so as to result in U.S. federal income tax considerations different from those discussed below.

For purposes of the following discussion, a U.S. Holder means a beneficial owner of the senior notes that is for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate, the income of which is subject to U.S. federal income tax regardless of source; or

a trust, if (a) a court within the United States is able to exercise primary supervision over administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust.

For purposes of the following discussion, a Non-U.S. Holder means a beneficial owner of the senior notes (other than a partnership or an entity or arrangement classified as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder for U.S. federal income tax purposes.

If a partnership or an entity treated as a partnership for U.S. federal income tax purposes owns any of the senior notes, the tax treatment of a partner or an equity interest owner of such other entity will generally depend upon the status of the person and the activities of the person and

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the partnership or other entity treated as a partnership. Partnerships and other entities treated as partnerships for U.S. federal income tax purposes, and partners or other equity interest owners in such entities should consult their own tax advisors.

**THIS DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, TO BE TAX OR LEGAL ADVICE TO ANY PARTICULAR INVESTOR IN OR HOLDER OF THE SENIOR NOTES. PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSIDERATIONS ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR ANY APPLICABLE TAX TREATIES, AND THE POSSIBLE EFFECT OF CHANGES IN APPLICABLE TAX LAW.**

**U.S. holders**

*Payments of interest*

We expect, and this discussion assumes, that the senior notes will not be issued with more than a de minimis amount of original issue discount, if any. As such, payments of stated interest on the senior notes generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are received or accrued in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

*Sale, redemption or other taxable disposition of the senior notes*

Upon the sale, redemption or other taxable disposition of senior notes, a U.S. Holder generally will recognize capital gain or loss equal to the difference between (1) the amount realized on such disposition and (2) such holder's adjusted tax basis in the senior notes. A holder's adjusted tax basis in the senior notes generally will equal the amount paid for the senior notes less any principal payments received by such holder. Gain or loss recognized by a U.S. Holder in respect of the disposition generally will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder has held the senior notes for more than one year at the time of such disposition. A U.S. Holder that is an individual may be entitled to preferential treatment for net long-term capital gains. The ability of a U.S. Holder to offset capital losses against ordinary income is limited. Notwithstanding the foregoing, any amounts realized in connection with a sale, redemption or other taxable disposition with respect to accrued interest not previously includible in income will be treated as ordinary interest income.

*Contingent payments*

In certain circumstances, we may be obligated to pay you amounts in excess of the stated interest and principal payable on the senior notes upon the redemption of the senior notes. Our obligation to make additional payments may implicate the provisions of Treasury Regulations relating to contingent payment debt instruments. We intend to take the position, and this discussion assumes, that the senior notes should not be treated as contingent payment debt instruments because of these payments. If we become obligated to pay you additional amounts on redemption of the senior notes, then we intend to take the position that such amounts will be treated as additional proceeds and taxable as described above under

U.S. Holders' Sale, Redemption or Other Taxable Disposition of the Senior Notes. Assuming such position is respected, a U.S. Holder would be required to include in income the amount of any such payments at the time such payments are received or accrued in accordance with such U.S. Holder's method of account for U.S. federal income tax purposes. If the IRS successfully

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challenges this position and the senior notes are treated as contingent payment debt instruments because of such payments, U.S. Holders might, among other things, be required to accrue interest income at higher rates than the stated interest rate and to treat any gain recognized on the sale or other disposition of a senior note as ordinary income rather than capital gain. Purchasers of senior notes are urged to consult their tax advisors regarding the possible application of the contingent payment debt instrument rules to the notes.

### **Information reporting and backup withholding tax**

Payments of interest on, or the proceeds of the sale or other disposition of, the senior notes will be subject to information reporting to the Internal Revenue Service (the "IRS") on IRS Form 1099 unless the U.S. Holder is an exempt recipient such as certain corporations and may be subject to U.S. federal backup withholding tax at a rate of 28% if the recipient of the payment fails to supply an accurate taxpayer identification number on IRS Form W-9 or otherwise fails to comply with applicable U.S. information reporting or certification requirements. Backup withholding does not represent an additional income tax. Any amount withheld under the backup withholding rules will be reported on IRS Form 1099 and is allowable as a credit against the holder's U.S. federal income tax and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

### **Non-U.S. holders**

#### ***Payments of interest***

Subject to the discussion of backup withholding and FATCA (as defined below) withholding below, payments of interest on the senior notes to a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax; provided that (1) the Non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote, (2) the Non-U.S. Holder is not (a) a controlled foreign corporation that is related to us through actual or deemed stock ownership or (b) a bank receiving interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, (3) such interest is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and (4) the Non-U.S. Holder either (a) provides its name and address on an IRS Form W-8BEN (or other applicable form) and certifies, under penalties of perjury, that it is not a U.S. person as defined under the Code or (b) holds the senior notes through certain foreign intermediaries and the intermediary and the Non-U.S. Holder satisfy the certification or documentation requirements of applicable U.S. Treasury regulations.

If a Non-U.S. Holder cannot satisfy the requirements in the preceding paragraph, payments of interest made to such Non-U.S. Holder will be subject to U.S. federal withholding tax, currently at a rate of 30%, unless such Non-U.S. Holder timely provides the withholding agent with a properly executed (1) IRS Form W-8BEN (or other applicable form) claiming an exemption from or reduction in withholding under the benefit of an applicable income tax treaty or (2) IRS Form W-8ECI (or other applicable form) certifying that interest paid on the senior notes is not subject to U.S. federal withholding tax because it is effectively connected with such Non-U.S. Holder's conduct of a trade or business in the United States. If interest on the senior notes is effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States (and, if certain tax treaties apply, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder), such interest will be subject to U.S. federal income tax on a net income

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basis at the rate applicable to U.S. persons generally (and, with respect to corporate holders, may also be subject to a branch profits tax). If interest is subject to U.S. federal income tax on a net income basis in accordance with these rules, such payments will not be subject to U.S. federal withholding tax so long as the relevant Non-U.S. Holder timely provides the withholding agent with the appropriate documentation.

### ***Sale, redemption or other taxable disposition of the senior notes***

Subject to the discussion of backup withholding and FATCA withholding below, any gain realized by a Non-U.S. Holder on the sale, redemption or other taxable disposition of the senior notes generally will not be subject to U.S. federal income tax, unless (1) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States (and, if certain tax treaties apply, is attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder), in which case such gain will be taxed on a net income basis in the same manner as interest that is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and a Non-U.S. Holder that is treated as a corporation for U.S. federal income tax purposes may also, under certain circumstances, be subject to the branch profits tax as described above) or (2) 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 disposition and certain other conditions are satisfied, in which case the Non-U.S. Holder will be subject to a tax, currently at a rate of 30%, on the excess, if any, of such gain plus all other U.S. source capital gains recognized during the same taxable year over the Non-U.S. Holder's U.S. source capital losses recognized during such taxable year.

### ***Information reporting and backup withholding tax***

Generally, the amount of interest paid on the senior notes and the amount of tax, if any, withheld with respect to those payments must be reported to the IRS and to Non-U.S. Holders. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

In general, a Non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the senior notes provided that the payor does not have actual knowledge or reason to know that the Non-U.S. Holder is a U.S. person as defined under the Code, and such holder has provided the certification described above under heading *Payments of Interest*. Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale (including retirement or redemption) of the senior notes within the United States or conducted through certain United States-related persons, unless the Non-U.S. Holder certifies under penalty of perjury that such holder is a Non-U.S. Holder (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Code) or another exemption is otherwise established.

Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished in a timely manner to the IRS.

### ***FATCA legislation affecting taxation of senior notes held by or through foreign entities***

Pursuant to the Sections 1471 through 1472 of the Code and the Treasury Regulations promulgated thereunder ( *FATCA* ), if there is a material modification of the senior notes

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after December 31, 2013, we may thereafter be required to withhold U.S. tax at the rate of 30% on payments of interest made after that date, or on the gross proceeds from the sale or other taxable disposition of the notes on or after January 1, 2017, made to non-U.S. financial institutions and certain other non-U.S. non-financial entities (including, in some instances, where such an entity is acting as an intermediary) that fail to comply with certain information reporting obligations. Non-U.S. Holders should consult their own tax advisors regarding FATCA and whether it may be relevant to their purchase, ownership and disposition of the senior notes.

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Subject to the terms and conditions in the underwriting agreement among us, the guarantors and Barclays Capital Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the underwriters named below, we have agreed to sell to each underwriter, and each underwriter has severally agreed to purchase from us, the principal amount of senior notes that appears opposite its name in the table below:

| Underwriter   | Principal amount<br>of 20 notes | Principal amount<br>of 20 notes |
|---|---------------------------------|---------------------------------|
| Barclays Capital Inc.                                 | \$                              | \$                              |
| J.P. Morgan Securities LLC                            |                                 |                                 |
| Merrill Lynch, Pierce, Fenner & Smith<br>Incorporated |                                 |                                 |
| Credit Agricole Securities (USA) Inc.                 |                                 |                                 |
| RBS Securities Inc.                                   |                                 |                                 |
| SunTrust Robinson Humphrey, Inc.                      |                                 |                                 |
| U.S. Bancorp Investments, Inc.                        |                                 |                                 |
| <b>Total</b>  | <b>\$</b>                       | <b>\$</b>                       |

The underwriters are offering the senior notes subject to their acceptance of the senior notes from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the senior notes offered by this prospectus supplement are subject to certain conditions. The underwriters are obligated to take and pay for all of the senior notes offered by this prospectus supplement if any such senior notes are taken.

The underwriters initially propose to offer the senior notes to the public at the public offering price that appears on the cover page of this prospectus supplement. The underwriters may offer the senior notes to selected dealers at the public offering price minus a concession of up to % and % of the principal amount of the 20 notes and 20 notes, respectively. In addition, the underwriters may allow, and those selected dealers may reallow, a concession of up to % and % of the principal amount of the 20 notes and the 20 notes, respectively, to certain other dealers. After the initial offering, the underwriters may change the public offering price and any other selling terms. The underwriters may offer and sell senior notes through certain of their affiliates.

The following table shows the underwriting discounts that we will pay to the underwriters in connection with the offering of senior notes:

|                    | Paid by us |
|--------------------|------------|
| Per 20 note        | %          |
| Total for 20 notes | \$         |
| Per 20 note        | %          |
| Total for 20 notes | \$         |
| <b>Total</b>       | <b>\$</b>  |

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In the underwriting agreement, we have agreed that:

We will pay our expenses related to the offering (excluding the Underwriters' discount), which we estimate will be \$2.5 million.

We will indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or contribute to payments that the underwriters may be required to make in respect of those liabilities.

The senior notes are a new issue of securities, and there is currently no established trading market for the senior notes. We do not intend to apply for the senior notes to be listed on any securities exchange or to arrange for the senior notes to be quoted on any quotation system. The underwriters have advised us that they intend to make a market in the senior notes, but they are not obligated to do so. The underwriters may discontinue any market making in the senior notes at any time in their sole discretion. Accordingly, an active public trading market for the senior notes may not develop, and the market price and liquidity of the senior notes may be adversely affected.

In connection with the offering of the senior notes, the underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the senior notes in the open market for the purpose of pegging, fixing or maintaining the price of the senior notes. Syndicate covering transactions involve purchases of the senior notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the senior notes to be higher than it would otherwise be in the absence of those transactions. If the underwriters engage in stabilizing or syndicate covering transactions, they may discontinue them at any time.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. From time to time in the ordinary course of their respective businesses, certain of the underwriters and their affiliates have engaged in and may in the future engage in commercial banking, derivatives and/or financial advisory, investment banking and other commercial transactions and services with us and our affiliates for which they have received or will receive customary fees and commissions. Affiliates of Barclays Capital Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Agricole Securities (USA) Inc., RBS Securities Inc., SunTrust Robinson Humphrey, Inc. and U.S. Bancorp Investments, Inc. currently serve as lenders and/or agents under our senior credit facilities.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. If any of the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of

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credit default swaps or the creation of short positions in our securities, including potentially the senior notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the senior notes offered hereby.

The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **Selling restrictions**

### ***European economic area***

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer of senior notes to the public in that Relevant Member State other than:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000; and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to containing the prior consent of the representatives for any such offer; or
- (d) in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of the above, the expression an offer of senior notes to the public in relation to any senior notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the senior notes to be offered so as to enable an investor to decide to purchase or subscribe the senior notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression Prospectus Directive means Directive 2003/71/EC, and includes any relevant implementing measure in the Relevant Member State.

### ***United Kingdom***

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (FSMA)) received by it in connection with the issue or sale of the senior notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and



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(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the senior notes in, from or otherwise involving the United Kingdom.

***Hong Kong***

This prospectus supplement and the accompanying prospectus have not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The senior notes will not be offered or sold in Hong Kong other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the senior notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued in Hong Kong or elsewhere other than with respect to the senior notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

***Singapore***

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement, the accompanying prospectus, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the senior notes may not be circulated or distributed, nor may the senior notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the senior notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the senior notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

***Japan***

The senior notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, will not be offered or

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sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, Japanese Person shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

### ***Australia***

No prospectus, prospectus supplement, disclosure document, offering material or advertisement in relation to the senior notes has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of senior notes within, to or from Australia (including an offer or invitation which is received by a person in Australia) or (b) distribute or publish this prospectus supplement, the accompanying prospectus or any other prospectus, disclosure document, offering material or advertisement relating to the senior notes in Australia, unless (i) the minimum aggregate consideration payable by each offeree is the U.S. dollar equivalent of at least A\$500,000 (disregarding moneys lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 (CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

### ***Korea***

This prospectus supplement and the accompanying prospectus should not be construed in any way as our (or any of our affiliates or agents) soliciting investment or offering to sell the senior notes in the Republic of Korea ( Korea ). We are not making any representation with respect to the eligibility of any recipients of this prospectus and the accompanying prospectus to acquire the senior notes under the laws of Korea, including, without limitation, the Financial Investment Services and Capital Markets Act (the FSCMA ), the Foreign Exchange Transaction Act (the FETA ), and any regulations thereunder. The senior notes have not been registered with the Financial Services Commission of Korea (the FSC ) in any way pursuant to the FSCMA, and the senior notes may not be offered, sold or delivered, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea. Furthermore, the senior notes may not be resold to any Korean resident unless such Korean resident as the purchaser of the resold senior notes complies with all applicable regulatory requirements (including, without limitation, reporting or approval requirements under the FETA and regulations thereunder) relating to the purchase of the resold senior notes.

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## **Where you can find more information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You may also obtain our SEC filings from the SEC's website at <http://www.sec.gov>.

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents instead of having to repeat the information in this prospectus supplement and accompanying prospectus. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, and later information that we file with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any filings we make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act between the date of this prospectus supplement and the termination of the offering (other than current reports furnished under Item 2.02 or Item 7.01 of Form 8-K and exhibits filed on such form that are related to such items):

our annual report on Form 10-K for the year ended December 31, 2012, filed with the SEC on February 26, 2013;

our definitive proxy statement on Schedule 14A filed with the SEC on April 19, 2012; and

our current reports on Form 8-K filed on April 5, 2012, June 4, 2012, December 10, 2012, January 11, 2013, (with respect to the information therein appearing under Item 8.01 only) February 12, 2013, March 11, 2013, March 18, 2013, March 19, 2013 and April 2, 2013. You may request a copy of these filings, at no cost, by writing to or telephoning us at:

Corporate Secretary

Fidelity National Information Services, Inc.

601 Riverside Avenue

Jacksonville, Florida 32204

(904) 438-6000

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus, and any free writing prospectus that we have authorized for use in connection with this offering. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information provided in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference or in any such free writing prospectus we have authorized is accurate as of any date other than the date on the front cover of the respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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## **Legal matters**

The validity of the senior notes offered hereby will be passed upon for us by Willkie Farr & Gallagher LLP, New York, New York. Certain legal matters relating to (i) California, Tennessee, Florida and Georgia law will be passed upon for us by Nelson, Mullins, Riley & Scarborough LLP, (ii) Arizona, Nevada and Wisconsin law will be passed upon for us by Quarles & Brady LLP, (iii) Minnesota law will be passed upon for us by Moss & Barnett P.A, (iv) Arkansas law will be passed upon for us by Baxter & Jewell, P.A, (v) Pennsylvania law will be passed upon for us by Montgomery, McCracken, Walker & Rhoads, LLP and (vi) Oklahoma law will be passed upon for us by Phillips Murrah P.C. Certain legal matters will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, Los Angeles, California.

## **Experts**

The consolidated financial statements of Fidelity National Information Services, Inc. as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2012 have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

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**PROSPECTUS**

**FIDELITY NATIONAL INFORMATION SERVICES, INC.**  
**COMMON STOCK, PREFERRED STOCK, DEPOSITARY SHARES,**  
**DEBT SECURITIES, GUARANTEES, WARRANTS, PURCHASE CONTRACTS AND UNITS**

Fidelity National Information Services, Inc. may from time to time in one or more offerings offer and sell shares of common stock, shares of preferred stock, depositary shares representing fractional interests in shares of preferred stock or debt securities, senior or subordinated debt securities (which may be guaranteed by certain of our subsidiaries), warrants, purchase contracts and units.

We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and any accompanying prospectus supplement, together with the documents incorporated by reference in this prospectus or any accompanying prospectus supplement, carefully before you make your investment decision.

We may sell these securities to or through underwriters and also to other purchasers or through agents. The names of any underwriters or agents and the specific terms of a plan of distribution will be stated in an accompanying prospectus supplement.

In addition, shareholders of ours (each a selling shareholder ) may offer and sell our common stock from time to time in one or more offerings. We will describe the specific terms and manner of such offerings in a prospectus supplement, which will also provide information about the selling shareholders and the number of shares that may be sold. We will not receive any proceeds from the sale of shares of our common stock by any selling shareholders.

Our common stock is listed on the New York Stock Exchange under the trading symbol FIS. Other than for our common stock, there is no market for the other securities we may offer.

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

This prospectus may not be used to consummate sales of offered securities unless accompanied by a prospectus supplement.

The date of this prospectus is March 5, 2013

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**You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.**

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**ABOUT THIS PROSPECTUS**

Unless otherwise stated or the context otherwise requires, references in this prospectus to FIS, we, our, ours, or us refer to Fidelity National Information Services, Inc., together with its subsidiaries.

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the SEC, using a shelf registration process. Under this shelf process, we may issue any combination of securities described in this prospectus from time to time and in an unlimited amount. This prospectus provides you with a general description of the securities we may offer. Each time we or a selling shareholder sells securities, a prospectus supplement that will contain specific information about the terms of that offering will be provided. The prospectus supplement may also add, update or change information contained or incorporated by reference in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading **Where You Can Find More Information**.

You should rely only on the information contained or incorporated by reference in this prospectus or in any permitted free writing prospectuses we have authorized for use with respect to the applicable offering or transaction. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should assume that the information in this prospectus, any accompanying prospectus supplement, and any other document incorporated by reference is accurate only as of the date on the front cover of the respective documents. Our business, financial condition, results of operations and prospects may have changed since such date.

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**FORWARD-LOOKING STATEMENTS**

The statements contained in this prospectus and any related prospectus supplement, or incorporated by reference in this prospectus and any related prospectus supplement, or in any permitted free writing prospectuses we have authorized for use with respect to the applicable offering or transaction that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act including statements regarding our expectations, hopes, intentions, or strategies regarding the future. These statements relate to, among other things, the future financial and operating results of FIS. In many cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, anticipate, believe, estimate, predict, potential, or continue, or the negative of these terms, and other comparable terms. Actual results could differ materially from those anticipated in these statements as a result of a number of factors, including, but not limited to:

changes in general economic, business and political conditions, including the possibility of intensified international hostilities, acts of terrorism, and changes in either or both the United States and international lending, capital and financial markets;

the effect of legislative initiatives or proposals, statutory changes, governmental or other applicable regulations and/or changes in industry requirements, including privacy regulations;

the risks of reduction in revenue from the elimination of existing and potential customers due to consolidation in or new laws or regulations affecting the banking, retail and financial services industries or due to financial failures or other setbacks suffered by firms in those industries;

changes in the growth rates of the markets for core processing, card issuer, and transaction processing services;

failures to adapt our services and products to changes in technology or in the marketplace; internal or external security breaches of our systems, including those relating to the theft of personal information and computer viruses affecting our software or platforms, and the reactions of customers, card associations and others to any such events;

the reaction of our current and potential customers to the regulatory letter we received about information security, risk management and internal audit following the security breach we experienced in early 2011 and to any other communications about such topics from our regulators or from us;

competitive pressures on product pricing and services including the ability to attract new, or retain existing, customers;

an operational or natural disaster at one of our major operations centers; and

other risks detailed elsewhere in this document and in our other filings with the Securities and Exchange Commission.

Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition, results of operations and prospects. Accordingly, readers should not place undue reliance on these forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. We assume no obligation to update or alter our forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You should carefully consider the possibility that actual results may differ materially from forward-looking statements in or incorporated into this prospectus or any related prospectus supplement.





**Table of Contents****FIDELITY NATIONAL INFORMATION SERVICES, INC.**

We are a leading global provider of banking and payments technologies. With a long history deeply rooted in the financial services sector, we serve more than 14,000 institutions in over 100 countries. Headquartered in Jacksonville, Florida, we employ more than 35,000 people worldwide and hold leadership positions in payment processing and banking solutions, providing software, services and outsourcing of the technology that drives financial institutions. We topped the 2012 and 2011 FinTech 100 list and we are a member of the Fortune 500 U.S. and of Standard and Poor's (S&P) 500 Index.

Our executive offices are located at 601 Riverside Avenue, Jacksonville, Florida 32204 and our telephone number is (904) 438-6000.

**USE OF PROCEEDS**

Unless the applicable prospectus supplement states otherwise, the net proceeds from the sale of securities offered by us will be used for general corporate purposes, which may include, but are not limited to, working capital, capital expenditures, the financing of future acquisitions and the repayment or refinancing of outstanding indebtedness. Until we use the net proceeds in this manner, we may temporarily use them to make short-term investments or reduce short-term borrowings. We will not receive any proceeds from the sale of securities by selling shareholders.

**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for each year in the five-year period ended December 31, 2012.

|                                       | <b>Year Ended December 31,</b> |             |             |             |             |
|---------------------------------------|--------------------------------|-------------|-------------|-------------|-------------|
|                                       | <b>2012</b>                    | <b>2011</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> |
| Ratio of Earnings to Fixed Charges(1) | 4.0                            | 3.2         | 3.6         | 1.9         | 1.9         |

- (1) In calculating the ratio of earnings to fixed charges, earnings are the sum of earnings from continuing operations before income taxes and equity in earnings (losses) of unconsolidated entities plus fixed charges and amortization of capitalized interest, less interest capitalized. Fixed charges include interest expense, capitalized interest and amortization of debt issue costs, as well as the imputed interest component of rental expense. There is no preferred stock outstanding as of the date of this prospectus, and we have paid no preferred dividends to date; accordingly, the ratio of earnings to fixed charges and preferred stock dividends is equal to the ratio of earnings to fixed charges and is not disclosed separately.

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**DESCRIPTION OF SECURITIES**

This prospectus contains summary descriptions of the common stock, preferred stock, depositary shares, debt securities, warrants, purchase contracts and units that we may sell from time to time. These summary descriptions are not meant to be complete descriptions of each security. The particular terms of any security to be issued pursuant hereto will be set forth in a related prospectus supplement. This prospectus and the accompanying prospectus supplement will contain the material terms and conditions for each security.

**DESCRIPTION OF CAPITAL STOCK**

The following description of select provisions of our Amended and Restated Articles of Incorporation, our Amended and Restated Bylaws and the Georgia law is necessarily general and does not purport to be complete.

This summary is qualified in its entirety by reference in each case to the applicable provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, and to the provisions of the Georgia Business Corporation Code. We have incorporated by reference our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws as exhibits to the registration statement of which this prospectus forms a part.

***General***

*Stock Outstanding.* As of February 28, 2013, our authorized capital stock consisted of 800,000,000 shares, of which 600,000,000 are designated Common Stock and have a par value of \$.01 per share, and 200,000,000 shares are designated Preferred Stock and have a par value of \$.01 per share. As of January 31, 2013, 294,489,305 shares of Common Stock and no shares of Preferred Stock were issued and outstanding.

***Common Stock***

Holders of our Common Stock are entitled to receive dividends that may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of FIS legally available for the payment of dividends. Holders of our Common Stock have the right to vote for the election of directors and on all other matters requiring shareholder action, each share being entitled to one vote. Upon the voluntary or involuntary dissolution of FIS, the net assets of FIS available for distribution shall be distributed pro rata to the holders of the Common Stock in accordance with the number of shares of Common Stock held by them. The rights and privileges of holders of our Common Stock are subject to the rights and preferences of the holders of any series of Preferred Stock that we may issue in the future, as described below.

***Preferred Stock***

The Preferred Stock may be issued from time to time by the board of directors as shares of one or more series. The number of shares of each series of Preferred Stock, and the voting powers, designations, preferences, rights, qualifications, limitations and restrictions of or on such shares shall be as fixed and determined by the board of directors prior to the issuance of any such shares, in the manner provided by law. The authority of the board of directors with respect to each series of the Preferred Stock shall include, without limiting the generality of the foregoing, the establishment of any or all of the voting powers, preferences, designations, rights, qualifications, limitations and restrictions described in Section 14-2-601(d) of the Georgia Business Corporation Code and any others determined by the board of directors, any of which may be different from or the same as those of any other class or series of FIS's shares.

The board of directors is expressly authorized at any time to adopt resolutions providing for the issuance of, or providing for a change in the number of, shares of any particular series of Preferred Stock and at any time and from time to time to file articles of amendment which are effective without shareholder action to increase or

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decrease the number of shares included in any series of Preferred Stock (but not to decrease the number of shares in any series below the number of shares then issued), to eliminate the series where no shares are issued, or to set or change in any one or more respects the voting powers, preferences, designations, rights, qualifications, limitations or restrictions relating to the shares of the series, except as otherwise provided by law or in the articles of amendment establishing any such series.

### ***Anti-Takeover Effects of Certain Provisions of our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws and Georgia law***

A number of provisions of our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws deal with matters of corporate governance and the rights of stockholders. The following discussion is a general summary of select provisions of our Amended and Restated Articles of Incorporation, our Amended and Restated Bylaws and certain Georgia law that might be deemed to have a potential anti-takeover effect. These provisions may have the effect of discouraging a future takeover attempt which is not approved by our board of directors but which individual stockholders may deem to be in their best interest or in which stockholders may be offered a substantial premium for their shares over then-current market prices. As a result, stockholders who might desire to participate in such a transaction may not have an opportunity to do so. Such provisions also render the removal of the incumbent board of directors or management more difficult.

*Common Stock.* Our unissued shares of authorized Common Stock will be available for future issuance without additional stockholder approval. While the authorized but unissued shares are not designed to deter or prevent a change of control, under some circumstances we could use the authorized but unissued shares to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control by, for example, issuing those shares in private placements to purchasers who might side with our board of directors in opposing a hostile takeover bid.

*Preferred Stock.* The existence of authorized but unissued Preferred Stock could reduce our attractiveness as a target for an unsolicited takeover bid since we could, for example, issue shares of the Preferred Stock to parties that might oppose such a takeover bid or issue shares of the Preferred Stock containing terms the potential acquiror may find unattractive. This ability may have the effect of delaying or preventing a change of control, may discourage bids for our Common Stock at a premium over the market price of our Common Stock, and may adversely affect the market price of, and the voting and the other rights of the holders of, our Common Stock.

*Classified Board of Directors and Related Provisions.* Our Amended and Restated Articles of Incorporation currently provides that our board of directors must be divided into three classes of directors (each class containing approximately one-third of the total number of directors) serving staggered three-year terms. As a result, approximately one-third of our board of directors will be elected each year. This classified board provision would prevent a third party who acquires control of a majority of our outstanding voting stock from obtaining control of our board of directors until the second annual stockholders meeting following the date the acquiror obtains the controlling interest. However, our Amended and Restated Articles of Incorporation were amended in 2012 to phase out the staggered board, with such change to be fully effective by the time of our annual meeting of shareholders in 2015.

Our Amended and Restated Articles of Incorporation provide that the number of directors is to be set by resolution of our board of directors, from time to time. If the number of directors is increased or decreased, the increase or decrease will be apportioned among the classes so as to maintain, as nearly as possible, an equal number of directors in each class, provided, however, that no decrease in the number of directors in a class will shorten the term of an incumbent director. Any additional director elected to fill a vacancy resulting from an increase in the size of our board will hold office for a term that coincides with the remaining term of the class to which such director is elected, with certain exceptions.

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Our Amended and Restated Articles of Incorporation provide that any vacancy on our board that results from an increase in the number of directors, or from the death, resignation, retirement, disqualification, or removal from office of any director, will be filled by a majority of the remaining members of our board, though less than a quorum, or by the sole remaining director. Any director elected to fill a vacancy resulting from the death, resignation, retirement, disqualification, or removal from office of a director will have the same remaining term as his or her predecessor. Accordingly, our board can prevent any shareholder from enlarging our board and filling the new directorships with that shareholder's own nominees.

*Special Meetings of Shareholders.* Our Amended and Restated Bylaws provide that special meetings may be called by the chairman of our board of directors, the vice chairman, our chief executive officer, our president, our board of directors by vote at a meeting, a majority of our directors in writing without a meeting, or by unanimous call of our shareholders.

*Advance Notice Requirements for Shareholder Proposals and Director Nominees.* Our Amended and Restated Bylaws provide that, if one of our shareholders desires to submit a proposal or nominate persons for election as directors at an annual stockholders' meeting, the shareholder's written notice must be received by us not less than 120 days prior to the anniversary date of the date that the proxy statement for the immediately preceding annual meeting of shareholders was released to shareholders. However, if no annual meeting of the shareholders was held in the previous year or if the date of the annual meeting of the shareholders has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, the notice shall be delivered to and received by us not later than the last to occur of (i) the date that is 150 days prior to the date of the contemplated annual meeting or (ii) the date that is 10 days after the date of the first public announcement or other notification to the shareholders of the date of the contemplated annual meeting. The notice must describe the proposal or nomination and set forth the name and address of, the stock held of record and beneficially by, the stockholder and other specified information. The presiding officer of the meeting may refuse to acknowledge a proposal or nomination not made in compliance with the procedures contained in our Amended and Restated Bylaws. The advance notice requirements regulating stockholder nominations and proposals may have the effect of precluding a contest for the election of directors or the introduction of a stockholder proposal if the requisite procedures are not followed and may discourage or deter a third-party from conducting a solicitation of proxies to elect its own slate of directors or to introduce a proposal.

### ***Other Constituencies***

In discharging the duties of their respective positions and in determining what is believed to be in the best interests of our company, our board, committees of our board, and individual directors, in addition to considering the effects of any action on FIS or its shareholders, is authorized under a provision of our Amended and Restated Articles of Incorporation to consider the interests of our employees, customers, suppliers, and creditors and the employees, customers, suppliers, and creditors of our subsidiaries, the communities in which our offices or other establishments are located, and all other factors the directors consider pertinent. This provision permits our board to consider numerous judgmental or subjective factors affecting a proposal for a business combination, including some non-financial matters, and on the basis of these considerations, our board may be permitted to oppose a business combination or other transaction which, viewed exclusively from a financial perspective, might be attractive to some, or even a majority, of our shareholders.

### ***Amendment of Our Articles***

Under the Georgia Business Corporation Code in general, and except as otherwise provided by our articles of incorporation, amendments to our Amended and Restated Articles of Incorporation must be recommended to the shareholders by our board and approved at a properly called shareholder meeting by a majority of the votes entitled to be cast on the amendment by each voting group entitled to vote on the amendment. Our articles of incorporation require the affirmative vote of the holders of not less than two-thirds of the votes entitled to be cast by the holders of all then outstanding shares of voting stock, voting together as a single class, to make, alter,

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amend, change, add to, or repeal any provision of, our Amended and Restated Articles of Incorporation or Amended and Restated Bylaws where such creation, alteration, amendment, change, addition, or repeal would be inconsistent with the provisions of our articles relating to:

the number of members of our board;

the classification of our board into classes of directors with staggered terms;

the filling of vacancies on our board; or

the ability of our board of directors to adopt amendments to our Amended and Restated Bylaws.

Notwithstanding the foregoing, this two-thirds vote is not required for any alteration, amendment, change, addition, or repeal recommended by a majority of our board.

### ***Amendment of Our Bylaws***

Under the Georgia Business Corporation Code in general, and subject to our articles of incorporation and the requirements of the business combination and fair price provisions described below, our bylaws may be altered, amended, or repealed by our board or by the affirmative vote of the holders of a majority of the shares of our common stock entitled to vote and actually voted on such matter.

### ***Anti-Takeover Legislation Georgia Law***

We are covered by two provisions of the Georgia Business Corporation Code, or Georgia Code, that restrict business combinations with interested shareholders: the business combination provision and the fair price provision. These provisions do not apply to a Georgia corporation unless its bylaws specifically make the statute applicable, and once adopted, in addition to any other vote required by the corporation's articles of incorporation or bylaws to amend the bylaws, such a bylaw may be repealed only by the affirmative vote of at least two-thirds of the continuing directors and a majority of the votes entitled to be cast by the voting shares of such corporation, other than shares beneficially owned by an interested shareholder and, with respect to the fair price provision, his, her, or its associates and affiliates

### ***Interested Shareholders Transactions***

The business combination provision of the Georgia Code generally prohibits Georgia corporations from entering into certain business combination transactions with any interested shareholder, generally defined as any person other than the corporation or its subsidiaries beneficially owning at least 10% of the outstanding voting stock of the corporation, for a period of five years from the date that person became an interested shareholder, unless:

prior to that shareholder becoming an interested shareholder, the board of directors of the corporation approved either the business combination or the transaction by which the shareholder became an interested shareholder;

in the transaction in which the shareholder became an interested shareholder, the interested shareholder became the beneficial owner of at least 90% of the voting stock outstanding, excluding, for purposes of determining the number of shares outstanding, Insider Shares, as defined below, at the time the transaction commenced; or

subsequent to becoming an interested shareholder, such shareholder acquired additional shares resulting in the interested shareholder being the beneficial owner of at least 90% of the outstanding voting shares, excluding, for purposes of determining the number of shares outstanding, Insider Shares, and the transaction was approved at an annual or special meeting of shareholders by the holders

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of a majority of the voting stock entitled to vote thereon, excluding from such vote, Insider Shares and voting stock beneficially owned by the interested shareholder.

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For purposes of this provision, Insider Shares refers generally to shares owned by:

persons who are directors or officers of the corporation, their affiliates, or associates;

subsidiaries of the corporation; and

any employee stock plan under which participants do not have the right, as determined exclusively by reference to the terms of such plan and any trust which is part of such plan, to determine confidentially the extent to which shares held under such plan will be tendered in a tender or exchange offer.

A Georgia corporation's bylaws must specify that all requirements of this provision apply to the corporation in order for this provision to apply. Our Amended and Restated Bylaws contain a provision stating that all requirements of this provision, and any successor provision, apply to us.

### ***Fair Price Requirements***

The fair price provision of the Georgia Business Corporation Code imposes certain requirements on business combinations of a Georgia corporation with any person who is an interested shareholder of that corporation. In addition to any vote otherwise required by law or the corporation's articles of incorporation, under the fair price provision, business combinations with an interested shareholder must meet one of the three following criteria designed to protect a corporation's minority shareholders:

the transaction must be unanimously approved by the continuing directors of the corporation, generally directors who served prior to the time an interested shareholder acquired 10% ownership and who are unaffiliated with such interested shareholder, provided that the continuing directors constitute at least three members of the board of directors at the time of such approval;

the transaction must be recommended by at least two-thirds of the continuing directors and approved by a majority of the votes entitled to be cast by holders of voting shares, other than voting shares beneficially owned by the interested shareholder who is, or whose affiliate is, a party to the business combination; or

the terms of the transaction must meet specified fair pricing criteria and certain other tests.

A Georgia corporation's bylaws must specify that all requirements of the fair price provision apply to the corporation in order for the fair price provision to apply. Our Amended and Restated Bylaws contain a provision stating that all requirements of the fair price provision, and any successor provisions thereto, apply to us.

### ***Removal of Directors***

The Georgia Business Corporation Code also contains a provision commonly referred to as the removal provision, which among other things, limits the ability of shareholders of a Georgia corporation to remove its directors if they serve staggered terms. The removal provision generally provides that:

directors having staggered terms may be removed only for cause, unless the corporation's articles of incorporation or a bylaw provision adopted by the corporation's shareholders provides otherwise;

directors may be removed only by a majority vote of the shares entitled to vote for the removal of directors; and



a director may be removed by a corporation's shareholders only at a meeting called for the purpose of removing him or her and the meeting notice must state that purpose, or one of the purposes, of the meeting is removal of the director.

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Neither our Amended and Restated Articles of Incorporation nor our Amended and Restated Bylaws contain a provision permitting the removal of our directors other than for cause. Accordingly, until our staggered board is eliminated in 2015 as described above, the removal provision could have the effect of restricting the ability of our shareholders to remove incumbent directors and fill the vacancies created by such removal with their own nominees.

***Limitations on Director Liability***

Under the provisions of the Amended and Restated Articles of Incorporation, no director shall have any liability to us or to our shareholders for monetary damages for any action taken, or failure to take any action, as a director, except for: (1) any appropriation of any business opportunity of ours in violation of the director's duties; (2) acts or omissions which involve intentional misconduct or a knowing violation of law; (3) the types of liability set forth in Section 14-2-832 of the Georgia Business Corporation Code (relating to unlawful dividends and other distributions); or (4) any transaction from which the director received an improper personal benefit.

***Transfer Agent and Registrar***

The transfer agent and registrar for our common stock is Computershare.

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### **DESCRIPTION OF DEPOSITARY SHARES**

The following outlines some of the general terms and provisions of the depositary shares. Further terms of the depositary shares and the applicable deposit agreement will be stated in the applicable prospectus supplement. The following description and any description of the depositary shares in a prospectus supplement may not be complete and is subject to and qualified in its entirety by reference to the terms and provisions of the deposit agreement, a form of which has been filed as an exhibit to the registration statement of which this prospectus forms a part.

The particular terms of the depositary shares offered by any prospectus supplement and the extent to which the general provisions described below may apply to such depositary shares will be outlined in the applicable prospectus supplement.

#### ***General***

We may choose to offer fractional interests in debt securities or fractional shares of preferred stock. We may issue fractional interests in debt securities or preferred stock, as the case may be, in the form of depositary shares. Each depositary share would represent a fractional interest in a security of a particular series of debt securities or a fraction of a share of a particular series of preferred stock, as the case may be, and would be evidenced by a depositary receipt.

We will deposit the debt securities or shares of preferred stock represented by depositary shares under a deposit agreement between us and a depositary which will be named in the applicable prospectus supplement. Subject to the terms of the deposit agreement, as an owner of a depositary share, you will be entitled, in proportion to the applicable fraction of a debt security or share of preferred stock represented by the depositary share, to all the rights and preferences of the debt security or preferred stock, as the case may be, represented by the depositary share, including, as the case may be, interest, dividend, voting, conversion, redemption, sinking fund, repayment at maturity, subscription and liquidation rights.

#### ***Interest, Dividends and Other Distributions***

The depositary will distribute all payments of interest, cash dividends or other cash distributions received on the debt securities or preferred stock, as the case may be, to you in proportion to the number of depositary shares that you own. In the event of a distribution other than in cash, the depositary will distribute property received by it to you in an equitable manner, unless the depositary determines that it is not feasible to make a distribution. In that case, the depositary may sell the property and distribute the net proceeds from the sale to you.

#### ***Redemption of Depositary Shares***

If a debt security or series of preferred stock represented by depositary shares is redeemed, the depositary will redeem your depositary shares from the proceeds received by the depositary resulting from the redemption. The redemption price per depositary share will be equal to the applicable fraction of the redemption price per debt security or share of preferred stock, as the case may be, payable in relation to the redeemed series of debt securities or preferred stock. Whenever we redeem debt securities or shares of preferred stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing, as the case may be, fractional interests in the debt securities or shares of preferred stock redeemed. If fewer than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by lot, proportionately or by any other equitable method as the depositary may determine.

#### ***Exercise of Rights under the Indentures or Voting the Preferred Stock***

Upon receipt of notice of any meeting at which you are entitled to vote, or of any request for instructions or directions from you as holder of fractional interests in debt securities or preferred stock, the depositary will mail

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to you the information contained in that notice. Each record holder of the depositary shares on the record date will be entitled to instruct the depositary how to give instructions or directions with respect to the debt securities represented by that holder's depositary shares or how to vote the amount of the preferred stock represented by that holder's depositary shares. The record date for the depositary shares will be the same date as the record date for the debt securities or preferred stock, as the case may be. The depositary will endeavor, to the extent practicable, to give instructions or directions with respect to the debt securities or to vote the amount of the preferred stock, as the case may be, represented by the depositary shares in accordance with those instructions. We will agree to take all reasonable action which the depositary may deem necessary to enable the depositary to do so. The depositary will abstain from giving instructions or directions with respect to your fractional interests in the debt securities or voting shares of the preferred stock, as the case may be, if it does not receive specific instructions from you.

### ***Amendment and Termination of the Deposit Agreement***

We and the depositary may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement at any time. However, any amendment which materially and adversely affects the rights of the holders of the depositary shares will not be effective unless the amendment has been approved by the holders of at least a majority of the depositary shares then outstanding.

The deposit agreement will terminate if:

all outstanding depositary shares have been redeemed;

if applicable, the debt securities and the preferred stock represented by depositary shares have been converted into or exchanged for common stock or, in the case of debt securities, repaid in full; or

there has been a final distribution in respect of the preferred stock, including in connection with the liquidation, dissolution or winding-up of FIS, and the distribution proceeds have been distributed to you.

### ***Resignation and Removal of Depositary***

The depositary may resign at any time by delivering to us notice of its election to do so. We also may, at any time, remove the depositary. Any resignation or removal will take effect upon the appointment of a successor depositary and its acceptance of such appointment. We must appoint the successor depositary within 60 days after delivery of the notice of resignation or removal. The successor depositary must be a bank or trust company having its principal office in the United States and having total assets of not less than \$1 billion.

### ***Charges of Depositary***

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the depositary in connection with the initial deposit of the debt securities or preferred stock, as the case may be, and issuance of depositary receipts, all withdrawals of depositary shares of debt securities or preferred stock, as the case may be, by you and any repayment or redemption of the debt securities or preferred stock, as the case may be. You will pay other transfer and other taxes and governmental charges, as well as the other charges that are expressly provided in the deposit agreement to be for your account.

### ***Miscellaneous***

The depositary will forward all reports and communications from us which are delivered to the depositary and which we are required or otherwise determine to furnish to holders of debt securities or preferred stock, as the case may be. Neither we nor the depositary will be liable under the deposit agreement to you other than for gross negligence, willful misconduct or bad faith. Neither we nor the depositary will be obligated to prosecute or

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defend any legal proceedings relating to any depositary shares, debt securities or preferred stock unless satisfactory indemnity is furnished. We and the depositary may rely upon written advice of counsel or accountants, or upon information provided by persons presenting debt securities or shares of preferred stock for deposit, you or other persons believed to be competent and on documents which we and the depositary believe to be genuine.

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**DESCRIPTION OF DEBT SECURITIES**

As used in this prospectus, debt securities means the debentures, notes, bonds and other evidences of indebtedness that we may issue from time to time. The debt securities will either be senior debt securities or subordinated debt securities. Unless the applicable prospectus supplement states otherwise, senior debt securities will be issued under a Senior Indenture to be entered into between Fidelity National Information Systems, Inc., certain of our subsidiaries that may guarantee the securities and The Bank of New York Mellon Trust Company, N.A. and subordinated debt securities will be issued under a Subordinated Indenture to be entered into with The Bank of New York Mellon Trust Company, N.A. This prospectus sometimes refers to the Senior Indenture and the Subordinated Indenture collectively as the Indentures and each individually as an Indenture.

The Senior Indenture and form of Subordinated Indenture are incorporated by reference as exhibits to the registration statement of which this prospectus forms a part. The statements and descriptions in this prospectus or in any prospectus supplement regarding provisions of the Indentures and debt securities are summaries thereof, do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Indentures and the debt securities, including the definitions therein of certain terms.

***General***

The debt securities will be unsecured obligations of ours. The senior debt securities will rank equally with all of our other senior and unsubordinated debt. The subordinated debt securities will be subordinate and junior in right of payment to all of our present and future senior indebtedness to the extent described in the applicable prospectus supplement.

Because we are a holding company that conducts our operations through our subsidiaries, holders of debt securities will generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debtholders, secured creditors, taxing authorities, and guarantee holders, except to the extent our subsidiaries guarantee the debt securities. As of December 31, 2012, our subsidiaries had approximately \$2,265,300,000 of total liabilities that were reflected on our consolidated balance sheet. Moreover, our ability to pay principal and interest on the debt securities is, to a large extent, dependent upon our receiving dividends, interest or other amounts from our subsidiaries.

The Indentures do not limit the aggregate principal amount of debt securities that we may issue and provide that we may issue debt securities under them from time to time in one or more series. The Indentures also do not limit our ability to incur other debt.

Each prospectus supplement will describe the terms relating to the specific series of debt securities being offered. These terms will include, among other things, some or all of the following:

the title of the debt securities, including CUSIP numbers, and whether they are subordinated debt securities or senior debt securities;

any limit on the aggregate principal amount of the debt securities which may be authenticated and delivered under the applicable Indenture;

the price or prices at which the debt securities will be issued;

the date or dates on which the principal of and premium, if any, on the debt securities is payable or the method of determination thereof;

the rate or rates (which may be fixed, variable or zero) at which the debt securities will bear interest, if any, or the method of calculating such rate or rates of interest;

the date or dates from which interest, if any, will accrue or the method by which such date or dates will be determined;



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the dates on which interest will be payable and with respect to registered securities, the regular record date for the interest payable on any interest payment date;

the place or places where, and the manner in which, the principal of, premium, if any, and interest on the debt securities will be payable, and the place or places where the debt securities may be presented for transfer and, if applicable, conversion or exchange;

the period or periods within which, the price or prices at which, the currency (if other than United States dollars) in which, and the other terms and conditions upon which, the debt securities may be redeemed;

our obligation, if any, to redeem or purchase debt securities pursuant to any sinking fund or analogous provisions or upon the happening of a specified event or at the option of holders of the debt securities and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, debt securities will be redeemed or purchased, in whole or in part, pursuant to such obligation;

if other than denominations of \$1,000 and any integral multiple thereof, if registered securities, and if other than the denomination of \$5,000, if bearer securities, the denominations in which debt securities will be issuable;

if other than United States dollars, the currency for which the debt securities may be purchased or in which the debt securities will be denominated and/or the currency in which the principal of, premium, if any, and interest, if any, on the debt securities will be payable and the particular provisions applicable thereto in accordance with, in addition to, or in lieu of the provisions of the applicable Indenture;

if the amount of payments of principal of, or premium, if any, or interest, if any, on the debt securities will be determined with reference to an index, formula or other method based on a currency or currencies, the index, formula or other method by which such amount will be determined;

if the amount of payments of principal of, premium, if any, or interest, if any, on the debt securities will be determined with reference to an index, formula or other method based on the prices of securities or commodities, with reference to changes in the prices of securities or commodities or otherwise by application of a formula, the index, formula or other method by which such amount will be determined;

if other than the entire principal amount thereof, the portion of the principal amount of such debt securities which will be payable upon declaration of acceleration thereof or the method by which such portion will be determined;

the person to whom any interest on any registered debt securities will be payable and the manner in which, or the person to whom, any interest on any bearer debt securities will be payable;

provisions, if any, granting special rights to the holders of debt securities upon the occurrence of specified events;

any addition to or modification or deletion of any Events of Default or any covenants of FIS pertaining to the debt securities;



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under what circumstances, if any, we will pay additional amounts on the debt securities held by a person who is not a U.S. Person in respect of taxes, assessments or similar governmental charges withheld or deducted and, if so, whether we will have the option to redeem such debt securities rather than pay such additional amounts (and the terms of any such option);

whether debt securities will be issuable as registered securities or bearer securities (with or without interest coupons), or both, and any restrictions applicable to the offering, sale or delivery of bearer securities, and the terms upon which bearer securities of a series may be exchanged for registered securities of the same series and vice versa;

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the date as of which any bearer securities and any temporary global security representing outstanding debt securities will be dated if other than the date of original issuance;

whether any of our subsidiaries will provide guarantees of the debt securities;

whether the provisions described below relating to defeasance and covenant defeasance will be applicable to the debt securities of such series;

if other than the trustee, the identity of the registrar and any paying agent;

if the debt securities will be issued in whole or in part in global form, (i) the depository for such global securities, (ii) whether beneficial owners of interests in any debt securities in global form may exchange such interests for certificated debt securities of like tenor of any authorized form and denomination, and (iii) the circumstances under which any such exchange may occur; and

any other terms of the debt securities and any deletions from or modifications or additions to the applicable Indenture.

Unless otherwise specified in the applicable prospectus supplement, the debt securities will not be listed on any securities exchange.

Unless otherwise specified in the applicable prospectus supplement, the debt securities will be issued only in registered form without coupons or in the form of one or more global securities. Unless otherwise specified in the applicable prospectus supplement, bearer securities will have interest coupons attached.

Debt securities may be sold at a substantial discount below their stated principal amount, bearing no interest or interest at a rate which at the time of issuance is below market rates. The applicable prospectus supplement will describe the federal income tax consequences and special considerations applicable to any such debt securities. The debt securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, as described in more detail in the prospectus supplement relating to any of the particular debt securities. The prospectus supplement relating to specific debt securities will also describe any special considerations and certain additional tax considerations applicable to such debt securities.

***Subsidiary Guarantors***

Each of our wholly owned domestic subsidiaries that guarantees our obligations under the Credit Agreement (as defined below) will initially be a party to the Senior Indenture. If so specified in the applicable prospectus supplement, some or all of such subsidiaries (each, a Subsidiary Guarantor ) will guarantee the senior debt securities of a series. Unless otherwise specified, these guarantees will be senior obligations of each Subsidiary Guarantor and will rank equal with all existing and future senior Debt (as defined below) of such Subsidiary Guarantor and senior to all subordinated Debt of such Subsidiary Guarantor. The guarantees will be effectively subordinated to any secured Debt of such Subsidiary Guarantor to the extent of the assets securing such Debt. The guarantees will be full and unconditional, provided that the Senior Indenture provides that the obligations of a Subsidiary Guarantor under its applicable guarantee will be limited to the maximum amount as will result in the obligations of such Subsidiary Guarantor under the guarantee not to be deemed to constitute a fraudulent conveyance or fraudulent transfer under federal or state law. By virtue of this limitation, a Subsidiary Guarantor's obligations under its guarantee could be significantly less than amounts payable with respect to the debt securities of a series, or a Subsidiary Guarantor may have effectively no obligation under its guarantee.

If so specified in the applicable prospectus supplement, after the initial issuance of senior debt securities of a series, we will cause each new wholly-owned domestic subsidiary of ours that incurs any Debt under our Credit Facilities (as defined below) to become an additional Subsidiary Guarantor of such debt securities on the terms set forth above.

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The guarantee of a Subsidiary Guarantor with respect to a series of senior debt securities will terminate and be discharged and of no further force and effect and the applicable Subsidiary Guarantor will be automatically and unconditionally released from all of its obligations thereunder:

- (1) concurrently with any direct or indirect sale or other disposition (including by way of consolidation, merger or otherwise) of the Subsidiary Guarantor or the sale or disposition (including by way of consolidation, merger or otherwise) of all or substantially all the assets of the Subsidiary Guarantor (other than to FIS or a subsidiary);
- (2) at any time that such Subsidiary Guarantor is released from all of its obligations (other than contingent indemnification obligations that may survive such release) under all of its guarantees of all Debt of FIS under the Credit Facilities except a discharge by or as a result of payment under such guarantee;
- (3) upon the merger or consolidation of any Subsidiary Guarantor with and into FIS or a Subsidiary Guarantor that is the surviving person in such merger or consolidation, or upon the liquidation of such Subsidiary Guarantor following or contemporaneously with the transfer of all of its assets to FIS or a subsidiary;
- (4) upon the defeasance or discharge of the debt securities of such series, as provided in the Senior Indenture or upon satisfaction and discharge of the Senior Indenture; or
- (5) upon the prior consent of the holders of all the debt securities of such series then outstanding.

## ***Subordination***

Subordinated debt securities will be subordinate and junior in right of payment to all of our senior indebtedness. The prospectus supplement relating to any offering of subordinated debt securities will describe the specific subordination provisions.

In the event subordinated debt securities are issued pursuant to the Subordinated Indenture or any other subordinated indenture with a trustee which is also a trustee for senior debt securities pursuant to the Senior Indenture, the occurrence of any default under such subordinated indenture or such Senior Indenture could create a conflicting interest for the respective trustee under the Trust Indenture Act of 1939. If such default has not been cured or waived within 90 days after such trustee has or acquires a conflicting interest, such trustee generally is required by the Trust Indenture Act of 1939 to eliminate such conflicting interest or resign as trustee with respect to the debt securities issued under such Senior Indenture or such subordinated indenture. In the event of the trustee's resignation, we will promptly appoint a successor trustee with respect to the affected securities.

## ***Restrictive Covenants***

Unless an accompanying prospectus supplement states otherwise, the following restrictive covenants shall apply to each series of senior debt securities:

*Limitation on Liens.* We shall not, and shall not permit any of our subsidiaries to, create or assume any mortgage, pledge, lien, charge, security interest, conditional sale or other title retention agreement or other encumbrance (lien) on any Principal Facility, or upon any stock or Debt of any subsidiary, to secure Debt unless the senior debt securities of each series then outstanding are, for so long as such Debt is so secured, secured by such lien equally and ratably with (or prior to) such Debt. However, this requirement does not apply to:

- (1) liens existing on the date of the Senior Indenture;
- (2) liens securing all or any portion of any Debt (x) pursuant to the Credit Agreement or (y) pursuant to any debt instrument or agreement (Refinancing Debt) that in whole or in part refinances, refunds, extends or renews the Credit Agreement or any Refinancing Debt;

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- (3) any lien for taxes or assessments or other governmental charges or levies not overdue for more than 30 days (or which, if due and payable, are being contested in good faith and for which adequate reserves are being maintained, to the extent required by GAAP) or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on us and our subsidiaries taken as a whole;
- (4) any warehousemen's, materialmen's, landlord's or other similar liens arising by law for sums not overdue for more than 30 days (or which, if due and payable, are being contested in good faith and with respect to which adequate reserves are being maintained, to the extent required by GAAP) or the nonpayment of which in the aggregate would not reasonably be expected to have a material adverse effect on us and our subsidiaries taken as a whole;
- (5) survey exceptions, encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telephone lines and other similar purposes, or zoning or other similar restrictions as to the use of real properties or liens incidental to the conduct of the business of such person or to the ownership of its properties which do not individually or in the aggregate materially adversely affect the value of FIS and its subsidiaries taken as a whole or materially impair the operation of the business of FIS and its subsidiaries taken as a whole;
- (6) pledges or deposits (i) in connection with workers' compensation, unemployment insurance and other types of statutory obligations or the requirements of any official body; (ii) to secure the performance of tenders, bids, surety, stay, customs, appeals, or performance bonds, leases, purchase, construction, sales or servicing contracts (including utility contracts) and other similar obligations incurred in the normal course of business consistent with industry practice (including, without limitation, those to secure health, safety and environmental obligations); (iii) to obtain or secure obligations with respect to letters of credit, guarantees, bonds or other sureties or assurances given in connection with the activities described in clauses (i) and (ii) above, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property or services or imposed by ERISA or the Internal Revenue Code in connection with a plan (as defined in ERISA); or (iv) arising in connection with any attachment unless such liens shall not be satisfied or discharged or stayed pending appeal within 60 days after the entry thereof or the expiration of any such stay;
- (7) liens on property or assets of a person existing at the time such person is acquired or merged with or into or consolidated with us or with a subsidiary, or becomes a subsidiary (and not created or incurred in anticipation of such transaction), *provided* that such liens are not extended to our property and assets or the property and assets of our subsidiaries, other than the property or assets acquired;
- (8) liens securing Debt of a subsidiary owed to and held by us or by our subsidiaries;
- (9) liens to secure any permitted extension, renewal, refinancing or refunding (or successive extensions, renewals, refinancings or refundings), in whole or in part, of any Debt secured by liens referred to in clauses (1), (7), (11) and (12) hereof; *provided* that such liens do not extend to any other property or assets (other than improvements, accessions, or proceeds in respect thereof) and the principal amount of the obligations secured by such liens is not increased;
- (10) liens upon specific items of inventory or other goods and proceeds of any person securing such person's obligation in respect of banker's acceptances issued or created in the ordinary course of business for the account of such person to facilitate the purchase, shipment, or storage of such inventory or other goods;
- (11) liens securing Debt incurred to finance the construction, purchase or lease of, or repairs, improvements or additions to, property, plant or equipment of such person; *provided, however*, that the lien may not extend to any other property owned by such person at the time the lien is incurred (other than assets and property affixed or appurtenant thereto and proceeds thereof), and the Debt (other than any interest thereon) secured by the lien may

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not be incurred more than 270 days after the later of the acquisition, completion of construction, repair, improvement, addition or commencement of full operation of the property subject to the lien;

(12) liens on property or assets existing at the time of the acquisition thereof;

(13) liens (i) that are contractual rights of set-off (A) relating to the establishment of depository relations with banks not given in connection with the issuance of Debt, (B) relating to our pooled deposit or sweep accounts to permit satisfaction of overdraft or similar obligations and other cash management activities incurred in the ordinary course of business or (C) relating to purchase orders and other agreements entered into with our customers in the ordinary course of business and (ii) (W) of a collection bank arising under Section 4-210 of the Uniform Commercial Code on items in the course of collection, (X) encumbering reasonable customary initial deposits and margin deposits and attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business, (Y) in favor of banking institutions arising as a matter of law or pursuant to customary account agreements encumbering deposits (including the right of set-off) and which are within the general parameters customary in the banking industry, and (Z) of financial institutions funding the Vault Cash Operations in the cash provided by such institutions for such Vault Cash Operations;

(14) liens on the stock of a securitization vehicle incurred in connection with a securitization financing;

(15) liens pursuant to the terms and conditions of any contracts between us or any subsidiary and the U.S. government;

(16) liens arising in connection with our cash management practices;

(17) Settlement Liens; and

(18) liens not otherwise permitted under the Senior Indenture securing Debt in an aggregate principal amount that, together with the aggregate Attributable Value of property involved in sale and leaseback transactions permitted by clause (i) of Limitation on Sale Leaseback Transactions below and all other Debt then secured by liens permitted only pursuant to this clause (18), does not exceed 10% of our consolidated net worth.

Each lien, if any, granted, pursuant to the provisions described above, to secure any senior debt securities shall automatically and unconditionally be deemed to be released and discharged upon the release and discharge of the lien whose existence caused such securities to be required to be so secured. For purposes of determining compliance with this covenant, any lien need not be permitted solely by reference to one category of permitted liens but may be permitted in part by one provision and in part by one or more other provisions. In the event that a lien securing Debt or any portion thereof meets the criteria of more than one such provision, we shall divide and classify and may later re-divide and reclassify such lien in our sole discretion.

*Limitation on Sale Leaseback Transactions.* We may not sell or transfer, and will not permit any subsidiary to sell or transfer (except to us or one or more subsidiaries, or both), any Principal Facility owned by FIS or any subsidiary with the intention of taking back a lease on such facility longer than 36 months, unless (i) the sum of the aggregate Attributable Value of the property involved in sale and leaseback transactions not otherwise permitted plus the aggregate principal amount of Debt secured by all liens permitted only by clause (18) of Limitation on Liens above does not exceed 10% of our consolidated net worth; or (ii) within 365 days after such sale or transfer, we apply an amount equal to the greater of the net proceeds of the sale or the fair market value of the property sold to the purchase of real property or the retirement of debt securities or other long-term Debt.

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***Consolidation, Merger, Sale of Assets and Other Transactions***

We may not, in any transaction or series of related transactions, consolidate or merge with or into, or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of the assets of FIS and its subsidiaries, taken as a whole, to, any person unless:

- (1) the person formed by or surviving any such consolidation or merger (if other than FIS), or which acquires by sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of our assets, is a corporation, limited partnership, limited liability company or similar entity organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and, if such entity is not a corporation, a co-obligor of the debt securities is a corporation organized or existing under any such laws;
- (2) the person formed by or surviving any such consolidation or merger (if other than FIS), or which acquires by sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of our assets, expressly assumes by supplemental indenture the due and punctual payment of all amounts due in respect of the principal of and premium, if any, and interest on the debt securities of such series and the performance of all of our obligations under the debt securities and the Indentures; and
- (3) immediately after giving effect to the transaction no default or Event of Default shall have occurred and be continuing.

We shall deliver to the trustee prior to the proposed transaction an officers' certificate and an opinion of counsel each stating that the proposed transaction and such supplemental indenture comply with the applicable Indenture and that all conditions precedent to the consummation of the transaction under the applicable Indenture have been met.

If we consolidate or merge with or into any other corporation, limited partnership, limited liability company or similar entity or sell all or substantially all of our assets according to the terms and conditions of the Indentures, the resulting or acquiring entity will be substituted for us under the Indentures with the same effect as if it had been an original party to the Indentures. As a result, such successor corporation may exercise our rights and powers under the Indentures, in our name or its own name, and we will be released from all our liabilities and obligations under the Indentures and under the debt securities.

***Events of Default, Notice and Waiver***

Unless an accompanying prospectus supplement states otherwise, the following shall constitute Events of Default under the Indentures with respect to debt securities of any series:

- (1) default in the payment of any interest on any debt security of such series when due and payable and continuance of such default for a period of 30 days;
- (2) default in the payment of any principal of or premium, if any, on any debt security of such series when due (whether at stated maturity, upon redemption, repurchase at the option of the holder or otherwise), or default in the making of any mandatory sinking fund payment;
- (3) default, but in the Subordinated Indenture only default in any material respect, in the performance, or breach, of any covenant or warranty with respect to any debt security of such series (other than a covenant or agreement a default in whose performance or whose breach is specifically dealt with in clause (1) or (2) above), and the continuance of such default or breach for a period of 60 days after we receive written notice of such default or breach;
- (4) default in the payment by us, when due (after the expiration of any applicable grace period thereto), of an aggregate principal amount of Debt in respect of borrowed money (other than debt securities of such series) exceeding \$300 million, or default which results in such Debt (other than debt securities of such series) in

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an aggregate principal amount exceeding \$300 million becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, in each case without such acceleration having been rescinded or annulled, or such Debt having been paid in full, or there having been deposited into trust a sum of money sufficient to pay in full such Debt, within 15 days after receipt of written notice of such default or breach (which notice shall state that such notice is a Notice of Default under the Indenture) to us (by registered or certified mail) by the trustee or to us and the Trustee (in each case by registered or certified mail) by holders of at least 25% in aggregate principal amount of the outstanding securities of such series;

- (5) certain events of bankruptcy, insolvency or reorganization of FIS;
- (6) the denial or disaffirmance by any Subsidiary Guarantor of such Subsidiary Guarantor's obligations under its guarantee, or the holding of any guarantee as being unenforceable or invalid in any judicial proceeding, or any guarantee ceasing to be in full force and effect, except as permitted under the Senior Indenture; and
- (7) any other event of default with respect to any debt security of such series including an event of default provided for in a supplemental indenture.

If an Event of Default with respect to any debt securities of any series outstanding under the Indentures occurs and is continuing, the trustee under such Indenture or the holders of at least 25% in aggregate principal amount of all of the outstanding debt securities of such series may declare, by written notice to us (and if given by the holders, to the trustee), the principal of and accrued interest, if any, on all the debt securities of such series to be due and payable immediately; *provided that*, after such a declaration of acceleration, the holders of a majority in aggregate principal amount of the outstanding debt securities of that series may, by written notice to the trustee, rescind or annul such declaration and its consequences if all Events of Default, other than the non-payment of accelerated principal of or interest on, have been cured or waived as provided in the Indenture.

The holders of a majority in aggregate principal amount of the outstanding debt securities of any series, by written notice to the trustee, may waive any past default or event of default with respect to that series except (i) a default or event of default in the payment of the principal of, or premium, if any, or interest on, any debt security of such series or (ii) default in respect of a covenant or provision which may not be amended or modified without the consent of the holder of each outstanding debt security of such series affected. Upon any such waiver, such default shall cease to exist, and any event of default arising therefrom shall be deemed to have been cured.

The trustee is not required to exercise any of the rights or powers vested in it by the applicable Indenture at the request or direction of any of the holders of debt securities of any series, unless the holders have offered the trustee security or indemnity reasonably satisfactory to the trustee. Subject to such right of indemnification and to certain other limitations, the holders of a majority in aggregate principal amount of the outstanding debt securities of any series may direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of such series.

No holder of a debt security of any series may institute any proceeding with respect to the Indentures or for the appointment of a receiver or trustee or for any other remedy unless (i) the holder has given to the trustee written notice of a continuing Event of Default with respect to the debt securities of such series, (ii) the holders of at least 25% in aggregate principal amount of the debt securities of that series then outstanding shall have made a written request to the trustee to institute proceedings in respect of such Event of Default in its own name as trustee, (iii) the holders have offered to the trustee indemnity satisfactory to the trustee against any loss, liability or expense to be incurred in pursuing the remedy, (iv) the trustee has failed to institute any such proceedings for 60 days after its receipt of such request, and (v) during such 60 day period, the holders of a majority in aggregate principal amount of the debt securities of such series then outstanding have not given to the trustee a direction inconsistent with such written request. Such limitations do not apply, however, to a suit instituted by a holder of a debt security of any series directly (as opposed to through the trustee) for enforcement of payment of principal of, and premium, if any, or interest on such debt security of any series on or after the respective due dates expressed or provided for therein.

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Each year, we will either certify to the relevant trustee that we are not in default of any of our obligations under the applicable Indenture or we will notify the relevant trustee of any default that exists under the applicable Indenture. In addition, we have agreed to deliver to the trustee, promptly after we become aware of the occurrence of a default or an event of default of the character specified in the fourth bullet point under the caption "Events of Default, Notice and Waiver" above, written notice of the occurrence of such default or event of default.

### ***Discharge, Defeasance and Covenant Defeasance***

Unless otherwise set forth in the applicable prospectus supplement, we and, if applicable, each Subsidiary Guarantor, may discharge or defease our obligations under each Indenture as set forth below.

We may discharge certain obligations to holders of any series of debt securities which have not already been delivered to the trustee for cancellation and which have either become due and payable or are by their terms due and payable within one year (or scheduled for redemption within one year) by irrevocably depositing with the trustee cash or government obligations (as defined in either Indenture) or a combination thereof, as trust funds in an amount certified to be sufficient to pay and discharge when due, whether at maturity, upon redemption or otherwise, the principal of, and premium, if any, and interest, if any, on such debt securities and any mandatory sinking fund payments applicable to such debt securities.

Unless otherwise indicated in the applicable prospectus supplement, we may elect, at our option, either (i) to defease and be discharged from any and all obligations with respect to the debt securities of or within any series (except as otherwise provided in the relevant Indenture) ( "defeasance" ) or (ii) to be released from our obligations with respect to certain covenants applicable to the debt securities of or within any series ( "covenant defeasance" ), upon the deposit with the relevant trustee of money and/or government obligations in sufficient quantity that will provide money in an amount sufficient to pay the principal of and any premium or interest on such debt securities to maturity or redemption and any mandatory sinking fund payments thereon.

As a condition to defeasance or covenant defeasance, we must deliver to the trustee an opinion of counsel to the effect that the holders of affected debt securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred. Such opinion of counsel, in the case of defeasance under clause (i) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable U.S. federal income tax law occurring after the date of the relevant Indenture. In addition, in the case of either defeasance or covenant defeasance, we shall have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent to such defeasance or covenant defeasance have been complied with.

We may exercise our defeasance option notwithstanding our prior exercise of our covenant defeasance option.

### ***Modification of the Indentures***

Under the Indentures, we, our Subsidiary Guarantors, if applicable, and the applicable trustee, at any time and from time to time, may enter into supplemental indentures without the consent of any holders of debt securities to:

evidence the succession of another person to FIS or any Subsidiary Guarantor and the assumption by any such successor of the covenants of FIS or of such Subsidiary Guarantor in the Indentures and in the debt securities; or



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add to the covenants of FIS or of any Subsidiary Guarantor for the benefit of the holders of all or any series of debt securities or surrender any right or power conferred upon FIS or such Subsidiary Guarantor in the Indentures or in the debt securities; or

add any additional Events of Default with respect to all or any series of debt securities; or

add to or change any of the provisions of the Indentures to such extent as shall be necessary to facilitate the issuance of bearer securities or to facilitate the issuance of debt securities in global form; or

amend or supplement any provision contained in the Indentures or in any supplemental indentures, provided that such amendment or supplement does not apply to any outstanding debt security issued prior to the date of such supplemental indenture and entitled to the benefits of such provision; or

secure the debt securities; or

establish the form or terms of debt securities of any series as permitted by the Indentures; or

add or release a Subsidiary Guarantor as required or permitted by the Indentures;

evidence and provide for the acceptance of appointment by a successor trustee with respect to the debt securities of one or more series under the Indentures and add to or change any of the provisions of the Indentures as shall be necessary to provide for or facilitate the administration of the trusts by more than one trustee under the Indentures; or

if allowed without penalty under applicable laws and regulations, permit payment in the United States of principal, premium, if any, or interest, if any, on bearer securities or coupons, if any; or

cure or reform any ambiguity, defect, omission, mistake, manifest error or inconsistency, or conform the Indentures or the debt securities of a series to any provision of the description thereof set forth in the final prospectus, offering memorandum or other offering document, as supplemented as of the time of sale, under which such debt securities were sold; or

make any other change that does not adversely affect the rights of any holder; or

make any change to comply with the Trust Indenture Act of 1939 or any amendment thereof, or any requirement of the Securities and Exchange Commission in connection with the qualification of the Indentures under the Trust Indenture Act of 1939 or any amendment thereof.

With the consent of the holders of a majority in aggregate principal amount of the outstanding debt securities of each series affected by such supplemental indenture, we, the Subsidiary Guarantors, if applicable, and the applicable trustee may enter into supplemental indentures to add provisions to, or change or eliminate any provisions of either Indenture or any supplemental indenture or to modify the rights of the holders of the debt securities of each series so affected. However, we need the consent of the holder of each outstanding debt security affected in order to:

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change the stated maturity of the principal of or premium, if any, on or of any installment of principal of or premium, if any, or interest, if any, on, or additional amounts, if any, with respect to, any debt security; or

reduce the principal amount of, or any installment of principal of, or premium, if any, or interest, if any, on, or any additional amounts payable with respect to, any debt security or the rate of interest on any debt security; or

reduce the amount of premium, if any, payable upon redemption of any debt security or the repurchase by us of any debt security at the option of the holder of such debt security; or

change the manner in which the amount of any principal of or premium, if any, or interest on or additional amounts, if any, with respect to, any debt security is determined; or

reduce the amount of the principal of any original issue discount security or indexed security that would be due and payable upon a declaration of acceleration of the maturity thereof; or

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change the currency in which any debt securities or any premium or the interest thereon or additional amounts, if any, with respect thereto, is payable; or

change the index, securities or commodities with reference to which or the formula by which the amount of principal of or any premium or the interest on any debt security is determined; or

impair the right to institute suit for the enforcement of any payment on or after the stated maturity thereof (or on or after the redemption date or on or after the repurchase date, as the case may be); or

except as provided in the Indenture, release the guarantee of a Subsidiary Guarantor; or

reduce the percentage in principal amount of the outstanding debt securities of any series, the consent of whose holders is required for any such supplemental indenture or for any waiver (of compliance with certain provisions of the applicable Indenture or certain defaults under the applicable Indenture and their consequences) provided for in the applicable Indenture; or

change any obligation of FIS to maintain an office or agency in the places and for the purposes specified in the Indentures; or

make any change in the provision governing waiver of past defaults, except to increase the percentage in principal amount of the outstanding debt securities of any series, the holders of which may waive past defaults on behalf of holders of all debt securities of such series, or make any change in the provision governing supplemental indentures that require consent of holders of debt securities, except to provide that certain other provisions of the applicable Indenture cannot be modified or waived without the consent of the holders of each outstanding debt security affected thereby.

### ***Governing Law***

The Indentures, the debt securities and the guarantees, if any, will be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to its principles of conflicts of laws.

### ***Relationship with the Trustees***

The trustee under the Indentures is The Bank of New York Mellon Trust Company, N.A. We and our subsidiaries maintain ordinary banking and trust relationships with a number of banks and trust companies, including the trustee under the Indentures.

### ***Conversion or Exchange Rights***

The prospectus supplement will describe the terms, if any, on which a series of debt securities may be convertible into or exchangeable for securities described in this prospectus. These terms will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. These provisions may allow or require the number of shares of our common stock or other securities to be received by the holders of such series of debt securities to be adjusted.

### ***Definitions***

Set forth below is a summary of certain of the defined terms used in the foregoing provisions. Reference is made to the Indentures for the full definition of all such terms, as well as any other terms used above for which no definition is provided.

**Attributable Value** in respect of any sale and leaseback transaction means, as of the time of determination, the lesser of (i) the sale price of the Principal Facility involved in such transaction and (ii) the present value (discounted at the rate of interest implicit in such transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease involved in such transaction (including any period for which the lease has been extended).



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**Credit Agreement** means the Third Amended and Restated Credit Agreement dated as of March 30, 2012 among the Company, the guarantors thereunder, J.P. Morgan Chase Bank, N.A., as administrative agent, and various financial institutions and other Persons from time to time parties thereto, as amended, supplemented, or modified from time to time.

**Credit Facilities** means one or more credit facilities (including the Credit Agreement) with banks or other lenders providing for revolving loans or term loans or the issuance of letters of credit or bankers' acceptances or the like.

**Debt** means, in respect of any person, (a) all indebtedness in respect of borrowed money, (b) all obligations of such person evidenced by bonds, notes, debentures or similar instruments and (c) the indebtedness of any other persons of the foregoing types to the extent guaranteed by such person; but only, for each of clauses (a) through (c), if and to the extent any of the foregoing indebtedness would appear as a liability upon an unconsolidated balance sheet of such person prepared in accordance with GAAP (but not including contingent liabilities which appear only in a footnote to a balance sheet).

**Principal Facility** means the real property, fixtures, machinery and equipment relating to any facility owned by us or any subsidiary, except for any facility that, in the opinion of our board of directors, is not of material importance to the business conducted by us and our subsidiaries, taken as a whole.

**Settlement Lien** means any lien relating to any transfer of cash or other property by means of any paper-based or electronic payment, transfer or charge transaction for which a person acts as a processor, remitter, funds recipient or funds transmitter in the ordinary course of its business.

**Vault Cash Operations** means the vault cash or other arrangements pursuant to which various financial institutions fund the cash requirements of automated teller machines and cash access facilities operated by us or our subsidiaries at customer locations.

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**DESCRIPTION OF WARRANTS**

We may issue warrants to purchase debt securities, preferred stock, common stock or other securities described in this prospectus, or any combination of these securities, and these warrants may be issued independently or together with any underlying securities and may be attached or separate from the underlying securities. We will issue each series of warrants under a separate warrant agreement to be entered into between us and a warrant agent. The warrant agent will act solely as our agent in connection with the warrants of such series and will not assume any obligation or relationship of agency for or with holders or beneficial owners of warrants.

The following outlines some of the general terms and provisions of the warrants. Further terms of the warrants and the applicable warrant agreement will be stated in the applicable prospectus supplement. The following description and any description of the warrants in a prospectus supplement may not be complete and is subject to and qualified in its entirety by reference to the terms and provisions of the warrant agreement, a form of which has been filed as an exhibit to the registration statement of which this prospectus forms a part.

The applicable prospectus supplement will describe the terms of any warrants that we may offer, including the following:

the title of the warrants;

the total number of warrants;

the price or prices at which the warrants will be issued;

the currency or currencies investors may use to pay for the warrants;

the designation and terms of the underlying securities purchasable upon exercise of the warrants;

the price at which and the currency, currencies, or currency units in which investors may purchase the underlying securities purchasable upon exercise of the warrants;

the date on which the right to exercise the warrants will commence and the date on which the right will expire;

whether the warrants will be issued in registered form or bearer form;

information with respect to book-entry procedures, if any;

if applicable, the minimum or maximum amount of warrants which may be exercised at any one time;

if applicable, the designation and terms of the underlying securities with which the warrants are issued and the number of warrants issued with each underlying security;

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if applicable, the date on and after which the warrants and the related underlying securities will be separately transferable;

if applicable, a discussion of material United States federal income tax considerations;

the identity of the warrant agent;

the procedures and conditions relating to the exercise of the warrants; and

any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants. Warrant certificates may be exchanged for new warrant certificates of different denominations, and warrants may be exercised at the warrant agent's corporate trust office or any other office indicated in the applicable prospectus supplement. Prior to the exercise of their warrants, holders of warrants exercisable for debt securities will not have any of the rights of holders of the debt securities purchasable upon such exercise and will not be

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entitled to payments of principal (or premium, if any) or interest, if any, on the debt securities purchasable upon such exercise. Prior to the exercise of their warrants, holders of warrants exercisable for shares of preferred stock or common stock will not have any rights of holders of the preferred stock or common stock purchasable upon such exercise and will not be entitled to dividend payments, if any, or voting rights of the preferred stock or common stock purchasable upon such exercise. Prior to the exercise of their warrants, holders of warrants exercisable for other securities described in this prospectus will not have any rights of holders of such securities purchasable upon such exercise.

### ***Exercise of Warrants***

Unless otherwise specified in the applicable prospectus supplement, a warrant will entitle the holder to purchase for cash an amount of securities at an exercise price that will be stated in, or that will be determinable as described in, the applicable prospectus supplement. Unless otherwise specified in the applicable prospectus supplement, warrants may be exercised at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Warrants may be exercised as set forth in the applicable prospectus supplement. Upon receipt of payment and the warrant certificate properly completed and duly executed at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, we will, as soon as practicable, forward the securities purchasable upon such exercise. If less than all of the warrants represented by such warrant certificate are exercised, a new warrant certificate will be issued for the remaining warrants.

### ***Enforceability of Rights; Governing Law***

The holders of warrants, without the consent of the warrant agent, may, on their own behalf and for their own benefit, enforce, and may institute and maintain any suit, action or proceeding against us to enforce their rights to exercise and receive the securities purchasable upon exercise of their warrants. Unless otherwise stated in the prospectus supplement, each issue of warrants and the applicable warrant agreement will be governed by, and construed in accordance with, the internal laws of the State of New York, without regard to its principles of conflicts of laws.



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**DESCRIPTION OF PURCHASE CONTRACTS**

As may be specified in a prospectus supplement, we may issue purchase contracts obligating holders to purchase from us, and us to sell to the holders, a number of debt securities, shares of common stock or preferred stock, or other securities described in this prospectus or the applicable prospectus supplement at a future date or dates. The purchase contracts may require us to make periodic payments to the holders of the purchase contracts. These payments may be unsecured or prefunded on some basis to be specified in the applicable prospectus supplement.

The prospectus supplement relating to any purchase contracts will specify the material terms of the purchase contracts and any applicable pledge or depository arrangements, including one or more of the following:

The stated amount that a holder will be obligated to pay under the purchase contract in order to purchase debt securities, common stock, preferred stock, or other securities described in this prospectus or the formula by which such amount shall be determined.

The settlement date or dates on which the holder will be obligated to purchase such securities. The prospectus supplement will specify whether the occurrence of any events may cause the settlement date to occur on an earlier date and the terms on which an early settlement would occur.

The events, if any, that will cause our obligations and the obligations of the holder under the purchase contract to terminate.

The settlement rate, which is a number that, when multiplied by the stated amount of a purchase contract, determines the number of securities that we will be obligated to sell and a holder will be obligated to purchase under that purchase contract upon payment of the stated amount of that purchase contract. The settlement rate may be determined by the application of a formula specified in the prospectus supplement.

If a formula is specified, it may be based on the market price of such securities over a specified period or it may be based on some other reference statistic.

Whether the purchase contracts will be issued separately or as part of units consisting of a purchase contract and an underlying security with an aggregate principal amount equal to the stated amount. Any underlying securities will be pledged by the holder to secure its obligations under a purchase contract.

The type of underlying security, if any, that is pledged by the holder to secure its obligations under a purchase contract. Underlying securities may be debt securities, common stock, preferred stock, or other securities described in this prospectus or the applicable prospectus supplement.

The terms of the pledge arrangement relating to any underlying securities, including the terms on which distributions or payments of interest and principal on any underlying securities will be retained by a collateral agent, delivered to us or be distributed to the holder.

The amount of the contract fee, if any, that may be payable by us to the holder or by the holder to us, the date or dates on which the contract fee will be payable and the extent to which we or the holder, as applicable, may defer payment of the contract fee on those payment dates. The contract fee may be calculated as a percentage of the stated amount of the purchase contract or otherwise.

The descriptions of the purchase contracts and any applicable underlying security or pledge or depository arrangements in this prospectus and in any prospectus supplement are summaries of the material provisions of the applicable agreements and are subject to and qualified in their entirety by reference to the terms and provisions of the purchase contract agreement, pledge agreement and deposit agreement, forms of which

have been or will be filed as exhibits to the registration statement of which this prospectus forms a part.

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**DESCRIPTION OF UNITS**

As specified in the applicable prospectus supplement, we may issue units comprised of one or more of the other securities described in this prospectus in any combination. Each unit may also include debt obligations of third parties, such as U.S. Treasury securities. Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The prospectus supplement will describe:

the designation and terms of the units and of the securities comprising the units, including whether and under what circumstances the securities comprising the units may be held or transferred separately;

a description of the terms of any unit agreement governing the units;

a description of the provisions for the payment, settlement, transfer or exchange of the units; and

whether the units will be issued in fully registered or global form.

The descriptions of the units and any applicable underlying security or pledge or depositary arrangements in this prospectus and in any prospectus supplement are summaries of the material provisions of the applicable agreements and are subject to, and qualified in their entirety by reference to, the terms and provisions of the applicable agreements, forms of which have been or will be filed as exhibits to the registration statement of which this prospectus forms a part.

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**PLAN OF DISTRIBUTION**

We may sell the securities being offered hereby in one or more of the following ways from time to time:

to or through underwriters or dealers for resale to the public or to institutional investors;

directly to institutional investors;

through agents to the public or to institutional investors; or

through a combination of any of these methods of sale.

The prospectus supplement with respect to each series of securities will state the terms of the offering of the securities, including:

the name or names of any underwriters, dealers or agents;

the purchase price of the offered securities and the proceeds to be received by us from the sale;

any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation;

any initial public offering price;

any discounts or concessions allowed or reallocated or paid to dealers; and

any securities exchange on which the securities may be listed.

If we use underwriters in the sale, the securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including:

negotiated transactions;

at a fixed public offering price or prices, which may be changed;

at market prices prevailing at the time of sale;

at prices related to prevailing market prices; or

at negotiated prices.

The securities may also be offered and sold, if so indicated in the prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for us. The prospectus supplement will identify any remarketing firm and will describe the terms of its agreement, if any, with us and its compensation.

Unless otherwise stated in a prospectus supplement, the obligations of the underwriters to purchase any securities will be conditioned on customary closing conditions and the underwriters will be obligated to purchase all of such series of securities, if any are purchased.

If we sell the securities directly or through agents designated by us, we will identify any agent involved in the offering and sale of the securities and will list any commissions payable by us to the agent in the accompanying prospectus supplement. Unless indicated otherwise in the prospectus supplement, any such agent will be acting on a best efforts basis to solicit purchases for the period of its appointment.

We may authorize agents, underwriters or dealers to solicit offers by certain institutional investors to purchase securities and provide for payment and delivery on a future date specified in an accompanying prospectus supplement. We will describe any such arrangement in the prospectus supplement. Any such institutional investor may be subject to limitations on the minimum amount of securities that it may purchase or

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on the portion of the aggregate principal amount of such securities that it may sell under such arrangements. Institutional investors from which such authorized offers may be solicited include:

commercial and savings banks;

insurance companies;

pension funds;

investment companies;

educational and charitable institutions; and

such other institutions as we may approve.

Underwriters, dealers, agents and remarketing firms, and their control persons, may be entitled under agreements entered into with us to indemnification by us against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the underwriters, dealers, agents and remarketing firms may be required to make. Underwriters, dealers, agents and remarketing agents may be customers of, engage in transactions with, or perform services for us or our affiliates in the ordinary course of business.

Each series of securities will be a new issue of securities and will have no established trading market other than our Common Stock which is listed on the New York Stock Exchange. Any Common Stock sold will be listed on the New York Stock Exchange, upon official notice of issuance, unless stated otherwise in the applicable prospectus supplement. The securities, other than the Common Stock, may or may not be listed on a national securities exchange. Any underwriters to whom we sell securities for public offering and sale may make a market in the securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice.

The applicable prospectus supplement will describe the plan of distribution with regard to any shares to be sold by selling shareholders.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. You may also obtain our SEC filings from the SEC's website at <http://www.sec.gov>.

The SEC allows us to incorporate by reference into this prospectus the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. Statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete, and, in each instance, we refer you to a copy of such document filed as an exhibit to the registration statement, of which this prospectus is a part, or otherwise filed with the SEC. The information incorporated by reference is considered to be part of this prospectus. When we file information with the SEC in the future, that information will automatically update and supersede this information. We incorporate by reference the documents listed below (other than information in such documents that is not deemed to be filed) and any filings we make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act after the initial filing of the registration statement that contains this prospectus and until the termination of the offering of the securities covered by this prospectus:

our annual report on Form 10-K for the year ended December 31, 2012, filed with the SEC on February 26, 2013;

our definitive proxy statement on Schedule 14A filed with the SEC on April 19, 2012;

our current reports on Form 8-K, filed with the SEC on April 5, 2012, June 4, 2012, December 10, 2012, January 11, 2013 and (with respect to the information therein appearing under Item 8.01 only) February 12, 2013; and

the description of our Common Stock, par value \$.01 per share, included in our registration statement on Form 10, as amended, filed with the SEC on April 3, 2001 under the Securities Exchange Act, including any amendment or report filed for the purpose of updating such description.

You may request a copy of these filings, at no cost, by writing to or telephoning us at:

Corporate Secretary

Fidelity National Information Services, Inc.

601 Riverside Avenue

Jacksonville, Florida 32204

(904) 438-6000

You should rely only on the information contained in or incorporated by reference in this prospectus and any supplements to this prospectus or in any permitted free writing prospectuses we have authorized for use with respect to the applicable offering or transaction. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information provided in this prospectus or incorporated by reference in this prospectus or in any such free writing prospectus we have authorized is accurate as of any date other than the date on the front of this prospectus or the date of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

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**LEGAL MATTERS**

Certain matters with respect to the validity of the securities offered hereby will be passed upon for us by Willkie Farr & Gallagher LLP, New York, New York and certain matters with respect to Georgia law will be passed upon for us by Nelson Mullins Riley & Scarborough LLP, Atlanta, Georgia. Additional legal matters may be passed on for us and for any underwriters, dealers or agents by counsel which we will name in the applicable prospectus supplement.

**EXPERTS**

The consolidated financial statements of Fidelity National Information Services, Inc. as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2012 have been incorporated by reference herein and in the registration statement in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.



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TD VALIGN="bottom">

Cash paid for interest

\$53,373 \$11,862 \$17,791 \$37,872

Cash paid for income taxes

\$15,370 \$76 \$2,828 \$1,389

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

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### **MagnaChip Semiconductor LLC and Subsidiaries**

#### **Notes to Consolidated Financial Statements**

**(Tabular dollars in thousands, except unit data)**

## **1. General**

### **The Company**

MagnaChip Semiconductor LLC was created on November 26, 2003 and was capitalized on September 10, 2004, with the issuance of 60,822 common units for total cash and stock consideration of \$61 thousand. It was created with the sole purpose of acquiring the non-memory business (the Business) of Hynix Semiconductor, Inc (Hynix), which acquisition was completed with effect from October 1, 2004 (the Original Acquisition).

On September 23, 2004, the Company issued 49,727 Series A redeemable convertible preferred units and 447,420 series B redeemable convertible preferred units for a total cash consideration of \$49,727 thousand and \$447,420 thousand, respectively. During the period from November 26, 2003 through October 1, 2004, MagnaChip Semiconductor LLC owned no assets or liabilities, other than the cash raised from its equity offerings in preparation for the Original Acquisition and the stock of its holding company and acquisition subsidiaries. In addition, during this period, MagnaChip Semiconductor LLC had no operations other than interest income from the cash totaling \$22 thousand, and various bank fees and administrative expenses incurred in connection with its formation and the formation of its subsidiaries totaling \$35 thousand. The accumulated other comprehensive income of \$116 thousand was generated by the translation of the portion of the assets described above in its two consolidated subsidiaries at October 1, 2004, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor B.V. At October 1, 2004, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor B.V. were holding companies, with no significant operations, assets or liabilities other than holding cash raised in the equity offerings described above.

MagnaChip Semiconductor LLC and its subsidiaries (successor company) (the Company) is a designer, developer and manufacturer of mixed-signal and digital multimedia semiconductors addressing the convergence of consumer electronics and communications devices. The Company has five wafer fabrication facilities located in Cheongju and Gumi in the Republic of Korea.

## **2. Summary of Significant Accounting Policies**

### **Basis of Presentation**

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Significant accounting policies followed by the Company in the preparation of the accompanying financial statements are summarized below.

For the periods as of and prior to September 30, 2004, the accompanying consolidated financial statements are presented on a carve-out basis reflecting the assets, liabilities, revenues, expenses and changes in owner's equity and cash flows that were directly attributable to the Business of Hynix Semiconductor, Inc. (predecessor company), which was purchased on October 6, 2004. The Company has used October 1, 2004, as the effective date of the Original Acquisition since the financial results from October 1, 2004 onwards accrue to its benefit.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company including its wholly-owned subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation.

### **Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and



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**Table of Contents**

**MagnaChip Semiconductor LLC and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Tabular dollars in thousands, except unit data)**

disclosures. The most significant estimates and assumptions relate to the useful life of property, plant and equipment, allowance for uncollectible accounts receivable, contingent liabilities, inventory valuation, restructuring accrual and impairment of long-lived assets. Although these estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future, actual results may be different from the estimates.

**Foreign Currency Translation**

The Company has assessed in accordance with Statements of Financial Accounting Standards ( SFAS ) 52, *Foreign Currency Translation*, the functional currency of each of its subsidiaries in Luxembourg, the Netherlands and the United Kingdom and has designated the U.S. dollar to be their respective functional currencies. The Company and its other subsidiaries are utilizing their local currencies as their functional currencies. The financial statements of the subsidiaries in functional currencies other than the U.S. dollar are translated into the U.S. dollar in accordance with SFAS No. 52. All the assets and liabilities are translated to the U.S. dollar at the end-of-period exchange rates. Capital accounts are determined to be of a permanent nature and are therefore translated using historical exchange rates. Revenues and expenses are translated using average exchange rates. Foreign currency translation adjustments arising from differences in exchange rates from period to period are included in the foreign currency translation adjustment account in accumulated comprehensive income (loss) of unitholders' equity. Transactions in currencies other than the functional currency are included as a component of other income (expense) in the statement of operations.

**Cash and Cash Equivalents**

Cash equivalents consist of highly liquid investments with an original maturity date of three months or less. Restricted cash includes amounts placed in deposits at Korean banks, subject to certain withdrawal restraints for government grants, other payables and checking accounts plus amounts pledged as collateral for the obligations under our senior secured revolving credit facility and our Second Priority Senior Secured Notes.

**Accounts receivable reserves**

An allowance for doubtful accounts is provided based on the aggregate estimated collectibility of their accounts receivable. The Company records an allowance for cash returns, presented within accounts receivable, based on the historical experience of the amount of goods that will be returned and refunded. In addition, the Company also includes in accounts receivable, an allowance for additional products that may have to be provided, free of charge, to compensate customers for products that do not meet previously agreed yield criteria, the low yield compensative reserve.

**Inventories**

Inventories are stated at the lower of cost or market, using the average cost method, which approximates the first in, first out method ( FIFO ). If net realizable value is less than cost at the balance sheet date, the carrying amount is reduced to the realizable value, and the difference is recognized as a loss on valuation of inventories. Inventory reserves are established when conditions indicate that the net realizable value is less than cost due to physical deterioration, obsolescence, changes in price levels, or other causes. Reserves are also established for excess inventory based on inventory levels in excess of six months of projected demand, as judged by management, for each specific product.

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)****Property, Plant and Equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below.

|                             |               |
|-----------------------------|---------------|
| Buildings                   | 30 - 40 years |
| Building related structures | 10 - 20 years |
| Machinery and equipment     | 5 - 10 years  |
| Vehicles and others         | 5 years       |

Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or significantly extend the useful lives of the related assets are capitalized.

Borrowing costs incurred during the construction period of assets are capitalized as part of the related assets.

**Impairment of Long-Lived Assets**

The Company reviews property, plant and equipment and other long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is measured by comparison of its carrying amount with the future net cash flows the assets are expected to generate. If such assets are considered to be impaired, the impaired amount is measured as the amount by which the carrying amount of the asset exceeds the present value of the future net cash flows generated by the respective long-lived assets.

**Restructuring Charges**

The Company recognizes restructuring charges in accordance with Statements of Financial Accounting Standards ( SFAS ) 146, *Accounting for Costs Associated with Exit or Disposal Activities*. Certain costs and expenses related to exit or disposal activities are recorded as restructuring charges when liabilities for those costs and expenses are incurred.

**Lease Transactions**

The Company accounts for lease transactions as either operating leases or capital leases, depending on the terms of the underlying lease agreements. Machinery and equipment acquired under capital lease agreements are recorded at cost as property, plant and equipment and depreciated using the straight-line method over their estimated useful lives. In addition, the aggregate lease payments are recorded as capital lease obligations, net of unaccrued interest. Interest is amortized over the lease period using the effective interest rate method. Leases that do not qualify as capital leases are classified as operating leases, and the related rental payments are expensed on a straight-line basis over the lease term.

**Software**

The Company capitalizes certain external costs that are incurred to purchase and implement internal-use computer software. Direct costs relating to the development of software for internal use are capitalized after technological feasibility has been established, in accordance with Statement Of Position ( SOP ) No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Depreciation is calculated on a straight line basis over five years.



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**MagnaChip Semiconductor LLC and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Tabular dollars in thousands, except unit data)**

**Intangible Assets**

Intangible assets acquired from Hynix include technology and customer relationships which are amortized on a straight-line basis over periods ranging from 4 to 8 years. Other intellectual property assets acquired represent rights under patents, trademarks and property use rights and are amortized over the periods of benefit, ranging up to 10 years, on a straight-line basis.

**Fair Value Disclosures of Financial Instruments**

The estimated fair value of financial instruments is determined by the Company, using available market information and valuation methodologies considered to be appropriate. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Carrying amounts of accounts receivable and accounts payable approximate fair value due to the short maturity of these financial instruments.

The estimated fair value of the Company's debt was \$738.8 million and \$750.0 million as of December 31, 2005 and 2004, respectively. The fair value estimates presented herein were based on market interest rates and other market information available to management as of each balance sheet date presented. The use of different market assumptions and/or estimation methodologies could have a material effect on the estimated fair value amounts. The approximate fair values do not take into consideration expenses that could be incurred in an actual settlement. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

**Accrued Severance Benefits**

Employees and executive officers with one or more years of service are entitled to receive a lump-sum payment upon termination of their employment with the Company, based on their length of employment and rate of pay at the time of termination. The accrual for the severance liability approximates the amount that would be payable assuming all eligible employees and executive officers were to terminate their employment at the balance sheet date.

Accrued severance benefits are funded through a group severance insurance plan. The amounts funded under this insurance plan are classified as a deduction to the accrued severance benefits. Subsequent accruals are to be funded at the discretion of the Company.

In accordance with the National Pension Act of the Republic of Korea, a certain portion of accrued severance benefits is deposited with the National Pension Fund and deducted from the accrued severance benefits. The contributed amount is refunded to employees from the National Pension Fund upon their retirement.

**Revenue Recognition**

Revenue is recognized when persuasive evidence of an arrangement exists, the product has been delivered and title and risk of loss have transferred, the price is fixed and determinable, and collection of the resulting receivable is reasonably assured. Utilizing these criteria, product revenue is generally recognized upon delivery of the product at the end-customer's location when the risks and rewards of ownership have passed to the customer. Revenue is deferred from sales to distributors until the product is ultimately sold to the end-customer.

All amounts billed to a customer related to shipping and handling are classified as sales while all costs incurred by the Company for shipping and handling are classified as selling expenses. The amounts charged to

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**MagnaChip Semiconductor LLC and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Tabular dollars in thousands, except unit data)**

selling expenses are \$1,867 thousand for the year ended December 31, 2005, \$412 thousand for the three-month period ended December 31, 2004 (successor company), \$1,394 thousand for the nine-month period ended September 30, 2004 and \$1,456 thousand the year ended December 31, 2003 (predecessor company).

**Derivative Financial instruments**

The Company's primary objective for holding derivative financial instruments is to manage cash flow risk inherent in debts with variable interest rates. The company recognizes all derivative financial instruments at fair value as either assets or liabilities and reports changes in the fair value of those instruments in earnings or other comprehensive income depending on whether they meet the criteria for designation as hedging transactions under Statements of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

**Advertising**

The Company expenses advertising costs as incurred. Advertising expense was approximately \$310 thousand for the year ended December 31, 2005, \$173 thousand for the three-month period ended December 31, 2004 (successor company), \$71 thousand for the nine-month period ended September 30, 2004, and \$112 thousand for the year ended December 31, 2003 (predecessor company).

**Product Warranties**

The Company records warranty liabilities for the estimated costs that may be incurred under its basic limited warranty included in other current liabilities. This warranty covers defective products and is normally applicable for 12 months from the date of purchase and these liabilities are accrued when product revenues are recognized. Warranty costs include the costs to replace the defective product. Factors that affect the Company's warranty liability include historical and anticipated rates of warranty claims on those repairs and cost per claim to satisfy the Company's warranty obligation. As these factors are impacted by actual experience and future expectations, the Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts when necessary.

**Research and Development**

Research and development costs are expensed as incurred and include employee salaries, contractor fees, building costs, utilities, and administrative expenses.

**Government Grants**

Grants received from the Korean government to assist with specific research and development activities are recognized in the statement of operations as a credit to research and development expenses, in the period in which the related expense is incurred, to the extent that they are non-refundable. Such grants recognized as a reduction of research and development expenses were \$1,908 thousand for the year ended December 31, 2005, \$3,265 thousand for the three-month period ended December 31, 2004 (successor company) and \$214 thousand and \$575 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively.

As of December 31, 2005, the Company decided to suspend the government sponsored R&D projects. This resulted in \$1.4 million of refund of the grants received from the government. As the R&D projects were mostly



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

related to Application Processor business, the Company recognized this liability as a restructuring charge during the fourth quarter of 2004 in conjunction with the agreement to sell our Application Processor business.

**Licensed Patents and Technologies**

The Company has entered into a number of royalty agreements to license patents and technology used in the design and manufacture of its products. The payments under these agreements include an initial payment to acquire the rights, and a royalty payment, calculated based upon the sales of the related products. The initial payments, usually paid in installments, represents a non-refundable commitment, such that the total present value of these payments is recorded as a liability upon execution of the agreement, and the costs are deferred over the period of the agreement. The royalty payments are charged to the statement of operations as incurred.

**Segment Reporting**

The Company considered the provisions of Statements of Financial Accounting Standards ( SFAS ) 131, *Disclosures about Segments of an Enterprise and Related Information*, in determining operating and reportable segments. As a result, the Company has determined that it operates in one segment, which is semiconductor operations.

**Unit-Based Compensation (Successor Company)**

Employee equity compensation plans are accounted for using the intrinsic value method prescribed by Accounting Principles Board ( APB ) Opinion No. 25, *Accounting for Stock Issued to Employees*. Under this method, the Company's grants of options to purchase common units were granted at the exercise price equal to or higher than the fair market value of the underlying unit on the date of grant. As the exercise prices for all option grants were in excess of the fair value of the underlying units on the respective grant dates as determined by management, no compensation cost was recorded for the year ended December 31, 2005 and for the three months ended December 31, 2004.

The Company utilizes the Black-Scholes option valuation model to value options for pro forma presentation of income as if the fair value-based accounting method in SFAS No. 123, *Accounting for Stock-Based Compensation*, had been used to account for unit-based compensation. For this pro forma presentation the Company utilizes the expense recognition model prescribed in FIN 28, *Accounting for Stock Appreciation Rights and other Variable Stock Option or Award Plans an interpretation of APB opinions No. 15 and 25* and recognizes forfeitures when they occur. The Company's adjusted net income (loss) would have decreased to the pro forma amounts indicated below:

|  | Year<br>ended               | Three months<br>ended | Nine months<br>ended          | Year ended   |
|--|-----------------------------|-----------------------|-------------------------------|--------------|
|  | December 31,                | December 31,          | September 30,                 | December 31, |
|  | 2005<br>(Successor Company) | 2004                  | 2004<br>(Predecessor Company) | 2003         |
| As reported net income (loss)  | \$ (100,898)                | \$ (5,825)            | \$ 43,237                     | \$ (113,723) |
| Add: Amortization of non-cash deferred unit compensation expense determined under the intrinsic value method as reported in net income, net of tax |                             |                       | 3,324                         | 161          |
| Deduct: Total unit-based employee compensation expense determined under the fair value method for all awards, net of tax                           | (411)                       | (995)                 | (5,614)                       | (5,335)      |

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|                             |              |            |           |              |
|-----------------------------|--------------|------------|-----------|--------------|
| Pro forma net income (loss) | \$ (101,309) | \$ (6,820) | \$ 40,947 | \$ (118,897) |
| Pro forma loss per unit     | \$ (2.10)    | \$ (0.40)  |           |              |

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

For options granted in 2005, the weighted average fair value of options granted at market value was \$0.34 and the weighted average fair value of options granted with exercise prices higher than market value was \$0.14. In 2004, all options were granted at market value and the weighted average fair value was \$0.38.

The fair value of each option grant in 2005, 2004 and 2003 was estimated on the date of grant using the Black-Scholes option-pricing model based on the following set of assumptions (average-weight):

|                         | Year ended<br>December 31,<br>2005<br>(Successor Company) | Three months<br>ended<br>December 31,<br>2004 | Nine months<br>ended<br>September 30,<br>2004<br>(Predecessor Company) | Year ended<br>December 31,<br>2003 |
|-------------------------|---|---|--|------------------------------------|
| Expected life           | 2.1 Years   | 2.2 Years                                     | 3.5 Years  | 4.5 Years                          |
| Expected volatility     | 57.8%   | 64.8%   | 144.5%   | 131.9%                             |
| Risk-free interest rate | 3.3%  | 2.6%  | 3.75%  | 4.16%                              |
| Expected dividends      |   |   |  |                                    |

**Stock option Plan (Predecessor Company)**

Stock options under employee stock plans prior to the Original Acquisition were accounted for using the intrinsic value method prescribed by Accounting Principles Board ( APB ) Opinion No. 25, *Accounting for Stock Issued to Employees*. As part of the presentation of the Business on a carve-out basis, stock compensation was allocated to the Business based on the employees that historically have worked in the Business. The compensation cost for the Business was \$3,324 and \$161 thousand for the nine-month period ended September 30, 2004 and for the year ended December 31, 2003, respectively.

**Earnings per Unit**

In accordance with SFAS No. 128, *Earnings Per Share*, the Company computes basic earnings per unit by dividing net income available to common unitholders by the weighted average number of common units outstanding during the period which would include to the extent their effect is dilutive: redeemable convertible preferred units, options to purchase common units and warrants to purchase common units. Diluted earnings per unit reflect the dilution of potential common units outstanding during the period. In determining the hypothetical units repurchased, the Company uses the average unit price for the period.

**Income Taxes**

MagnaChip Semiconductor LLC has elected to be treated as a partnership for U.S. federal income tax purposes, and therefore is not subject to income taxes on its income. Taxes on its income are the responsibility of the individual equity owners of MagnaChip Semiconductor LLC. The Company operates a number of subsidiaries, which are subject to local income taxes in those markets.

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*. SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are

expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the period and the change during the period in deferred tax assets and liabilities.

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**MagnaChip Semiconductor LLC and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Tabular dollars in thousands, except unit data)**

**Concentration of Credit Risk**

The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral for customers on accounts receivable. The Company maintains reserves for potential credit losses, but historically has not experienced significant losses related to individual customers or groups of customers in any particular industry or geographic area. The Company derives a substantial portion of its revenues from export sales through its overseas subsidiaries in Asia, North America and Europe.

**Recent Accounting Pronouncements**

In December 2004, FASB issued SFAS 123(R), *Share-Based Payment (revised 2004)*. This revision will affect current practice in a number of ways, including the elimination of the alternative to use the intrinsic value method of accounting from Accounting Principles Board ( APB ) Opinion No. 25 that was provided in FASB Statement No.123 as originally issued. Pursuant to this statement, companies are required to record stock option expense in its financial statements based on a fair value methodology. This statement became effective and began impacting the Company on January 1, 2006. The Company has determined that there are no material impacts as a result of the adoption of this FASB Statement on its financial statements.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs*, an amendment of ARB No. 43, Chapter 4. This Statement amends the guidance in Accounting Research Bulletin ( ARB ) No. 43, Chapter 4, *Inventory Pricing*, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage), and requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 applies to fiscal years beginning after June 2005, however, earlier application is permitted. In the fourth quarter of 2005, the Company recognized \$8.1 million of expense related to the under-utilization of a fabrication facility in accordance with the provision of SFAS 151.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3*. This Statement supersedes APB Opinion No. 20, *Accounting Changes* and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and changes the requirements for the accounting and reporting for a change in accounting principle. This statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This standard is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of this standard will have no impact on our financial statements.

**3. Original Acquisition**

On October 6, 2004, the Company completed its purchase of the Business, as outlined in the Business Transfer Agreement, as amended (the BTA ) from Hynix, for cash, liabilities assumed, plus a warrant to purchase 5,079,254 common equity interests in the Company, valued by independent valuation. In October 2005, the Company agreed to pay Hynix an additional \$6,238 thousand in cash as a working capital settlement payment. This additional amount, which was paid in full subsequently in October 2005, was included as part of the purchase consideration and therefore acquisition costs of related assets were subsequently adjusted.

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

A summary of purchase consideration including such subsequent working capital settlement as well as assets and liabilities acquired is as follows:

|  |            |
|--|------------|
| Purchase consideration:                        |            |
| Cash   | \$ 475,471 |
| Loan assumed                                   | 285,807    |
| Warrant to purchase common units               | 2,100      |
|  | 763,378    |
| Fair value of assets and liabilities acquired: |            |
| Current assets                                 | (173,517)  |
| Non-current assets                             | (755,618)  |
| Current liabilities                            | 119,262    |
| Non-current liabilities                        | 46,495     |
|  | \$         |

Intangible assets acquired in connection with this acquisition are included in non-current assets and summarized as below:

|                              | Acquisition cost | Weighted average<br>amortization period |
|------------------------------|------------------|---|
| Technology                   | \$ 24,536        | 5.3 years                               |
| Customer relationship        | 174,134          | 7.0 years                               |
| Intellectual property assets | 7,928            | 5.2 years                               |
|                              | \$ 206,598       | 6.7 years                               |

At the date of the Original Acquisition, the Company obtained an independent valuation of the acquired property, plant and equipment and the acquired intangible assets, to ascertain the fair value of these assets, and in addition, applied adjustments to the book value of the other assets and liabilities transferred from Hynix to calculate the total fair value of the assets and liabilities acquired. The Company also re-assessed the remaining useful lives of the acquired property, plant and equipment, and commenced depreciation on a straight-line basis, using the remaining useful lives of the acquired property, plant and equipment and acquired intangibles.

The aggregate fair values obtained exceeded total purchase consideration of \$763,378 thousand, and this difference was applied to the Company's intangible and non-current tangible assets on a pro-rata basis, such that the adjusted fair value of the assets and liabilities acquired equaled the total purchase consideration, with no residual negative goodwill.

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)****4. Accounts Receivable**

Accounts receivable as of December 31, 2005 and 2004 consist of the following:

|                                  | December 31,        | December 31, |
|----------------------------------|---------------------|--------------|
|                                  | 2005                | 2004         |
|                                  | (Successor Company) |              |
| Accounts receivable              | \$ 93,221           | \$ 77,778    |
| Notes receivable                 | 25,115              | 14,264       |
| Less:                            |                     |              |
| Allowances for doubtful accounts | (617)               | (383)        |
| Cash return reserve              | (3,000)             | (2,156)      |
| Low yield compensation reserve   | (2,666)             | (2,911)      |
| Accounts receivable, net         | \$ 112,053          | \$ 86,592    |

The Company recognized bad debt expenses amounting to \$229 thousand for the year ended December 31, 2005, \$340 thousand for the three-month period ended December 31, 2004 (successor company) and \$57 thousand and \$11 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively. The Company also reserved for cash return and low yield compensation in the amount of \$12,878 thousand for the year ended December 31, 2005, \$5,920 thousand for the three-month period ended December 31, 2004 (successor company) and \$6,325 thousand and \$376 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively.

**5. Inventories**

Inventories as of December 31, 2005 and 2004 comprise the following:

|   | December 31,        | December 31, |
|---|---------------------|--------------|
|   | 2005                | 2004         |
|   | (Successor Company) |              |
| Finished goods                          | \$ 28,414           | \$ 28,431    |
| Semi-finished goods and work-in-process | 60,095              | 55,563       |
| Raw materials                           | 5,814               | 7,599        |
| Materials in-transit                    | 1,966               | 850          |
| Less: valuation allowances              | (7,612)             | (6,274)      |
| Inventories, net                        | \$ 88,677           | \$ 86,169    |

The Company recognized a loss on valuation of inventories amounting to \$2,816 thousand for the year ended December 31, 2005, \$5,956 thousand for the three-month period ended December 31, 2004 (successor company) and \$7,728 thousand and \$454 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively. In addition, the Company wrote

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off \$1,627 thousand of damaged inventories during the year ended December 31, 2005, \$384 thousand for the three-month period ended December 31, 2004 (successor company) and \$7,923 thousand and \$25,503 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively.



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**6. Property, Plant and Equipment**

Property, plant and equipment as of December 31, 2005 and 2004 comprise the following:

|                                    | December 31,<br>2005 | December 31,<br>2004<br>(Successor Company) |
|------------------------------------|----------------------|---|
| Buildings and related structures   | \$ 149,236           | \$ 143,007                                  |
| Machinery and equipment            | 508,428              | 437,973                                     |
| Vehicles and others                | 33,337               | 21,037                                      |
|                                    | 691,001              | 602,017                                     |
| Less: accumulated depreciation     | (218,745)            | (36,265)                                    |
| Land                               | 11,492               | 11,214                                      |
| Construction in-progress           | 1,329                | 4,670                                       |
| Property, plant and equipment, net | \$ 485,077           | \$ 581,636                                  |

Aggregate depreciation expenses totaled \$157,678 thousand for the year ended December 31, 2005, \$34,421 thousand for the three-month period ended December 31, 2004 (successor company) and \$261,640 thousand and \$329,462 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively. In addition, capitalized interest costs totaled \$144 thousand for the year ended December 31, 2005, \$53 thousand for the three-month period ended December 31, 2004 (successor company) and \$334 thousand and \$152 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively.

Property, plant and equipment are pledged as collateral for our senior secured revolving credit facility and our Second Priority Senior Secured Notes to a maximum of \$780 million as of December 31, 2005.

**7. Intangible assets**

Intangible assets at December 31, 2005 and 2004 are as follows:

|                                | December 31,<br>2005 | December 31,<br>2004<br>(Successor Company) |
|--------------------------------|----------------------|---|
| Technology                     | \$ 26,991            | \$ 26,343                                   |
| Customer relationships         | 211,946              | 188,808                                     |
| Goodwill                       | 15,095               |   |
| Intellectual property assets   | 11,310               | 8,885                                       |
| Less: accumulated amortization | (73,953)             | (12,049)                                    |
| Intangible assets, net         | \$ 191,389           | \$ 211,987                                  |

Aggregate amortization expenses for intangible assets totaled \$45,251 thousand for the year ended December 31, 2005, \$11,434 thousand for the three-month period ended December 31, 2004 (successor company) and \$5,222 thousand and \$9,051 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively. The estimated aggregate amortization expense of intangible assets for the next five years is \$31,839 thousand in 2006, \$31,810 thousand in 2007, \$28,958 thousand in 2008, \$20,568 thousand in 2009 and \$18,923 thousand in 2010.

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

Intangible assets are pledged as collateral for our senior secured revolving credit facility and our Second Priority Senior Secured Notes as of December 31, 2005.

**8. Product Warranties**

Changes in accrued warranty liabilities for each period are as follows:

|  | Year<br>ended       | Three months<br>ended | Nine months<br>ended  | Year ended   |
|--|---------------------|-----------------------|-----------------------|--------------|
|  | December 31,        | December<br>31,       | September 30,         | December 31, |
|  | 2005                | 2004                  | 2004                  | 2003         |
|  | (Successor Company) |                       | (Predecessor Company) |              |
| Beginning balance                        | \$ 1,448            | \$ 2,677              | \$ 794                | \$ 1,176     |
| Addition (reduction) to warranty reserve | 1,362               | (977)                 | 4,103                 | 2,612        |
| Payment made                             | (1,804)             | (477)                 | (2,265)               | (2,988)      |
| Translation adjustments                  | 30                  | 225                   | 45                    | (6)          |
| Ending balance                           | \$ 1,036            | \$ 1,448              | \$ 2,677              | \$ 794       |

**9. Short-Term and Long-Term Borrowings**

On October 6, as part of the terms of Original Acquisition, the Company assumed \$285,807 thousand of debt held by Hynix. This debt was comprised of \$91,015 thousand in a 7.0% term loan due 2009 and \$194,792 thousand in a 7.5% term loan due 2011. This debt remained outstanding until December 24, 2004.

On December 23, 2004, two of the Company's subsidiaries, MagnaChip Semiconductor S.A. and MagnaChip Semiconductor Finance Company issued \$500 million aggregate principal amount of Second Priority Senior Secured Notes consisting of \$300 million aggregate principal amount of Floating Rate Second Priority Senior Secured Notes and \$200 million aggregate principal amount of 6<sup>7</sup>/<sub>8</sub>% Second Priority Senior Secured Notes. At the same time, such subsidiaries issued \$250 million aggregate principal amount of 8% Senior Subordinated Notes.

Concurrently with the issuance of the Second Priority Senior Secured Notes, the Company entered into a new senior credit agreement with a syndicate of banks, financial institutions and other entities providing for a \$100 million senior secured revolving credit facility. Interest is charged at current rates when drawn upon.

Details of short-term borrowings as of December 31, 2005 and 2004 are as follows:

| December 31, 2005           |   | December 31, 2004           |                        |
|-----------------------------|---|-----------------------------|------------------------|
| Annual interest<br>rate (%) | Amount of<br>principal<br>(Successor Company) | Annual interest<br>rate (%) | Amount of<br>principal |

|                           |    |             |    |     |
|---------------------------|----|-------------|----|-----|
| Revolving credit facility | \$ | 1.05 ~ 1.55 | \$ | 749 |
|---------------------------|----|-------------|----|-----|

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

Details of long-term borrowings as of December 31, 2005 and 2004 are presented as below:

|  | Maturity | Annual interest<br>rate (%) | Amount of<br>principal |
|--|----------|-----------------------------|------------------------|
|  |          | 3 month LIBOR +             |                        |
| Floating Rate Second Priority Senior Secured Notes                   | 2011     | 3.250                       | \$ 300,000             |
| 6 <sup>7</sup> / <sub>8</sub> % Second Priority Senior Secured Notes | 2011     | 6.875                       | 200,000                |
| 8% Senior Subordinated Notes   | 2014     | 8.000                       | 250,000                |
|  |          |                             | \$ 750,000             |

The senior secured revolving credit facility and Second Priority Senior Secured Notes are collateralized by substantially all of the assets of the Company. These notes will be paid in full upon maturity.

Each indenture governing the notes contains covenants that limit the ability of the Company and its subsidiaries to (i) incur additional indebtedness, (ii) pay dividends or make other distributions on its capital stock or repurchase, repay or redeem its capital stock, (iii) make certain investments (iv) incur liens (v) enter into certain types of transactions with affiliates, (vi) create restrictions on the payment of dividends or other amounts to the Company by its subsidiaries, and (vii) sell all or substantially all of its assets or merge with or into other companies. There is no breach of covenants as of December 31, 2005.

Borrowings under the senior secured credit facility are subject to significant conditions, including compliance with financial ratios and the absence of any material adverse change.

The Company and all of its subsidiaries as of December 31, 2005, except for MagnaChip Semiconductor (Shanghai) Company Limited, jointly and severally guarantee each series of the Second Priority Senior Secured Notes on a second priority senior secured basis. The Company and its subsidiaries as of December 31, 2005, except for MagnaChip Semiconductor Ltd. (Korea) ( MSK ) and MagnaChip Semiconductor (Shanghai) Company Limited, jointly and severally guarantee the Senior Subordinated Notes on an unsecured, senior subordinated basis. In addition, the Company and each of its current and future direct and indirect subsidiaries (subject to certain exceptions) will be guarantors of senior secured credit facility and Second Priority Senior Secured Notes and Senior Subordinated Notes.

On December 24, 2004, the Company prepaid the assumed loan from Hynix held by Korean creditors of \$249,375 thousand, whereby the obligations of the Company with the respect to these loans held by the Korean creditors have been discharged in full. However, the loans held by Korean banks, which purchased all rights, benefits and interests from foreign creditors, totaling \$98,343 thousand were not repaid but offset against its bank deposits held due to restrictions applied by the Foreign Exchange Transactions Act of the Republic of Korea. This loan was repaid on October 7, 2005.

In connection with the issuance of the notes and obtaining of the credit facility, the Company capitalized certain costs and fees, which are being amortized using the effective interest method or straight-line method over their respective terms, 2009 to 2014. Amortization costs, which were included in interest expense in the accompanying statements of operations, amounted to \$3,432 thousand and \$ 167 thousand for the year ended December 31, 2005 and the three-month period ended December 31, 2004, respectively. The remaining capitalized costs as of December 31, 2005 and 2004 were \$25,113 thousand and \$27,812 thousand, respectively. In addition, in connection with the repayment of the assumed debt from Hynix, the Company wrote off \$4,084 thousand of previously capitalized financing fees for the three-month period ended December 31, 2004. These amounts have all been included in interest expense in the accompanying statement of operations.



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)****Interest Rate Swap**

Effective June 27, 2005, the Company entered into an interest rate swap agreement (the Swap) that converted the variable interest rate based on the 3-month London Inter-bank Offering Rate (LIBOR) plus 3.25% to fixed interest rate on the Company's Floating Rate Second Priority Senior Secured Notes (the Notes). This Swap will be in effect until 15 June, 2008.

The Swap qualifies as a cash flow hedge under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended. The Company is utilizing the hypothetical derivative method to measure the effectiveness by comparing the changes in value of the actual derivative versus the change in fair value of the hypothetical derivative. Under this methodology, the actual swap was fully effective during the year ended December 31, 2005.

For the year ended December 31, 2005, the Company recorded total changes in the fair value of the Swap amounting to \$4,534 thousand as other comprehensive income in the accompanying consolidated financial statements. As a part of the total changes in fair value, the Company has recognized interest expense of \$550 thousand which is the difference between the fixed and variable rate.

**10. Accrued Severance Benefits**

Changes in accrued severance benefits for each period are as follows:

|   | Year ended           | Three months<br>ended | Nine months<br>ended  | Year ended           |
|---|----------------------|-----------------------|-----------------------|----------------------|
|   | December 31,<br>2005 | December 31,<br>2004  | September 30,<br>2004 | December 31,<br>2003 |
|   | (Successor Company)  |                       | (Predecessor Company) |                      |
| Beginning balance   | \$ 52,925            | \$ 47,082             | \$ 40,015             | \$ 38,287            |
| Provisions  | 16,583               | 3,397                 | 15,352                | 8,092                |
| Transferred from acquired company   | 196                  |                       |                       |                      |
| Severance payments  | (13,831)             | (2,898)               | (6,837)               | (6,180)              |
| Effect of foreign currency translation  | 1,094                | 5,344                 | 1,473                 | (184)                |
|   | 56,967               | 52,925                | 50,003                | 40,015               |
| Less: contributions to the National Pension Fund group severance insurance plan | (900)                | (1,234)               | (1,304)               | (1,522)              |
|   | (943)                | (977)                 | (1,202)               | (1,129)              |
| Accrued severance benefits, net   | \$ 55,124            | \$ 50,714             | \$ 47,497             | \$ 37,364            |

The severance benefits are funded approximately 3.24% and 4.18% as of December 31, 2005 and 2004, respectively, through severance insurance deposit for payment of severance benefits, and the account is deducted from accrued severance benefits.

In addition to, the Company expects to pay the following future benefits to its employees upon their normal retirement ages:

|      |      | Severance benefit |
|------|------|-------------------|
| 2006 | 2008 | \$                |
| 2009 |      | 70                |
| 2010 |      | 205               |
| 2011 | 2015 | 1,940             |



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

The above amounts were determined based on the employees' current salary rates and the number of service years that will be accumulated upon their retirement dates. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement ages.

**11. Redeemable Convertible Preferred Unit**

The Company issued 49,727 units as Series A redeemable convertible preferred unit (the Series A ) and 447,420 units as Series B redeemable convertible preferred unit (the Series B ) on September 23, 2004 and additionally issued 364 units of Series A and 3,272 units of Series B on November 30, 2004, respectively. All of Series A were redeemed by cash on December 27, 2004 and parts of Series B were redeemed by cash on December 15, 2004 and December 27, 2004.

Changes in Series A and B redeemable convertible preferred units for the year ended December 31, 2005 and the three-month period ended December 31, 2004 are as follows:

|                                | Year ended<br>December 31, 2005 |            | Three months ended<br>December 31, 2004<br>(Successor Company) |            |
|--------------------------------|---------------------------------|------------|--|------------|
|                                | Units                           | Amounts    | Units  | Amounts    |
| <b>Series A</b>                |                                 |            |  |            |
| Beginning of period            |                                 | \$         | 49,727   | \$ 49,727  |
| Issuance                       |                                 |            | 364  | 364        |
| Redemption                     |                                 |            | (50,091)   | (51,907)   |
| Accrual of preferred dividends |                                 |            |  | 1,816      |
| End of period                  |                                 | \$         |  | \$         |
| <b>Series B</b>                |                                 |            |  |            |
| Beginning of period            | 93,997                          | \$ 96,534  | 447,420  | \$ 447,420 |
| Issuance                       |                                 |            | 3,272  | 3,272      |
| Redemption                     |                                 |            | (356,695)  | (365,770)  |
| Accrual of preferred dividends |                                 | 9,928      |  | 11,612     |
| End of period                  | 93,997                          | \$ 106,462 | 93,997   | \$ 96,534  |

There were no Series A units outstanding as of December 31, 2005, and the Series B units outstanding as of December 31, 2005 are presented between liabilities and unitholders' equity in the accompanying balance sheets as they contain characteristics of both liabilities and equity according to the SEC's Accounting Series Release No. 268, *Presentation in Financial Statements of Redeemable Preferred Stock* and EITF Topic D-98, *Classification and Measurement of Redeemable Securities*.

**Conversion**

The outstanding Series B units are convertible, in whole or in part, into common equity interests upon or concurrently with the first public offering of the common equity interests of the Company at the Company's option or the holder's option based on a formula, represented by the conversion ratio. The conversion ratio for the Series B units is an amount equal to the original issue price per unit plus an amount per unit equal to full cumulative dividends accrued and unpaid to the date of the consummation of the first public offering, divided by the per common equity

interest price to the public in the Company's first public offering of equity securities.

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**MagnaChip Semiconductor LLC and Subsidiaries**

**Notes to Consolidated Financial Statements (Continued)**

**(Tabular dollars in thousands, except unit data)**

***Dividends***

Holders of Series B receive dividends which are cumulative, whether or not earned or declared by the board of directors. The cumulative cash dividends accrue at the rate of 10% per unit per annum on the Series B original issue price, compounded semi-annually. Such dividends are payable in semi-annual installments in arrears commencing March 15, 2005.

***Liquidation***

In the event of liquidation, the holders of Series B are entitled to receive, out of the assets of the Company legally available for distribution to its members, whether from capital, surplus or earnings, an amount equal to the Series B original issue price in cash per unit plus an amount equal to full cumulative dividends accrued and unpaid thereon to the date of final distribution respectively, and no more. If the net assets of the Company are insufficient to pay the holders of all outstanding Series B and of any units ranking on a parity with the Series B, the full amounts to which they respectively shall be entitled, such assets, or the proceeds thereof, shall be distributed ratably among the holders of the Series B and any units ranking on a parity with the Series B in accordance with the amounts which would be payable on such distribution if the amount to which the holders of the Series B and any units ranking on a parity with the Series B are entitled were paid in full.

***Voting***

As provided in Company Operating Agreement, the holders of Series B shall not be entitled to vote on any matter submitted to a vote of the Members, and not be entitled to notice of any meeting of Members.

***Redemption***

If any outstanding Series B remain outstanding on the 14<sup>th</sup> anniversary after issuance of the Series B, then the holders of a majority of the then outstanding Series B shall have the right to elect to have the Company redeem all outstanding Series B from funds legally available, at a price per unit equal to \$1,000 plus an amount per unit equal to full cumulative dividends accrued and unpaid thereon to the redemption date.

Also the Series B may be redeemed from funds legally available, in whole or in part, at the election of the Company, expressed by resolution of the board of directors, at any time and from time to time at a price of \$1,000 per unit plus any cumulative dividends accrued and unpaid.

**12. Warrant**

In connection with the Original Acquisition, the Company issued a warrant, which is recorded as additional paid in capital, to Hynix, which enables Hynix to purchase 5,079,254 common units of the Company. The value of each warrant to purchase one common unit is \$ 0.414, which was estimated using the Black-Scholes option pricing model using the following assumptions: fair value of \$1.00 per unit; exercise price of \$1.00 per unit; risk free rate of interest of 2.50%; volatility of 86%; dividend rate of 0%; and term of 2 years. This warrant is still outstanding as of December 31, 2005 and expires on the earlier to occur of October 6, 2006, and the date which is 45 days after the Company provides written notice to Hynix that the Company is filing a registration statement providing for a first public offering of its common equity interests.

**13. Stock Option Plan (Predecessor Company)**

Hynix formed its stock option plan in 1999 and granted stock options to employees and directors. On July 13, 2003, all outstanding options were cancelled and replaced with new option grants as a result of an equity



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

restructuring including a stock split. Since the replacement ratio did not match the stock split ratio of 21:1, the new options were accounted for as the variable awards.

On March 26, 2004, the stock option plan was modified and the vesting period was reduced from three to two years. As of September 30, 2004, 982,395 options were outstanding. However, none of these options were transferred as part of the Original Acquisition.

The number and weighted-average exercise prices of options for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 are as follows:

|                                   | Number<br>of<br>options<br>(Predecessor Company) | Weighted average<br>exercise price of<br>options |
|-----------------------------------|--|--|
| Outstanding at January 1, 2003    | 1,565,800  | \$ 4.0   |
| Granted                           | 1,130,115  | 4.2  |
| Exercised                         |  |  |
| Forfeited                         | 291,895  | 4.2  |
| Cancelled                         | 1,357,500  | 4.2  |
| Outstanding at December 31, 2003  | 1,046,520  | 4.2  |
| Granted                           |  |  |
| Exercised                         |  |  |
| Forfeited                         | 64,125   | 4.3  |
| Cancelled                         |  |  |
| Outstanding at September 30, 2004 | 982,395  | 4.3  |

As of September 30, 2004 and December 31, 2003, the weighted-average remaining contractual life of outstanding stock options was 5.7 years and 2.5 years, respectively. However, no options were exercisable as of September 30, 2004 and December 31, 2003.

**14. Equity Incentive Plans (Successor Company)**

The company adopted two equity incentive plans effective October 6, 2004 and March 21, 2005, respectively, which are administered by a Committee designated by the board of directors. Employees, consultants and non-employee directors are eligible for the grant of options to purchase the Company's common units or restricted common units subject to terms and conditions determined by the Committee. The terms of options in no event exceed ten years from the date of grant. As of December 31, 2005, an aggregate maximum of 7,490,864 common units was authorized and reserved for all future and outstanding grants of options.

On October 6, 2004, the Company granted 2,456,090 fully-vested and immediately exercisable options to purchase its restricted common units to certain members of management at the exercise price of \$1 per unit. In addition, at the same date, the Company issued 1,146,178 options to purchase its common units to certain members of management and employees at the exercise price of \$1 per unit, with a vesting term of 25% of the units on September 30, 2005 and 6.25% of the units on the last day of each calendar quarter thereafter.

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In 2005, the Company granted 3,174,562 options to purchase its common units or restricted common units at exercise prices ranging from \$1 to \$3 per unit. These options generally vest and become exercisable in periodic installments, 25% of the options on the first anniversary of the grant date or the date of employment, whichever is later, and 6.25% of the units on the last day of each calendar quarter thereafter.

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

Restricted units are issued upon the exercise of certain options to purchase restricted common units. Restricted units issued are subject to restrictions which generally lapse in installments over a four-year period.

The following summarizes unit option and restricted unit activities for the year ended December 31, 2005 and for the three months ended December 31, 2004:

|                                  | Number of<br>restricted units | Number of<br>options<br>(Successor Company) | Weighted<br>average exercise<br>price of<br>options |
|----------------------------------|-------------------------------|---|---|
| Outstanding at October 1, 2004   |                               |   | \$  |
| Granted                          | 2,456,090                     | 3,602,268                                   | 1.0   |
| Exercised                        | n/a                           | 2,456,090                                   | 1.0   |
| Forfeited                        |                               |   |   |
| Released from restriction        |                               | n/a   | n/a   |
| Outstanding at December 31, 2004 | 2,456,090                     | 1,146,178                                   | 1.0   |
| Granted                          | 50,000                        | 3,174,562                                   | 1.8   |
| Exercised                        | n/a                           | 54,250                                      | 2.1   |
| Forfeited                        |                               | 485,847                                     | 1.6   |
| Released from restriction        | 780,028                       | n/a   | n/a   |
| Outstanding at December 31, 2005 | 1,726,062                     | 3,780,643                                   | 1.6   |
| Exercisable at December 31, 2004 | n/a                           |   |   |
| Exercisable at December 31, 2005 | n/a                           | 870,880                                     | 1.6   |

The following summarizes information about options outstanding at December 31, 2005:

| Exercise price | Options outstanding  |   | Options exercisable  |
|----------------|----------------------|---|----------------------|
|                | Number of<br>options | Weighted average<br>remaining<br>contractual life | Number of<br>options |
| \$1.0          | 2,108,001            | 9.0 Years   | 541,563              |
| \$1.04         | 245,000              | 9.9 Years   |                      |
| \$2.0          | 679,978              | 8.9 Years   | 104,708              |
| \$3.0          | 747,664              | 9.1 Years   | 224,609              |

3,780,643

9.0 Years

870,880

**15. Restructuring and Impairment Charges**

During the year ended December 31, 2005, the Company recorded \$36,234 thousand of restructuring and impairment charges which included \$33,576 thousand for asset impairment and \$2,658 thousand for restructuring.

In the second quarter of 2005, the Company made a strategic decision to outsource some of the manufacturing processes specifically for packaging and testing. As a result, the Company recognized \$7,996 thousand of impairment charges on certain long-lived assets. Additionally, on December 12, 2005, the Company's Board decided to divest the Company's Application Processor business in order to focus its business



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

on image sensors, display drivers, and foundry services. Based on such decision, the Company identified and segregated related tangible and intangible assets of \$8,540 thousand as held-for-sale and stopped depreciating and amortizing from December 12, 2005. As a result, the Company recognized impairment charges of \$25,580 thousand for the carrying value the assets during the fourth quarter of 2005.

In addition, during the current year, the Company took a total of \$2.7 million of restructuring charges which included early retirement costs and other costs associated with the sale of Application Processor business.

**16. Income Tax Expenses**

The Company's income tax expenses are composed of domestic and foreign income taxes depending on the relevant tax jurisdiction. For the Predecessor Company Domestic refers to the income before taxes, current income taxes and deferred income taxes generated or incurred in Korea. For the Successor Company, however, it refers to the income before taxes, current income taxes and deferred income taxes generated or incurred in the US, in which the ultimate parent of the Company resides.

The components of income tax expense are as follows:

|                                   | Year<br>ended               | Three months<br>ended | Nine months<br>ended          | Year ended      |
|-----------------------------------|-----------------------------|-----------------------|-------------------------------|-----------------|
|                                   | December 31,                | December 31,          | September 30,                 | December 31,    |
|                                   | 2005<br>(Successor Company) | 2004                  | 2004<br>(Predecessor Company) | 2003            |
| <b>Income before income taxes</b> |                             |                       |                               |                 |
| Domestic                          | \$ (3,528)                  | \$ 3,136              | \$ 48,660                     | \$ (91,795)     |
| Foreign                           | (95,554)                    | (2,236)               | (2,595)                       | (20,539)        |
|                                   | \$ (99,082)                 | \$ 900                | \$ 46,065                     | \$ (112,334)    |
| <b>Current income taxes</b>       |                             |                       |                               |                 |
| Domestic                          | \$ (9)                      | \$ 266                | \$ 2,828                      | \$ 1,389        |
| Foreign                           | 14,041                      | 6,459                 | 2,828                         | 1,389           |
|                                   | 14,032                      | 6,725                 | 2,828                         | 1,389           |
| <b>Deferred income taxes</b>      |                             |                       |                               |                 |
| Domestic                          |                             |                       |                               |                 |
| Foreign                           | 12,216                      |                       |                               |                 |
|                                   | 12,216                      |                       |                               |                 |
| <b>Total income tax expenses</b>  | <b>\$ 1,816</b>             | <b>\$ 6,725</b>       | <b>\$ 2,828</b>               | <b>\$ 1,389</b> |

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The ultimate parent of the Company is a limited liability company, a non-taxable entity for US tax purposes and thus the statutory income tax rate shall be zero. A substantial portion of the income tax expenses above is incurred from MSK, which is the principal operating entity within the Company. The statutory income tax rate of MSK, including tax surcharges, applicable to the Company was approximately 27.5% in 2005, which was reduced from 29.7% in 2004 in accordance with the Corporate Income Tax Law as amended on December 31, 2003.

The income tax rate used to calculate the tax provision by the Predecessor Company was the statutory income tax rate of Korea, which was 29.7%. For the Successor Company, the statutory income tax rate is zero as its ultimate parent is a non-taxable US entity. The provision for domestic and foreign income taxes incurred is

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

different from the amount calculated by applying the statutory tax rate to the net income before income taxes. The significant items causing this difference are as follows:

|                                      | Year<br>ended               | Three months<br>ended | Nine months<br>ended          | Year ended   |
|--------------------------------------|-----------------------------|-----------------------|-------------------------------|--------------|
|                                      | December 31,                | December 31,          | September 30,                 | December 31, |
|                                      | 2005<br>(Successor Company) | 2004                  | 2004<br>(Predecessor Company) | 2003         |
| Provision computed at statutory rate | \$                          | \$                    | \$ 13,682                     | \$ (33,364)  |
| Permanent differences                | 9,137                       | (161)                 | 532                           | 478          |
| Change in statutory tax rate         | (5,088)                     | 5,125                 | (818)                         | 15,510       |
| Adjustment for overseas tax rate     | (27,745)                    | (1,492)               | (181)                         | 110          |
| Exemption                            |                             | (5,447)               |                               |              |
| Change in valuation allowance        | 25,512                      | 8,700                 | (10,387)                      | 18,655       |
| Total statutory income taxes         | \$ 1,816                    | \$ 6,725              | \$ 2,828                      | \$ 1,389     |

A summary of the composition of net deferred income tax assets (liabilities) at December 31, 2005 and 2004 are as follows:

|                                | December 31,                | December 31, |
|--------------------------------|-----------------------------|--------------|
|                                | 2005<br>(Successor Company) | 2004         |
| <b>Deferred tax assets</b>     |                             |              |
| Inventories                    | \$ 4,949                    | \$ 2,282     |
| Debt issuance cost             |                             | 228          |
| Intangible assets              |                             | 6,038        |
| Accrued expenses               | 1,251                       | 1,938        |
| Product warranties             | 687                         | 364          |
| Other reserves                 | 819                         | 713          |
| Severance benefits             | 4,679                       | 547          |
| Property, plant and equipments | 33,749                      |              |
| NOL carry-forwards             | 9,990                       |              |
| Tax credit                     | 5,708                       |              |
| Royalty income                 | 11,520                      |              |
| Others                         | 1,674                       | 349          |
| Total deferred tax assets      | 75,026                      | 12,459       |
| Less: valuation allowance      | (38,391)                    | (8,700)      |

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|                                       |               |              |
|---------------------------------------|---------------|--------------|
|                                       | 36,635        | 3,759        |
| <b>Deferred tax liabilities</b>       |               |              |
| Property, plant and equipment         |               | 646          |
| Acquisition consideration             | 1             | 2,047        |
| Foreign currency gain                 | 456           | 1,066        |
| Debt issuance cost                    | 35            |              |
| Intangible assets                     | 23,927        |              |
| <b>Total deferred tax liabilities</b> | <b>24,419</b> | <b>3,759</b> |
| Net deferred tax asset (liabilities)  | \$ 12,216     | \$           |

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

Changes in valuation allowance for deferred tax assets for the year ended December 31, 2005 and for three months ended December 31, 2004 are as follows:

|                                   | December 31,<br>2005 | December 31,<br>2004 |
|-----------------------------------|----------------------|----------------------|
|                                   | (Successor Company)  |                      |
| Beginning balance                 | \$ 8,700             | \$                   |
| Transferred from acquired company | 4,179                |                      |
| Charge to expenses                | 25,512               | 8,700                |
| Ending balance                    | \$ 38,391            | \$ 8,700             |

Deferred income tax assets are recognized only to the extent that realization of the related tax benefit is more likely than not. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including the Company's ability to generate taxable income within the period during which the temporary differences reverse, the outlook for the economic environment in which the Company operates, and the overall future industry outlook. Based on the Company's historical book and tax losses, management determined that it was more likely than not, that the Company would realize its deferred tax assets to the amount of \$12,216 thousand as of December 31, 2005 and zero as of December 31, 2004. Accordingly, the Company recorded a valuation allowance of \$38,391 thousand and \$ 8,700 thousand on its net deferred tax assets for 2005 and 2004, respectively.

At December 31, 2005, the Company had approximately \$41,380 thousand of net operating loss carry-forwards available to offset future taxable income, which expires in varying amounts starting from 2006.

**17. Geographic and Segment Information**

The Company operates in one business segment, the manufacture and sale of semiconductor products.

The following is a summary of net sales by region, based on the location of the customer:

|               | Year ended<br>December 31,<br>2005 | Three months<br>ended<br>December 31,<br>2004 | Nine months<br>ended<br>September 30,<br>2004 | Year ended<br>December 31,<br>2003 |
|---------------|------------------------------------|---|---|------------------------------------|
| Korea         | \$ 512,366                         | \$ 127,208                                    | \$ 455,616                                    | \$ 498,051                         |
| Asia Pacific  | 251,173                            | 63,094  | 203,791                                       | 152,217                            |
| Japan         | 97,841                             | 38,000  | 143,190                                       | 129,795                            |
| North America | 56,907                             | 11,677  | 17,388  | 29,476                             |
| Europe        | 19,369                             | 3,603   | 21,603  | 21,298                             |

Other

3

|            |            |            |            |
|------------|------------|------------|------------|
| \$ 937,656 | \$ 243,582 | \$ 841,588 | \$ 830,840 |
|------------|------------|------------|------------|

Over 99% of the Company's property, plant and equipment are located in Korea as of December 31, 2005.

Net sales from the Company's top ten largest customers accounted for 63%, 62%, 63%, and 65%, for the year ended December 31, 2005, three months ended December 31, 2004, nine months ended September 30, 2004, and year ended December 31, 2003, respectively.

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

The following is a summary of net sales by product for each period:

|                                     | Year<br>ended<br>December 31,<br>2005<br>(Successor Company) | Three months<br>ended<br>December 31,<br>2004 | Nine months<br>ended<br>September 30,<br>2004<br>(Predecessor Company) | Year ended<br>December 31,<br>2003 |
|-------------------------------------|--|---|--|------------------------------------|
| Solution Products                   |  |   |  |                                    |
| Flat panel display driver           | \$ 326,027   | \$ 60,352                                     | \$ 198,823   | \$ 186,251                         |
| CMOS Image Sensor                   | 163,326  | 58,069  | 142,050  | 68,253                             |
| Application Processors              | 47,139   | 16,063  | 66,715   | 104,491                            |
| Semiconductor Manufacturing Service |  |   |  |                                    |
| Memory                              | 49,890   | 19,517  | 163,760  | 259,678                            |
| Non-memory                          | 345,437  | 88,295  | 270,240  | 212,167                            |
| Others                              | 5,837  | 1,286   |  |                                    |
|                                     | \$ 937,656   | \$ 243,582                                    | \$ 841,588   | \$ 830,840                         |

**18. Commitments and Contingencies*****Operating Agreements with Hynix***

In connection with Original Acquisition, the Company entered into several definitive agreements with Hynix regarding key materials, campus facilities, research and development equipment and information technology, factory automation and wafer foundry services. The Company also agreed to provide certain utilities and infrastructure support services to Hynix. The obligation to provide services under these agreements generally lasts for one to five years from the closing of Original Acquisition. The obligation to provide certain services lasts indefinitely.

In addition, the Company entered into a wafer foundry services agreement with Hynix under which the Company agreed to sell and Hynix agreed to purchase a certain monthly minimum quantity of DRAM semiconductors until August 31, 2005. Hynix and the Company agreed to extend the wafer foundry arrangement until November 10, 2005. The Company and Hynix also entered into a photo mask supply agreement under which Hynix agreed to supply the Company with up to a certain maximum quantity of photo masks.

The Company also entered into a non-exclusive cross license with Hynix which provides the Company with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-memory semiconductor products.

Upon the closing of the Original Acquisition, MagnaChip Korea and Hynix also entered into four lease agreements. Under one agreement, MagnaChip Korea leases from Hynix certain exclusive-use space plus common- and joint-use space in several buildings, primarily warehouses, in Cheongju, Korea. Under another agreement, Hynix leases from MagnaChip Korea certain exclusive-use space plus certain common- and joint-use space in three buildings in Cheongju, Korea. These two leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Each of the leases is cancelable upon 90 days' notice by the lessee. Under the third agreement, MagnaChip Korea leased from Hynix exclusive-use space plus certain common-use space in a building in Icheon, Korea, although this lease was terminated on November 15, 2005. Under the final agreement, the Company leases from Hynix certain exclusive-use plus common- and joint-use land located in Cheongju, Korea. The term of this agreement is indefinite unless otherwise agreed between the both parties, and as long as the buildings

remain on the lease site and are owned and used by the Company for permitted uses.



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)*****Operating Leases***

The Company leases land, office building and equipments under various operating lease agreements that expire through 2034. Rental expenses were approximately \$13,913 thousand for the year ended December 31, 2005, \$2,910 thousand for the three-month period ended December 31, 2004 (successor company) and \$2,318 thousand and \$1,556 thousand for the nine-month period ended September 30, 2004 and the year ended December 31, 2003 (predecessor company), respectively.

As of December 31, 2005, the minimum aggregate rental payments due under non-cancelable lease contracts are as follows:

|      |           |
|------|-----------|
| 2006 | \$ 14,573 |
| 2007 | 12,168    |
| 2008 | 11,916    |
| 2009 | 11,917    |
| 2010 | 11,918    |
|      | \$ 62,492 |

***Advisory Agreements***

An advisory agreement was entered into as of October 6, 2004 by and between the Company and advisors including CVC Management LLC ( CVC Management ), CVC Capital Partners Asia Limited ( CVC Capital ) and Francisco Partners Management LLC ( Francisco Partners ). The Company is to pay each of CVC Management and Francisco Partners an annual advisory fee the amount of which shall be the greater of \$1,379,163 per annum or 0.14777% per annum of annual consolidated revenue, and is also to pay CVC Capital an annual advisory fee the amount of which shall be the greater of \$741,673 per annum or 0.07946% per annum of annual consolidated revenue plus reasonable out-of-pocket expenses for initial term of 10 years, subject to termination by either party upon written notice 90 days prior to the expiration of the initial term or any extension thereof. During the year ended December 31, 2005 and the three-month period ended December 31, 2004 (successor company), the Company accrued \$3,545 thousand and \$890 thousand of accrued expenses under these agreements, respectively, which is included in selling, general and administrative expenses in the accompanying consolidated financial statements.

***Undrawn line of credit***

The undrawn portion of the new senior secured credit line was \$82,956 thousand and \$86,295 thousand as of December 31, 2005 and 2004, respectively.

***Payments of Guarantee***

As of December 31, 2005 and 2004, the Company has provided guarantees for bank loans that employees borrowed to participate in the issuance of new shares of Hynix in 1999. Outstanding balance of guarantees for payments provided by the Company amounted to approximately \$304 thousand and \$4,846 thousand, as of December 31, 2005 and 2004, respectively.

**19. Related Party Transactions**

Funds related to Citigroup Venture Capital ( CVC ), Francisco Partners and CVC Asia Pacific own 33.8%, 33.8% and 18.2%, respectively, of the common units, and 35.9%, 35.9% and 19.3%, respectively, of the Series B



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)****(Tabular dollars in thousands, except unit data)**

units outstanding at December 31, 2005. Refer to Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for details of ownership of each party.

Hyundai Display Technology, Hyundai Information Technology and Hyundai ASTEC were all subsidiaries of Hynix. As a result of Original Acquisition, these companies were all excluded from related parties of the Company.

Transactions between the Company and its related parties are as follows:

|                                | Year<br>ended               | Three months<br>ended       | Nine months<br>ended          | Year ended                    |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
|                                | December 31,                | December 31,                | September 30,                 | December 31,                  |
|                                | 2005<br>(Successor Company) | 2004<br>(Successor Company) | 2004<br>(Predecessor Company) | 2003<br>(Predecessor Company) |
| Net sales                      |                             |                             |                               |                               |
| Hynix                          |                             |                             | \$ 163,760                    | \$ 259,678                    |
| Hyundai Display Technology     |                             |                             |                               | 925                           |
| Other related parties          |                             |                             |                               | 136                           |
|                                |                             |                             | \$ 163,760                    | \$ 260,739                    |
| Purchases                      |                             |                             |                               |                               |
| Hynix                          |                             |                             | \$ 11,999                     | \$ 42,857                     |
| Hyundai Information Technology |                             |                             | 772                           | 3,849                         |
| Hyundai ASTEC                  |                             |                             | 9,346                         | 17,889                        |
| Other related parties          |                             |                             | 15                            | 110                           |
|                                |                             |                             | \$ 22,132                     | \$ 64,705                     |
| Advisory Fee                   |                             |                             |                               |                               |
| Citigroup Venture Capital      | \$ 1,397                    | \$ 351                      |                               |                               |
| Francisco Partners             | 1,397                       | 351                         |                               |                               |
| CVC Asia Pacific               | 751                         | 188                         |                               |                               |
| Total                          | \$ 3,545                    | \$ 890                      |                               |                               |

Loans to employees as of December 31, 2005 and 2004 are as follows:

December 31,

December 31,

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|                  | 2005                | 2004   |
|------------------|---------------------|--------|
|                  | (Successor Company) |        |
| Short-term loans | \$ 61               | \$ 69  |
| Long-term loans  | 125                 | 124    |
| Total            | \$ 186              | \$ 193 |

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**20. Earnings per Unit**

The following table sets forth the computation of basic net loss attributable to common unitholders per common unit.

|   | December 31,<br>2005 | December 31,<br>2004<br>(Successor Company) |
|---|----------------------|---|
| Net loss                                  | \$ (100,898)         | \$ (5,825)                                  |
| Dividends to preferred stockholders       | (9,928)              | (13,428)                                    |
| Net loss attributable to common units     | \$ (110,826)         | \$ (19,253)                                 |
| Weighted-average common units outstanding | 52,898,497           | 50,061,910                                  |
| Net loss per unit basic                   | \$ (2.10)            | \$ (0.38)                                   |

The following outstanding redeemable convertible preferred unit issued, stock-options granted and warrants issued to Hynix were excluded from the computation of diluted net loss per unit as they had antidilutive effects:

|  | December 31,<br>2005 | December 31,<br>2004<br>(Successor Company) |
|--|----------------------|---|
| Redeemable convertible preferred units | 93,997               | 93,997                                      |
| Options                                | 3,780,643            | 1,146,178                                   |
| Warrants                               | 5,079,254            | 5,079,254                                   |

**21. Subsequent Events**

On January 31, 2006, the Company completed the sale of the Company's application processor business to ABOV Semiconductor Co., Ltd. The Company transferred certain employees, tangible assets and intangible assets related to the application processor business. As part of this transaction, the Company acquired approximately 3% of the then-outstanding equity of ABOV Semiconductor Co., Ltd.

**22. Condensed Consolidating Financial Statements**

The senior secured credit facility and Second Priority Senior Secured Notes are each fully and unconditionally guaranteed by the Company and all of its subsidiaries, except for MagnaChip Semiconductor (Shanghai) Company Limited. The Senior Subordinated Notes are fully and unconditionally guaranteed by the Company and all of its subsidiaries, except for MagnaChip Semiconductor, Ltd. (Korea) and MagnaChip Semiconductor (Shanghai) Company Limited. Below are the condensed consolidating balance sheets as of December 31, 2005 and 2004 and condensed consolidating statements of operations and of cash flows for the year ended December 31, 2005 and the three-month period ended December 31, 2004 (successor company) of those entities that guarantee the Senior Subordinated Notes, those that do not, MagnaChip Semiconductor LLC, and the co-issuers.



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Balance Sheet**

December 31, 2005

|   | MagnaChip<br>Semiconductor<br>LLC<br>(Parent) | MagnaChip<br>Semiconductor<br>Finance<br>Company &<br>MagnaChip<br>Semiconductor<br>S.A.<br>(Co-Issuers) | Non-<br>Guarantors | Guarantors        | Eliminations          | Consolidated        |
|---|---|--|--------------------|-------------------|-----------------------|---------------------|
| <b>Assets</b>                             |   |  |                    |                   |                       |                     |
| Current assets                            |   |  |                    |                   |                       |                     |
| Cash and cash equivalents                 | \$ 209  | \$ 841   | \$ 63,435          | \$ 22,089         | \$                    | \$ 86,574           |
| Restricted cash                           |   |  | 2,837              |                   |                       | 2,837               |
| Accounts receivable, net                  |   |  | 131,669            | 55,057            | (74,673)              | 112,053             |
| Inventories, net                          |   |  | 82,348             | 7,638             | (1,309)               | 88,677              |
| Other receivables                         | 35,013  | 718  | 7,792              | 20,097            | (54,119)              | 9,501               |
| Other current assets                      |   | 22,382   | 9,987              | 6,063             | (28,284)              | 10,148              |
| <b>Total current assets</b>               | <b>35,222</b>                                 | <b>23,941</b>  | <b>298,068</b>     | <b>110,944</b>    | <b>(158,385)</b>      | <b>309,790</b>      |
| Property, plant and equipment, net        |   |  |                    |                   |                       |                     |
| Intangible assets, net                    |   |  | 484,019            | 1,058             |                       | 485,077             |
| Investments in subsidiaries               | 25,756  | (38,942)   |                    | 144,131           | (130,945)             | 191,389             |
| Long-term inter-company loans             |   | 774,199  |                    | 621,311           | (1,395,510)           |                     |
| Other non-current assets                  |   | 24,153   | 45,370             | 11,131            | (26,263)              | 54,391              |
| <b>Total assets</b>                       | <b>\$ 60,978</b>                              | <b>\$ 783,351</b>  | <b>\$ 992,826</b>  | <b>\$ 914,595</b> | <b>\$ (1,711,103)</b> | <b>\$ 1,040,647</b> |
| <b>Liabilities and Unitholders equity</b> |   |  |                    |                   |                       |                     |
| Current liabilities                       |   |  |                    |                   |                       |                     |
| Accounts payable                          | \$  | \$   | \$ 94,581          | \$ 74,003         | \$ (74,673)           | \$ 93,911           |
| Other accounts payable                    | 1,000   | 440  | 68,703             | 19,344            | (54,119)              | 35,368              |
| Accrued expenses                          |   | 3,139  | 24,560             | 26,331            | (25,062)              | 28,968              |
| Other current liabilities                 |   | 162  | 3,746              | 9,416             | (3,222)               | 10,102              |
| <b>Total current liabilities</b>          | <b>1,000</b>                                  | <b>3,741</b>   | <b>191,590</b>     | <b>129,094</b>    | <b>(157,076)</b>      | <b>168,349</b>      |
| Long-term borrowings                      |   |  |                    |                   |                       |                     |
| Accrued severance benefits, net           |   | 750,000  | 621,311            | 774,199           | (1,395,510)           | 750,000             |
| Other non-current liabilities             |   |  | 54,854             | 270               |                       | 55,124              |
|   |   |  | 5,272              | 28,187            | (26,263)              | 7,196               |
| <b>Total liabilities</b>                  | <b>1,000</b>                                  | <b>753,741</b>   | <b>873,027</b>     | <b>931,750</b>    | <b>(1,578,849)</b>    | <b>980,669</b>      |





**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Balance Sheet****December 31, 2005**

|  | <b>MagnaChip<br/>Semiconductor<br/>LLC<br/><br/>(Parent)</b> | <b>MagnaChip<br/>Semiconductor<br/>Finance<br/>Company &amp;<br/>MagnaChip<br/>Semiconductor<br/>S.A.<br/><br/>(Co-Issuers)</b> | <b>Non-<br/>Guarantors</b> | <b>Guarantors</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|--|--|---|----------------------------|-------------------|---------------------|---------------------|
| <b>Commitments and contingencies</b>   |  |   |                            |                   |                     |                     |
| Series A redeemable convertible preferred units                                  |  |   |                            |                   |                     |                     |
| Series B redeemable convertible preferred unites                                 | 106,462  |   |                            |                   |                     | 106,462             |
| Total redeemable convertible preferred units                                     | 106,462  |   |                            |                   |                     | 106,462             |
| <b>Unitholders equity</b>  |  |   |                            |                   |                     |                     |
| Common units   | 53,092   | 102,986   | 39,005                     | 58,364            | (200,355)           | 53,092              |
| Additional paid-in capital   | 2,169  | 1,027   | 155,212                    | 71,989            | (228,228)           | 2,169               |
| Accumulated deficit  | (130,092)  | (102,930)   | (99,666)                   | (172,038)         | 374,634             | (130,092)           |
| Accumulated other comprehensive income   | 28,347   | 28,527  | 25,248                     | 24,530            | (78,305)            | 28,347              |
| Total unitholders equity   | (46,484)   | 29,610  | 119,799                    | (17,155)          | (132,254)           | (46,484)            |
| Total liabilities, redeemable convertible preferred units and unitholders equity | \$ 60,978  | \$ 783,351  | \$ 992,826                 | \$ 914,595        | \$ (1,711,103)      | \$ 1,040,647        |

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Balance Sheet****December 31, 2004**

|   | <b>MagnaChip<br/>Semiconductor<br/>LLC<br/><br/>(Parent)</b> | <b>MagnaChip<br/>Semiconductor<br/>Finance<br/>Company &amp;<br/>MagnaChip<br/>Semiconductor<br/>S.A.<br/>(Co-Issuers)</b> | <b>Non-<br/>Guarantors</b> | <b>Guarantors</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---|--|--|----------------------------|-------------------|---------------------|---------------------|
| <b>Assets</b>                             |  |  |                            |                   |                     |                     |
| Current assets                            |  |  |                            |                   |                     |                     |
| Cash and cash equivalents                 | \$ 2,386   | \$ 3,201   | \$ 29,671                  | \$ 23,138         | \$                  | \$ 58,396           |
| Restricted cash                           |  |  | 12,962                     |                   |                     | 12,962              |
| Accounts receivable, net                  |  |  | 99,125                     | 42,724            | (55,257)            | 86,592              |
| Inventories, net                          |  |  | 77,338                     | 10,380            | (1,549)             | 86,169              |
| Other receivables                         | 34,773   | 1,544  | 70,857                     | 2,061             | (36,317)            | 72,918              |
| Short-term inter company loans            |  | 10,625   |                            |                   | (10,625)            |                     |
| Other current assets                      |  | 5,909  | 5,196                      | 1,719             | (5,909)             | 6,915               |
| Total current assets                      | 37,159   | 21,279   | 295,149                    | 80,022            | (109,657)           | 323,952             |
| Property, plant and equipment, net        |  |  | 581,514                    | 122               |                     | 581,636             |
| Intangible assets, net                    |  |  | 211,981                    | 6                 |                     | 211,987             |
| Investments in subsidiaries               | 116,409  | 29,231   |                            | 205,358           | (350,998)           |                     |
| Long-term inter company loans             |  | 794,805  |                            | 619,991           | (1,414,796)         |                     |
| Other non-current assets                  |  | 21,869   | 15,026                     | 60                |                     | 36,955              |
| Total assets                              | \$ 153,568   | \$ 867,184   | \$ 1,103,670               | \$ 905,559        | \$ (1,875,451)      | \$ 1,154,530        |
| <b>Liabilities and Unitholders equity</b> |  |  |                            |                   |                     |                     |
| Current liabilities                       |  |  |                            |                   |                     |                     |
| Accounts payable                          | \$   | \$   | \$ 64,688                  | \$ 56,732         | \$ (55,257)         | \$ 66,163           |
| Other accounts payable                    | 1,162  | 252  | 118,572                    | 2,793             | (36,317)            | 86,462              |
| Accrued expenses                          |  | 1,129  | 29,950                     | 6,243             | (5,909)             | 31,413              |
| Short-term borrowings                     |  |  | 749                        | 8,650             | (8,650)             | 749                 |
| Other current liabilities                 |  |  | 8,878                      | 1,014             |                     | 9,892               |
| Total current liabilities                 | 1,162  | 1,381  | 222,837                    | 75,432            | (106,133)           | 194,679             |
| Long-term borrowings                      |  | 750,000  | 619,991                    | 796,780           | (1,416,771)         | 750,000             |
| Accrued severance benefits, net           |  |  | 50,702                     | 12                |                     | 50,714              |
| Other non-current liabilities             |  |  | 4,783                      | 1,948             |                     | 6,731               |

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|                   |       |         |         |         |             |           |
|-------------------|-------|---------|---------|---------|-------------|-----------|
| Total liabilities | 1,162 | 751,381 | 898,313 | 874,172 | (1,522,904) | 1,002,124 |
|-------------------|-------|---------|---------|---------|-------------|-----------|

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Balance Sheet****December 31, 2004**

|  | <b>MagnaChip<br/>Semiconductor<br/>LLC<br/>(Parent)</b> | <b>MagnaChip<br/>Semiconductor<br/>Finance<br/>Company &amp;<br/>MagnaChip<br/>Semiconductor<br/>S.A.<br/>(Co-Issuers)</b> | <b>Non-<br/>Guarantors</b> | <b>Guarantors</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|--|---|--|----------------------------|-------------------|---------------------|---------------------|
| Commitments and contingencies  |   |  |                            |                   |                     |                     |
| Series A redeemable convertible preferred units                                      |   |  |                            |                   |                     |                     |
| Series B redeemable convertible preferred<br>units                                   | 96,534  |  |                            |                   |                     | 96,534              |
| Total redeemable convertible preferred units   | 96,534  |  |                            |                   |                     | 96,534              |
| Unitholders' equity  |   |  |                            |                   |                     |                     |
| Common units   | 52,533  | 102,986  | 38,845                     | 261               | (142,092)           | 52,533              |
| Additional paid-in capital   | 2,100   | 1,027  | 155,212                    | 29,370            | (185,609)           | 2,100               |
| Accumulated deficit  | (19,266)  | (8,715)  | (9,420)                    | (18,784)          | 36,919              | (19,266)            |
| Accumulated other comprehensive income   | 20,505  | 20,505   | 20,720                     | 20,540            | (61,765)            | 20,505              |
| Total unitholders' equity  | 55,872  | 115,803  | 205,357                    | 31,387            | (352,547)           | 55,872              |
| Total liabilities, redeemable convertible<br>preferred units and unitholders' equity | \$ 153,568  | \$ 867,184   | \$ 1,103,670               | \$ 905,559        | \$ (1,875,451)      | \$ 1,154,530        |

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Statement of Operations****For the year ended December 31, 2005**

|   | <b>MagnaChip<br/>Semiconductor<br/>LLC<br/><br/>(Parent)</b> | <b>MagnaChip<br/>Semiconductor<br/>Finance<br/>Company &amp;<br/>MagnaChip<br/>Semiconductor<br/>S.A.<br/><br/>(Co-Issuers)</b> | <b>Non-<br/>Guarantors</b> | <b>Guarantors</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---|--|---|----------------------------|-------------------|---------------------|---------------------|
| Net sales   | \$   | \$  | \$ 914,445                 | \$ 431,339        | \$ (408,128)        | \$ 937,656          |
| Cost of sales   |  |   | 723,844                    | 406,669           | (401,514)           | 728,999             |
| <b>Gross profit</b>   |  |   | 190,601                    | 24,670            | (6,614)             | 208,657             |
| Selling, general and administrative expenses  | 539  | 1,876   | 107,326                    | 15,501            | (2,031)             | 123,211             |
| Research and development expenses   |  |   | 101,318                    | 11,018            | (4,746)             | 107,590             |
| Restructuring and impairment charge   |  |   | 36,234                     |                   |                     | 36,234              |
| <b>Operating income (loss)</b>  | (539)  | (1,876)   | (54,277)                   | (1,849)           | 163                 | (58,378)            |
| Other income (expenses)   | 5  | (13,731)  | (35,577)                   | 8,599             |                     | (40,704)            |
| Income (loss) before income taxes, equity in earnings (loss) of related equity investment | (534)  | (15,607)  | (89,854)                   | 6,750             | 163                 | (99,082)            |
| Income tax expense  |  | 163   |                            | 1,653             |                     | 1,816               |
| Income (loss) before equity in earnings (loss) of related Investment                      | (534)  | (15,770)  | (89,854)                   | 5,097             | 163                 | (100,898)           |
| Earnings (loss) of related investment   | (100,364)  | (78,445)  |                            | (86,985)          | 265,794             |                     |
| <b>Net income (loss)</b>  | \$ (100,898)   | \$ (94,215)   | \$ (89,854)                | \$ (81,888)       | \$ 265,957          | \$ (100,898)        |
| Dividends accrued on preferred units  | 9,928  |   |                            |                   |                     | 9,928               |
| <b>Net income (loss) attributable to common units</b>                                     | \$ (110,826)   | \$ (94,215)   | \$ (89,854)                | \$ (81,888)       | \$ 265,957          | \$ (110,826)        |



**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Statement of Operations****For the three months ended December 31, 2004**

|   | <b>MagnaChip<br/>Semiconductor<br/>LLC<br/><br/>(Parent)</b> | <b>MagnaChip<br/>Semiconductor<br/>Finance<br/>Company &amp;<br/>MagnaChip<br/>Semiconductor<br/>S.A.<br/><br/>(Co-Issuers)</b> | <b>Non-<br/>Guarantors</b> | <b>Guarantors</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---|--|---|----------------------------|-------------------|---------------------|---------------------|
| Net sales   | \$   | \$  | \$ 241,149                 | \$ 116,639        | \$ (114,206)        | \$ 243,582          |
| Cost of sales   |  |   | 203,089                    | 114,063           | (112,691)           | 204,461             |
| <b>Gross profit</b>   |  |   | <b>38,060</b>              | <b>2,576</b>      | <b>(1,515)</b>      | <b>39,121</b>       |
| Selling, general and administrative expenses  | 2  | 20  | 27,174                     | 2,588             |                     | 29,784              |
| Research and development expenses   |  |   | 22,058                     |                   |                     | 22,058              |
| Operating income (loss)   | (2)  | (20)  | (11,172)                   | (12)              | (1,515)             | (12,721)            |
| Other income (expenses)   | 2,588  | 11,908  | 7,857                      | (8,732)           |                     | 13,621              |
| Income (loss) before income taxes,<br>equity in earnings (loss) of related<br>equity investment | 2,586  | 11,888  | (3,315)                    | (8,744)           | (1,515)             | 900                 |
| Income tax expense  |  |   | 6,105                      | 620               |                     | 6,725               |
| Income (loss) before equity in earnings<br>(loss) of related Investment                         | 2,586  | 11,888  | (9,420)                    | (9,364)           | (1,515)             | (5,825)             |
| Earnings (loss) of related investment   | (8,411)  | (20,581)  |                            | (9,420)           | 38,412              |                     |
| Net income (loss)   | \$ (5,825)   | \$ (8,693)  | \$ (9,420)                 | \$ (18,784)       | \$ 36,897           | \$ (5,825)          |
| Dividends accrued on preferred units  | 13,428   |   |                            |                   |                     | 13,428              |
| Net income (loss) attributable to<br>common units   | \$ (19,253)  | \$ (8,693)  | \$ (9,420)                 | \$ (18,784)       | \$ 36,897           | \$ (19,253)         |





**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Statement of Cash Flows****For the year ended December 31, 2005**

|  | MagnaChip<br>Semiconductor<br>LLC<br><br>(Parent) | MagnaChip<br>Semiconductor<br>Finance<br>Company &<br>MagnaChip<br>Semiconductor<br>S.A.<br><br>(Co-Issuers) | Non-<br>Guarantors | Guarantors  | Eliminations | Consolidated |
|--|---|--|--------------------|-------------|--------------|--------------|
| <b>Cash flows from operating activities</b>  |   |  |                    |             |              |              |
| Net income (loss)  | \$ (100,898)                                      | \$ (94,215)  | \$ (89,854)        | \$ (81,888) | \$ 265,957   | \$ (100,898) |
| Adjustments to reconcile net income (loss)<br>to net cash provided by operating activities |   |  |                    |             |              |              |
| Depreciation and amortization  |   |  | 196,669            | 6,260       |              | 202,929      |
| Provision for severance benefits   |   |  | 16,486             | 97          |              | 16,583       |
| Amortization of debt issuance costs  |   | 2,628  | 804                |             |              | 3,432        |
| Loss (gain) on foreign currency translation,<br>net  |   | 21,841   | (16,288)           | (21,433)    |              | (15,880)     |
| Loss (gain) on disposal of property, plant<br>and equipment, net                           |   |  | (830)              | 1           |              | (829)        |
| Impairment charges   |   |  | 33,576             |             |              | 33,576       |
| Loss (earnings) of related investment  | 100,364   | 78,445   |                    | 86,985      | (265,794)    |              |
| Others   | 1   |  | 290                | (2,352)     | 2,782        | 721          |
| Changes in operating assets and liabilities  |   |  |                    |             |              |              |
| Accounts receivable  |   |  | (31,412)           | (13,816)    | 19,416       | (25,812)     |
| Inventories  |   |  | (3,312)            | 2,110       | 396          | (806)        |
| Other receivables  | (241)   | 826  | 63,970             | (19,536)    | 17,802       | 62,821       |
| Deferred tax assets  |   |  |                    | (12,935)    |              | (12,935)     |
| Accounts payable   |   |  | 29,438             | 14,906      | (19,416)     | 24,928       |
| Other accounts payable   | (161)   | 188  | (62,561)           | 14,267      | (17,802)     | (66,069)     |
| Accrued expenses   |   | 2,011  | (5,591)            | 17,549      | (19,153)     | (5,184)      |
| Other current assets   |   | (16,505)   | 1,878              | (1,813)     | 19,153       | 2,713        |
| Other current liabilities  |   | 163  | (4,968)            | 5,005       |              | 200          |
| Payment of severance benefits  |   |  | (13,820)           | (11)        |              | (13,831)     |
| Others   |   |  | (31,266)           | 31,936      | (2,682)      | (2,012)      |
| Net cash provided by operating activities  | (935)   | (4,618)  | 83,209             | 25,332      | 659          | 103,647      |

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Statement of Cash Flows****For the year ended December 31, 2005**

|   | MagnaChip<br>Semiconductor<br>LLC<br><br>(Parent) | MagnaChip<br>Semiconductor<br>Finance<br>Company &<br>MagnaChip<br>Semiconductor<br>S.A.<br>(Co-Issuers) | Non-<br>Guarantors | Guarantors | Eliminations | Consolidated |
|---|---|--|--------------------|------------|--------------|--------------|
| <b>Cash flows from investing activities</b>   |   |  |                    |            |              |              |
| Purchase of plant, property and equipment   |   |  | (62,113)           | (622)      | 401          | (62,334)     |
| Purchases of intangible assets, net   |   |  | (2,174)            |            |              | (2,174)      |
| Acquisition of business   | (1,870)   |  |                    | (14,499)   |              | (16,369)     |
| Increase in short-term inter-company loans  |   |  |                    | (14,000)   | 14,000       |              |
| Increase in long-term inter-company loans   |   | (1,009)  |                    | (1,009)    | 2,018        |              |
| Decrease in short-term inter-company loans  |   | 3,650  |                    | 14,000     | (17,650)     |              |
| Decrease in restricted cash   |   |  | 10,307             |            |              | 10,307       |
| Others  |   | (5)  | 2,045              | 198        | (360)        | 1,878        |
| Net cash provided by (used in) investing activities                                 | (1,870)   | 2,636  | (51,935)           | (15,932)   | (1,591)      | (68,692)     |
| <b>Cash flows from financing activities</b>   |   |  |                    |            |              |              |
| Proceeds from short-term borrowings   |   |  |                    | 14,000     | (14,000)     |              |
| Proceeds from long-term borrowings  |   |  | 1,009              | 1,009      | (2,018)      |              |
| Issuance of common units  | 628   |  |                    |            |              | 628          |
| Repayment of short-term borrowings  |   |  | (757)              | (29,776)   | 17,650       | (12,883)     |
| Debt issuance costs paid  |   | (378)  | (216)              |            |              | (594)        |
| Others  |   |  | 41                 |            | (41)         |              |
| Net cash provided by (used in) financing activities                                 | 628   | (378)  | 77                 | (14,767)   | 1,591        | (12,849)     |
| Effect of exchange rates on cash and cash equivalents                               |   |  | 2,395              | (284)      | (659)        | 1,452        |
| Net increase (decrease) in cash and cash equivalents                                | (2,177)   | (2,360)  | 33,746             | (5,651)    |              | 23,558       |
| <b>Cash and cash equivalents</b>  |   |  |                    |            |              |              |
| Beginning of the period   | 2,386   | 3,201  | 29,671             | 23,138     |              | 58,396       |
| Net increase in cash and cash equivalents from changes of consolidated subsidiaries |   |  | 18                 | 4,602      |              | 4,620        |

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|                   |    |     |    |     |    |        |    |        |    |        |
|-------------------|----|-----|----|-----|----|--------|----|--------|----|--------|
| End of the period | \$ | 209 | \$ | 841 | \$ | 63,435 | \$ | 22,089 | \$ | 86,574 |
|-------------------|----|-----|----|-----|----|--------|----|--------|----|--------|

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Statement of Cash Flows****For the three months ended December 31, 2004**

|   | MagnaChip<br>Semiconductor<br>LLC<br><br>(Parent) | MagnaChip<br>Semiconductor<br>Finance<br>Company &<br>MagnaChip<br>Semiconductor<br>S.A.<br>(Co-Issuers) | Non-<br>Guarantors | Guarantors  | Eliminations | Consolidated |
|---|---|--|--------------------|-------------|--------------|--------------|
| <b>Cash flows from operating activities</b>   |   |  |                    |             |              |              |
| Net income (loss)   | \$ (5,825)  | \$ (8,693)   | \$ (9,420)         | \$ (18,784) | \$ 36,897    | \$ (5,825)   |
| Adjustments to reconcile net income<br>(loss) to net cash provided by operating<br>activities |   |  |                    |             |              |              |
| Depreciation and amortization   |   |  | 45,847             | 8           |              | 45,855       |
| Provision for severance benefits  |   |  | 3,397              |             |              | 3,397        |
| Amortization of debt issuance costs   |   | 152  | 4,259              |             |              | 4,411        |
| Loss (gain) on foreign currency<br>translation, net   |   | (7,914)  | (32,733)           | 7,384       |              | (33,263)     |
| Loss (gain) on disposal of property, plant<br>and equipment, net                              |   |  | (193)              |             |              | (193)        |
| Loss (earnings) of related investment   | 8,411   | 20,581   |                    | 9,420       | (38,412)     |              |
| Others  |   |  | 363                | 131         |              | 494          |
| Changes in operating assets and liabilities   |   |  |                    |             |              |              |
| Accounts receivable   |   |  | (55,968)           | (42,559)    | 55,257       | (43,270)     |
| Inventories   |   |  | 36,137             | (1,172)     | 1,548        | 36,513       |
| Other receivables   | (2,243)   | (810)  | (55,266)           | (1,651)     | 3,053        | (56,917)     |
| Accounts payable  |   |  | (34,196)           | 56,392      | (55,257)     | (33,061)     |
| Other accounts payable  | (29,266)  | 189  | 121,181            | (7,428)     | (3,167)      | 81,509       |
| Accrued expenses  |   | 1,128  | 16,257             | 6,235       | (5,909)      | 17,711       |
| Other current assets  |   | (5,909)  | (4,194)            | (1,815)     | 5,909        | (6,009)      |
| Other current liabilities   |   |  | 6,965              | 2,877       |              | 9,842        |
| Payment of severance benefits   |   |  | (2,898)            |             |              | (2,898)      |
| Others  |   |  | (1,003)            | (8)         |              | (1,011)      |
| Net cash provided by operating activities   | (28,923)  | (1,276)  | 38,535             | 9,030       | (81)         | 17,285       |

**Table of Contents****MagnaChip Semiconductor LLC and Subsidiaries****Notes to Consolidated Financial Statements (Continued)**

(Tabular dollars in thousands, except unit data)

**Consolidating Statement of Cash Flows****For the three months ended December 31, 2004**

|   | MagnaChip<br>Semiconductor<br>LLC<br><br>(Parent) | MagnaChip<br>Semiconductor<br>Finance<br>Company &<br>MagnaChip<br>Semiconductor<br>S.A.<br>(Co-Issuers) | Non-<br>Guarantors | Guarantors | Eliminations | Consolidated |
|---|---|--|--------------------|------------|--------------|--------------|
| <b>Cash flows from investing activities</b>                     |   |  |                    |            |              |              |
| Purchase of plant, property and equipment                       |   |  | (23,261)           | (85)       |              | (23,346)     |
| Purchases of intangible assets, net                             |   |  | (101)              | (7)        |              | (108)        |
| Acquisition of business   |   |  | (488,152)          |            |              | (488,152)    |
| Increase in restricted cash                                     |   |  | (12,350)           |            |              | (12,350)     |
| Disposal (purchase) of related investment                       | 20,723  | (26,026)   |                    | (194,015)  | 199,318      |              |
| Decrease (increase) of intercompany loans                       | 291,824   | (398,250)  |                    | (619,991)  | 726,417      |              |
| Others  |   |  | (2,033)            | 6          |              | (2,027)      |
| Net cash used in investing activities                           | 312,547   | (424,276)  | (525,897)          | (814,092)  | 925,735      | (525,983)    |
| <b>Cash flows from financing activities</b>                     |   |  |                    |            |              |              |
| Proceeds from issuance of Senior Secured and Subordinated Notes |   | 750,000  |                    |            |              | 750,000      |
| Proceeds from short-term borrowings                             |   | 41,000   | 721                | 50,212     | (91,213)     | 720          |
| Proceeds from long-term borrowings                              |   |  | 663,878            | 669,396    | (1,287,407)  | 45,867       |
| Issuance of common units  | 2,820   | 1,429  | 203,208            | 26,351     | (230,988)    | 2,820        |
| Issuance of redeemable convertible preferred units              | 3,636   |  |                    |            |              | 3,636        |
| Repayment of short-term borrowings                              |   | (332,824)  |                    | (321,030)  | 653,854      |              |
| Repayment of long-term borrowings                               |   |  | (347,718)          |            |              | (347,718)    |
| Redemption of redeemable convertible preferred units            | (406,786)   |  |                    |            |              | (406,786)    |
| Payment of preferred dividends                                  | (10,891)  |  |                    |            |              | (10,891)     |
| Debt issuance costs paid  |   | (22,020)   | (5,615)            |            |              | (27,635)     |
| Others  |   | (22,476)   | (16)               |            | 22,476       | (16)         |
| Net cash provided by (used in) financing activities             | (411,221)   | 415,109  | 514,458            | 424,929    | (933,278)    | 9,997        |
| Effect of exchange rates on cash and cash equivalents           | (127,597)   | (10,443)   | 2,566              | 27         | 7,624        | 10,217       |
|   |   |  | 29,662             | (380,106)  |              | (488,484)    |

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Net increase (decrease) in cash and cash equivalents

| <b>Cash and cash equivalents</b> |          |          |           |           |    |           |
|----------------------------------|----------|----------|-----------|-----------|----|-----------|
| Beginning of the period          | 129,983  | 13,644   | 9         | 403,244   |    | 546,880   |
| End of the period                | \$ 2,386 | \$ 3,201 | \$ 29,671 | \$ 23,138 | \$ | \$ 58,396 |

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### **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

### **Item 9A. Controls and Procedures**

#### **Disclosure Controls and Procedures**

As required by the Securities Exchange Act of 1934, as amended (the Exchange Act), our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. As defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures that we use that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and our CFO, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based upon that evaluation, our CEO and our CFO concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

#### **Inherent Limitations on Effectiveness of Controls**

Our management, including our CEO and CFO, does not expect that our disclosure controls and procedures will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

#### **Changes in Internal Control Over Financial Reporting**

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

### **Item 9B. Other Information.**

None.

**Table of Contents****PART III****Item 10. Directors and Executive Officers of the Registrant.**

The following table is a list of the current directors and executive officers of MagnaChip:

| <b>Name</b>         | <b>Age</b> | <b>Position</b>  |
|---------------------|------------|--|
| Dr. Youm Huh        | 54         | Chief Executive Officer, President and Director                                      |
| Robert J. Krakauer  | 40         | Executive Vice President, Strategic Operations, Chief Financial Officer and Director |
| Chan Hee Lee        | 52         | Executive Vice President and General Manager, Semiconductor Manufacturing Services   |
| Tae Young Hwang     | 49         | Executive Vice President, Manufacturing Operations                                   |
| Jason Hartlove      | 39         | Senior Vice President and General Manager, Imaging Solutions Division                |
| Dong Chun Kim       | 49         | Senior Vice President, Global Sales, Asia Pacific                                    |
| Hak Sung Kim        | 54         | Senior Vice President, Chief Administrative Officer                                  |
| Dale Lindly         | 46         | Senior Vice President and Chief Accounting Officer                                   |
| Victoria Miller Nam | 38         | Senior Vice President of Strategic Planning  |
| John McFarland      | 39         | Vice President, General Counsel and Secretary  |
| Jerry M. Baker      | 54         | Chairman of the Board of Directors   |
| Dipanjan Deb        | 36         | Director   |
| Armando Geday       | 44         | Director   |
| Roy Kuan            | 39         | Director   |
| Phokion Potamianos  | 42         | Director   |
| Paul C. Schorr IV   | 38         | Director   |
| David F. Thomas     | 56         | Director   |

*Dr. Youm Huh, Chief Executive Officer, President and Director.* Dr. Huh became our Chief Executive Officer, President and Director in October 2004. He led our business when it was a division of Hynix, serving in the position of Executive Vice President and General Manager of System IC from July 2002 until September 2004. From 1998 until 2002, Dr. Huh served as Senior Vice President and General Manager of Hyundai Electronics System IC Business Division, which would subsequently become the System IC division of Hynix. He has also held various research positions at Stanford University, including serving as Principal Researcher at Stanford Computer Systems Laboratory and Stanford University's Center for Integrated Systems. Dr. Huh received a B.S. in electronics engineering from Seoul National University, Korea, a master's degree in electrical and electronics engineering from Korea Advanced Institute of Science & Technology and a Ph.D. in electrical engineering from Stanford University.

*Robert J. Krakauer, Executive Vice President of Strategic Operations, Chief Financial Officer and Director.* Mr. Krakauer became our Executive Vice President of Strategic Operations, Chief Financial Officer and Director in October 2004. From 2003 to 2004, Mr. Krakauer served as Executive Vice President of Corporate Operations and Chief Financial Officer for ChipPAC, Ltd. (now STATS ChipPAC, Ltd.), and had served as its Chief Financial Officer since November 1999. From May 1998 to November 1999, Mr. Krakauer was Vice President of Finance, Chief Financial Officer for AlliedSignal Electronic Materials (now Honeywell). From 1996 to 1998, Mr. Krakauer was the Corporate Controller at Altera Corporation and from 1993 to 1996 he was the Chief Financial Officer at Alphatec U.S.A. From 1987 to 1991, Mr. Krakauer was an auditor and consultant at KPMG Peat Marwick and Coopers & Lybrand, respectively. Mr. Krakauer received a B.S.C. in accounting and a masters in business administration with an operations concentration from Santa Clara University.

*Chan Hee Lee, Executive Vice President and General Manager, Semiconductor Manufacturing Services.* Mr. Lee became our Executive Vice President and General Manager, Semiconductor Manufacturing Services in September 2005, after serving as Executive Vice President of Product Lines since October 2004. Previously, Mr. Lee had been employed by Hynix as Vice President and General Manager of Semiconductor Manufacturing



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Services and Digital Driver IC, Business Division from 1999 until September 2004. Mr. Lee holds a bachelor of science degree in electronics from Kyungbuk National University.

*Tae Young Hwang, Executive Vice President of Manufacturing Operations.* Mr. Hwang became our Executive Vice President of Manufacturing Operations in October 2004. Prior to that time, Mr. Hwang served as Hynix's Senior Vice President of Manufacturing Operations of System IC from 2002 to 2003. From 1999 to 2001, he was Vice President of Cheongju Operations for Hynix. Mr. Hwang holds a bachelor of science degree in mechanical engineering from Pusan National University and a masters in business administration from Cheongju University.

*Jason Hartlove, Senior Vice President and General Manager, Imaging Solutions Division.* Mr. Hartlove became our Senior Vice President and General Manager, Imaging Solutions Division, in May 2005. Previously, he was Business Unit Manager and Vice President and General Manager for Agilent Technologies from 2000 until 2005. Mr. Hartlove holds a bachelor of science degree in electrical engineering from the University of California, Los Angeles.

*Dong Chun Kim, Senior Vice President, Global Sales, Asia Pacific.* Mr. Kim became our Senior Vice President for Global Sales, Asia Pacific in October 2004. Previously, he was Hynix's Vice President of the Sales Divisions of Display Driver IC, CMOS Image Sensor and Microcontroller Unit from 2000 until 2004. Mr. Kim holds a bachelor's degree in inorganic material engineering from Hanyang University.

*Hak Sung Kim, Senior Vice President, Chief Administrative Officer.* Mr. Kim became our Senior Vice President and Chief Administrative Officer in October 2004. Prior to his employment with us, he had served as Vice President, Strategic Planning Team for Hynix's System IC division from June 2002 until September 2004. Previously, he served with Hynix as Director of the DRAM Business Department from February 2001 until June 2001 and in the memory sales group of Hynix Semiconductor of America, Inc. prior to January 2001 and as Head of Strategic Planning from July 2001 until May 2002. Mr. Kim holds a bachelor's degree in business administration from Yonsei University.

*Dale Lindly, Senior Vice President and Chief Accounting Officer.* Mr. Lindly became our Senior Vice President and Chief Accounting Officer in April 2005. Prior to his employment with us, he had served as IC Media Corporation's Chief Financial Officer, Vice President, Finance and Administration from March 2003 until April 2005. From May 2001 to March 2003, Mr. Lindly was Vice President and Chief Financial Officer of Morphics Technology, Inc. Previously, he served as Vice President and Chief Financial Officer of Tioga Technologies, Inc. from July 2000 to May 2001. Mr. Lindly holds a bachelor's degree in accounting from San Jose State University.

*Victoria Miller Nam, Senior Vice President of Strategic Planning.* Ms. Miller Nam became our Senior Vice President of Strategic Planning in October 2004. Prior to joining our company, Ms. Miller Nam worked in consulting with McKinsey & Company in the Los Angeles and Seoul offices from 1994 until 2003, when she left as a Partner to found and run a consulting business from 2003 until 2004. Earlier in her career, Ms. Miller Nam worked for Kidder, Peabody & Co. Incorporated, in the corporate finance department, in New York. Ms. Miller Nam holds a bachelor of arts degree, *magna cum laude*, in international relations from Brown University, where she was elected to Phi Beta Kappa, and a masters in business administration from Harvard Business School.

*John McFarland, Vice President, General Counsel and Secretary.* Mr. McFarland became our Vice President, General Counsel and Secretary in November 2004. Prior to joining our company, Mr. McFarland served as a foreign legal consultant at Bae, Kim & Lee from August 2003 to November 2004 and an associate at Wilson Sonsini Goodrich & Rosati, P.C., from August 2000 to July 2003. Mr. McFarland holds a bachelor of arts degree in Asian Studies, conferred with highest distinction from the University of Michigan, where he was elected to Phi Beta Kappa, and a juris doctor degree from the University of California, Los Angeles, School of Law.

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*Jerry M. Baker, Chairman of the Board of Directors.* Mr. Baker has been Chairman of the Board of Directors since October 2004. From 2000 until 2001, Mr. Baker served as Executive Vice President, Global Operations for Fairchild Semiconductor International, Inc. Previously, Mr. Baker had been Executive Vice President and General Manager, Discrete Power and Signal Technologies Group, since December 1996. Prior to that position, he spent more than 24 years in a variety of engineering and management positions within National Semiconductor, the most recent of which was Vice President and General Manager, Discrete Products Division.

*Dipanjan Deb, Director.* Mr. Deb has been a director since September 2004. He is a founder and Managing Partner of Francisco Partners and has been a Partner since its formation in August 1999. Prior to joining Francisco Partners, Mr. Deb was a principal with Texas Pacific Group from 1998 to 1999. Earlier in his career, Mr. Deb was director of semiconductor banking at Robertson Stephens & Company and a management consultant at McKinsey & Company. Mr. Deb is also on the board of directors of AMIS Holdings, Inc., SMART Modular Technologies, Inc., and Ultra Clean Holdings, Inc. Mr. Deb holds a bachelor of science degree in electrical engineering and computer science from the University of California, Berkeley, where he was a Regents Scholar, and a masters in business administration from the Stanford University Graduate School of Business.

*Armando Geday, Director.* Mr. Geday has been a director since January 2006. He has served as Chief Executive Officer of Telesen, Inc. since January 2005. Prior to joining Telesen, Mr. Geday was Chief Executive Officer of Conexant systems from November 2003 to November 2004. From April 1997 to December 2001, Mr. Geday was President and CEO of GlobeSpan, and from December 2001 to February 2004, Mr. Geday served as the Chief Executive Officer of Globespanvirata. Earlier in his career, Mr. Geday was Vice President and General Manager of the Multimedia Communications Division of Rockwell Semiconductor Systems and held various technical marketing and engineering positions at Harris Semiconductor and MERET Inc. Mr. Geday holds a bachelor of science degree in electrical engineering from the Florida Institute of Technology.

*Roy Kuan, Director.* Mr. Kuan has been a director since September 2004. He serves as Managing Director of CVC Asia Pacific Limited, where he has worked since 1999. Prior to that Mr. Kuan worked at Citicorp's Asia private equity unit from 1996 until 1999. Mr. Kuan holds a bachelor of arts degree in economics from Georgetown University and a masters in business administration with a finance concentration from the Wharton School at the University of Pennsylvania.

*Phokion Potamianos, Director.* Mr. Potamianos has been a director since March 2005. He has been a Principal with Francisco Partners since March 2005. Prior to joining Francisco Partners, Mr. Potamianos was the head of the UBS global semiconductor investment banking group, and a member of Donaldson Lufkin & Jenrette's investment banking group. Earlier in his career, Mr. Potamianos was an Institutional Investor ranked research analyst at Donaldson, Lufkin & Jenrette. Mr. Potamianos holds a B.A. from American University and received his Masters of Science (Economics) from the London School of Economics and Political Science.

*Paul C. Schorr IV, Director.* Mr. Schorr has been a director since September 2004. He has been a Senior Managing Director at Blackstone Group since September 2005. Prior to that, he was a Managing Partner of CVC from December 2001. Mr. Schorr joined CVC in 1996, after working as an Engagement Manager with McKinsey & Company, Inc. Mr. Schorr received his B.S.F.S. *magna cum laude* from Georgetown University's School of Foreign Service and his masters in business administration with distinction from Harvard Business School. He is also a director of AMI Semiconductor Inc. and Worldspan Technologies, Inc.

*David F. Thomas, Director.* Mr. Thomas has been a director since October 2004. Mr. Thomas is the President of CVC. He joined CVC in 1980. Previously, he held various positions with Citibank's Transportation Finance and Acquisition Finance Groups. Prior to joining Citibank, Mr. Thomas was a certified public accountant with Arthur Andersen & Co. Mr. Thomas received degrees in finance and accounting from the University of Akron. He is a director of Network Communications, Inc. and Worldspan Technologies, Inc.

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### **BOARD COMPOSITION**

The securityholders' agreement among CVC, Francisco Partners, CVC Asia Pacific and the other securityholders of MagnaChip provides that the board of directors will consist of eight members, including two designees of CVC, two designees of Francisco Partners, one designee of CVC Asia Pacific, the Chief Executive Officer, the Chief Financial Officer and one additional member jointly designated by CVC and Francisco Partners, provided that the unitholders are permitted to elect additional directors designated as set forth in the securityholders' agreement. These rights of designation will expire when the initial ownership of these equity sponsors falls below defined ownership thresholds. Pursuant to the securityholders' agreement, the board of directors may not take certain significant actions without the approval of each of CVC and Francisco Partners.

Effective January 19, 2006, Armando Geday was elected to the board of directors of the Company to serve at the discretion of the unitholders of the Company until his successor is duly elected and qualified. Mr. Geday serves as an additional designee of Francisco Partners, meaning that the board of directors consists of nine members as of the filing date of this report. Mr. Baker serves as the designee of CVC, leaving open the directorship of a joint designee of CVC and Francisco Partners.

### **BOARD COMMITTEES**

The board of directors performs the functions of an audit committee, reviewing the financial statements and accounting practices of MagnaChip and its subsidiaries and selecting the independent auditors. The Board has not yet made a determination as to whether the Company has an audit committee financial expert serving on its audit committee. The Board intends to review whether there is an audit committee financial expert during the fiscal year ending December 31, 2006.

The current members of the compensation committee are Messrs. Deb and Schorr. The compensation committee makes determinations concerning salaries and incentive compensation for officers and employees and oversees administration of our employee benefit plans.

### **CODE OF ETHICS**

We have adopted a Code of Business Conduct and Ethics that applies to all our directors, officers, and employees. We will provide a copy of our Code of Business Conduct and Ethics without charge to any person upon written request made to our Vice President, General Counsel and Secretary.

**Table of Contents****Item 11. Executive Compensation.**

Our business was acquired from Hynix on October 6, 2004. The following table sets forth certain information concerning the compensation earned during the years ended December 31, 2005, and December 31, 2004, by the Chief Executive Officer and those of the four most highly compensated executive officers other than the Chief Executive Officer, or our named executive officers, who were executive officers on December 31, 2005.

**Summary Compensation Table**

| Name And Principal Position  | Year | Annual Compensation |               |                           | Long Term Compensation    |                                |              | All other compensation |
|--|------|---------------------|---------------|---------------------------|---------------------------|--------------------------------|--------------|------------------------|
|  |      | Salary              | Bonus         | Other annual compensation | Awards                    | Securities underlying options/ | Payouts      |                        |
|  |      |                     |               |                           | Restricted stock award(s) | SARs (1)                       | LTIP payouts |                        |
| Dr. Youm Huh<br>President and<br>Chief Executive Officer   | 2005 | \$ 405,776          |               | \$ 25,359(2)              |                           | 1,091,595                      |              | \$ 23,949(3)           |
|  | 2004 | \$ 273,644(4)       | \$ 123,174(5) | \$ 506,229(6)             |                           |                                |              | \$ 1,693,231(7)        |
| Jerry Baker<br>Executive Chairman  | 2005 | \$ 405,776          |               | \$ 99                     |                           | 545,798                        |              | \$ 21,225(8)           |
|  | 2004 | \$ 240,705(9)       | \$ 102,108    |                           |                           |                                |              |                        |
| Robert J. Krakauer<br>Executive Vice President,<br>Strategic Operations and<br>Chief Financial Officer | 2005 | \$ 380,415          |               | \$ 107,397(10)            |                           | 682,247                        |              | \$ 16,088(11)          |
|  | 2004 | \$ 237,250(12)      | \$ 72,419     | \$ 494,431(13)(14)        |                           |                                |              | \$ 1,058,270(15)       |
| Victoria Miller Nam<br>Senior Vice President,<br>Strategic Planning                                    | 2005 | \$ 304,332          |               | \$ 5,814(16)              |                           | 136,450                        |              | \$ 15,828(17)          |
|  | 2004 | \$ 438,443(18)      | \$ 38,290     |                           |                           |                                |              |                        |
| Dale Lindly<br>Senior Vice President,<br>Corporate Controller  | 2005 | \$ 135,525          | \$ 100,000    | \$ 51,954(19)             |                           |                                |              | \$ 22,462(20)          |

Note: Amounts set forth in the above table that were originally paid in Korean Won have been converted into US dollars at the exchange rate as of December 31, 2005 equal to US\$1 = KRW1,010.00 for the fiscal year 2005, and as of December 31, 2004 equal to US\$1 = KRW1,035.10 for the fiscal year 2004.

## Footnotes:

- (1) Hynix granted Dr. Huh 90,000 options to purchase Hynix stock. Upon completion of the Original Acquisition, 85% of the options granted to Dr. Huh were surrendered. Dr. Huh exercised 15% of those to purchase 13,500 common stock of Hynix at a price of KRW5,000 per share on June 29, 2005. Such exercised options are not reflected in this table.
- (2) Includes the following personal benefits paid to Dr. Huh: (a) \$17,737 for reimbursement of use of a car; and (b) \$7,622 for other personal benefits (including reimbursement of tuition expenses for Dr. Huh's children).
- (3) Includes \$23,949 for insurance premiums paid during the fiscal year 2005 for the benefit of Dr. Huh.

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- (4) Includes \$166,459 of salary paid to Dr. Huh by Hynix and \$107,185 of salary paid to Dr. Huh by us.
- (5) Includes \$26,616 bonus paid to Dr. Huh by Hynix and \$96,558 bonus paid to Dr. Huh by us.
- (6) Includes (a) \$483,045 for a key money deposit for Dr. Huh's apartment lease during the period from October 8, 2004 through November 10, 2006, which shall be returned to us at the end of the lease term, and (b) \$23,184 for other personal benefits (including the reimbursement of tuition expenses for Dr. Huh's children and the use of a car).
- (7) Dr. Huh exercised his options to purchase 1,091,595 restricted common units of MagnaChip LLC at a price of \$1.00 per unit on November 30, 2004. In connection with the exercise, Dr. Huh was entitled to a bonus of \$1,083,668 to pay the exercise price of a portion of the options and an additional payment of \$609,563 to cover U.S. federal income tax withholding related to such bonus.
- (8) Includes \$21,225 for insurance premiums paid during the fiscal year 2005 for the benefit of Mr. Baker.
- (9) Mr. Baker was not an employee of our company prior to the Original Acquisition. However, this amount includes \$140,000 in fees paid to Mr. Baker for consulting services rendered in connection with matters related to the Original Acquisition. Also includes \$100,705 in salary paid by us to Mr. Baker.
- (10) Includes the following personal benefits paid to Mr. Krakauer: (a) \$56,000 for reimbursement of tuition expenses for Mr. Krakauer's children; and (b) \$51,397 for other personal benefits (including reimbursement of use of cars, home leave flights, club fees and living expenses).
- (11) Includes \$16,088 for insurance premiums paid during the fiscal year 2005 for the benefit of Mr. Krakauer.

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- (12) Mr. Krakauer was not an employee of our company prior to the Original Acquisition. However, this amount includes \$100,481 in fees paid to Mr. Krakauer for consulting services rendered in connection with matters related to the Original Acquisition. Also includes \$136,769 in salary paid by us to Mr. Krakauer.
- (13) Includes the following personal benefits paid to Mr. Krakauer for consulting services rendered in connection with matters related to the Original Acquisition: (a) \$324,606 for prepayment of Mr. Krakauer's housing expenses for two years; and (b) \$135,450 for other personal benefits (including reimbursement of tuition expenses for Mr. Krakauer's children, use of cars, housing search expenses, home leave flights, club fees and living expenses).
- (14) Includes \$34,375 of personal benefits paid by us to Mr. Krakauer (including the use of cars, home leave flights, club fees and living expenses).
- (15) Mr. Krakauer exercised his options to purchase 682,247 restricted common units of MagnaChip LLC at a price of \$1.00 per unit on November 30, 2004. In connection with the exercise, Mr. Krakauer was entitled to a bonus of \$677,293 to pay the exercise price of a portion of the options and an additional payment of \$380,977 to cover U.S. federal income tax withholding related to such bonus.
- (16) Includes the following personal benefits paid to Ms. Miller Nam: (a) \$5,388 for use of a car; and (b) \$426 for other personal benefits.
- (17) Includes \$15,828 for insurance premiums paid during the fiscal year 2005 for the benefit of Ms. Miller Nam.
- (18) Ms. Miller Nam was not an employee of our company prior to the Original Acquisition. However, this amount includes \$358,055 in fees paid to Ms. Miller Nam's consulting company for consulting services rendered in connection with matters related to the Original Acquisition. Also includes \$80,388 in salary paid by us to Ms. Miller Nam.
- (19) Includes the following personal benefits paid to Mr. Lindly: (a) \$50,632 for monthly rent for Mr. Lindly's housing lease (including \$5,346 for a key money deposit during the period from June 6, 2005 through June 6, 2006, which deposit shall be returned to us at the end of the lease term); and (b) \$1,322 for the use of a car.
- (20) Includes \$22,462 for insurance premiums paid during the fiscal year 2005 for the benefit of Mr. Lindly.

**Service Agreements**

*Dr. Youm Huh.* Dr. Huh serves as the President and Chief Executive Officer of MagnaChip with an initial base salary of \$400,000 per year and with a target annual incentive bonus opportunity of 100% of his base salary. Dr. Huh is entitled to customary employee benefits including the cost of housing accommodations and expenses. The term of the service agreement extends for four years from October 6, 2004, with such initial term automatically extending for additional two-year periods unless written notice is given by either party prior to the termination date. In accordance with the terms of his service agreement, Dr. Huh was granted 1,091,595 immediately exercisable options for restricted common units of MagnaChip at a price of \$1.00 per unit. Dr. Huh exercised his options on November 30, 2004. In connection with the exercise, Dr. Huh was entitled to a bonus of \$1,083,668 to pay the exercise price of a portion of the options and an additional payment of \$609,563 to cover U.S. federal income tax withholding related to such bonus. All units acquired by Dr. Huh upon exercise of the options described above are subject to forfeiture or to repurchase by MagnaChip upon Dr. Huh's termination of employment. If Dr. Huh's employment is terminated without cause or if he resigns for good reason, Dr. Huh is entitled to receive his base salary for twelve months, payment of the annual incentive bonus for the year in which the termination occurs, twelve months' accelerated vesting on outstanding equity awards and continued participation in our benefit plans for twelve months. If such termination occurs in connection with a change in control, Dr. Huh is entitled to receive his base salary for two years, payment of the annual incentive bonus for the year in which the termination occurs, two years' accelerated vesting on outstanding equity awards and continued participation in our benefit plans for two years. In the event of his termination as a result of death or disability, Dr. Huh (or his beneficiaries) will be entitled to receive payment of all salary and benefits accrued up to the date of termination and a prorated portion of the annual incentive bonus for the year in which the termination occurs. If Dr. Huh's employment is terminated for cause or if he resigns without good reason, he will be entitled to receive payment of all salary and benefits accrued up to the date of termination and will not be entitled to any other compensation. The agreement also contains customary non-competition and non-solicitation covenants lasting two and three years, respectively, from the date of termination of employment and confidentiality covenants of unlimited duration.

*Jerry Baker.* From October 6, 2004, to December 31, 2005, Mr. Baker served as the Executive Chairman of the board of directors of MagnaChip with an initial annual base salary of \$400,000 per year and with a target annual incentive bonus opportunity of 100% of his base salary. In addition, Mr. Baker's air travel expenses (from his home in the United States) and home office expenses were paid by MagnaChip. Mr. Baker was granted 545,798 immediately exercisable options for restricted common units of MagnaChip at a price of \$1.00 per unit. Mr. Baker exercised his options on December 30, 2004.

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*Robert Krakauer.* Mr. Krakauer serves as Executive Vice President of Strategic Operations and Chief Financial Officer of MagnaChip with an initial base salary of \$375,000 per year and with a target annual incentive bonus opportunity of 80% of his base salary. Mr. Krakauer is entitled to customary employee benefits and, for so long as his place of business is located in Korea, expatriate/repatriation benefits, including relocation expenses, tax equalization payments, cost of housing accommodations and expenses. The term of the service agreement extends for three years from October 6, 2004, with such initial term automatically extending for additional one-year periods unless written notice is given by either party prior to the termination date. In accordance with the terms of his service agreement, Mr. Krakauer was granted 682,247 immediately exercisable options for restricted common units of MagnaChip at a price of \$1.00 per unit. Mr. Krakauer exercised his options on November 30, 2004. In connection with the exercise, Mr. Krakauer was entitled to a bonus of \$677,293 to pay the exercise price of a portion of the options and an additional payment of \$380,977 to cover U.S. federal income tax withholding related to such bonus. All units acquired by Mr. Krakauer upon exercise of the options are subject to forfeiture or to repurchase by MagnaChip upon Mr. Krakauer's termination of employment. If Mr. Krakauer's employment is terminated without cause or if he resigns for good reason, Mr. Krakauer is entitled to receive his base salary for twelve months, payment of a prorated portion of the annual incentive bonus for the year in which the termination occurs and continued participation in our benefit plans for twelve months. In the event of his termination as a result of death or disability, Mr. Krakauer (or his beneficiaries) will be entitled to receive payment of all salary and benefits accrued up to the date of termination and a prorated portion of the annual incentive bonus for the year in which the termination occurs. If Mr. Krakauer's employment is terminated for cause or if he resigns without good reason, he will be entitled to receive payment of all salary and benefits accrued up to the date of termination and will not be entitled to any other compensation. The agreement also contains customary non-competition covenants lasting until the earlier of the first anniversary of the date of termination of employment or October 6, 2007, non-solicitation covenants lasting two years from the date of termination of employment and confidentiality covenants of unlimited duration.

*Victoria Miller Nam.* Ms. Miller Nam serves as the Senior Vice President of Strategic Planning of MagnaChip with an initial base salary of \$300,000 per year and with a target annual incentive bonus opportunity of 50% of her base salary. Ms. Miller Nam is entitled to customary employee benefits. The term of the service agreement extends for three years from December 29, 2004, with such initial term automatically extending for additional one-year periods unless written notice is given by either party prior to the termination date. Ms. Miller Nam was granted 136,450 immediately exercisable options for restricted common units of MagnaChip at a price of \$1.00 per unit. Ms. Miller Nam exercised her options on November 30, 2004. If Ms. Miller Nam's service is terminated without cause or if she resigns for good reason, Ms. Miller Nam will be entitled to receive her base salary for six months, payment of the annual incentive bonus in a prorated amount based on the number of days she was actually employed by us, continued participation in our benefit plans for six months and, if such a termination or resignation occurs either prior to October 1, 2005 or within the twelve month period following a change of control, restrictions lapse with respect to 25% of her restricted common units on the date of termination. In the event of her termination as a result of death or disability, Ms. Miller Nam (or her beneficiaries) will be entitled to receive payment of all salary and benefits accrued up to the date of termination and a prorated portion of the annual incentive bonus for the year in which the termination occurs. If Ms. Miller Nam's service is terminated for cause or if she resigns without good reason, she will be entitled to receive payment of all salary and benefits accrued up to the date of termination and will not be entitled to any other compensation. The agreement also contains customary non-competition covenants lasting until the earlier of the first anniversary of the date of termination of employment or October 6, 2007, nonsolicitation covenants lasting two years from the date of termination of employment and confidentiality covenants of unlimited duration.

*Dale Lindly.* Mr. Lindly serves as Senior Vice President and Chief Accounting Officer of MagnaChip with an initial base salary of \$200,000 per year and with a target annual incentive bonus opportunity of 50% of his base salary, such bonus guaranteed his first year of service. Mr. Lindly is entitled to customary employee benefits and, for so long as his place of business is located in Korea, expatriate/repatriation benefits, including relocation expenses, tax equalization payments, cost of housing accommodations and expenses. The term of the service

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agreement extends for three years from April 14, 2005, with the initial term automatically extending for additional one-year periods unless written notice is given by either party prior to the termination date. In accordance with the terms of his service agreement, Mr. Lindly received options to purchase 75,000 common units of MagnaChip at a price of \$1.00 per unit. Twenty-five percent of Mr. Lindly's options vest on the first anniversary of his service date and an additional 6.25% of the options vest on the last day of each calendar quarter thereafter. If Mr. Lindly's employment is terminated without cause or if he resigns for good reason, Mr. Lindly is entitled to receive his base salary for six months, the payment of a prorated portion of the annual incentive bonus for the year in which the termination occurs and continued participation in our benefit plans for six months. In the event of his termination as a result of death or disability, Mr. Lindly (or his beneficiaries) will be entitled to receive payment of all salary and benefits accrued up to the date of termination and a prorated portion of the annual incentive bonus for the year in which the termination occurs. If Mr. Lindly's employment is terminated for cause or if he resigns without good reason, he will be entitled to receive payment of all salary and benefits accrued up to the date of termination and will not be entitled to any other compensation. The agreement also contains customary non-competition covenants lasting until the earlier of the first anniversary of the date of termination of employment or April 14, 2008, non-solicitation covenants lasting two years from the date of termination of employment and confidentiality covenants of unlimited duration.

**Option/SAR Grants**

The following table sets forth certain information for the year ended December 31, 2005 with respect to grants of options to purchase units of MagnaChip granted to each of the named executive officers.

|  | Individual Grants                     |                                       |                                   | Expiration date | Potential realizable value at assumed annual rates of unit price appreciation for option term (1) |         |
|--|---------------------------------------|---------------------------------------|-----------------------------------|-----------------|---|---------|
|  | Number of securities underlying Grant | Percent of total granted to employees | Exercise or base price per option |                 | 5%  | 10%     |
| Dale Lindly  | 75,000                                | 2.6%                                  | \$ 1.00                           | April 14, 2015  | 122,167   | 194,531 |
| Senior Vice President and Chief Accounting Officer |                                       |                                       |                                   |                 |   |         |

Footnote:

- (1) As of December 31, 2005. The potential realizable value is calculated based on the term of the option at its time of grant. It is calculated assuming that the fair market value of MagnaChip's common units on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated unit price. The fair market value of our common units on the date of grant was \$1.00 per unit.

**Restricted Unit Subscription Agreements**

On December 30, 2004, Mr. Baker exercised the options granted pursuant to his option agreement and entered into a restricted unit subscription agreement with MagnaChip. On November 30, 2004, Dr. Huh and Mr. Krakauer exercised the options granted pursuant to their option agreements, paying the exercise price of the options with a special bonus, and entered into restricted unit subscription agreements with MagnaChip. Also on November 30, 2004, Ms. Miller Nam exercised the options granted pursuant to her option agreement and entered into a restricted unit subscription agreement with MagnaChip. Under these restricted unit subscription agreements, restrictions on the units lapse as to 25% of the units on September 30, 2005 and as to 6.25% of the units on the last day of each calendar quarter thereafter, subject to the officer's continuous employment with MagnaChip. The restrictions lapse as to all restricted units held by Dr. Huh upon a change in control after which



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Dr. Huh no longer serves as the Chief Executive Officer of MagnaChip and as to all restricted units held by Mr. Krakauer upon a change in control after which Mr. Krakauer no longer serves as the Chief Financial Officer of MagnaChip. The restricted unit subscription agreements provide that the units are nontransferable and shall be subject to forfeiture upon termination of the officer's employment. Upon termination, MagnaChip may repurchase any units for which the restrictions have not lapsed for \$1.00, if termination is for cause (as defined in

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the agreement), or for fair market value, if termination is for any other reason. The officers have the right to vote the restricted units and to receive cash dividends, provided that dividends payable in units or other securities shall have the same status as restricted units.

**DIRECTOR COMPENSATION**

In our fiscal year ended December 31, 2005, directors did not receive compensation for service on our board of directors. Starting in January 2006, Jerry Baker and Armando Geday each receive \$50,000 per annum for service on our board of directors. As compensation for his service as a director on our board of directors, effective January 19, 2006, Armando Geday received options to acquire 175,000 of our common units at a purchase price of \$1.04 per unit pursuant to the MagnaChip Semiconductor LLC Equity Incentive Plan. No other directors currently receive compensation.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

None of our executive officers currently serves, or in the past has served, on our compensation committee or as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on the board or compensation committee of MagnaChip.

**BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

Our compensation committee makes determinations regarding executive compensation in accordance with the terms of the respective service agreements between us and our executive officers. All compensation amounts payable to executive officers which are related to target levels of corporate performance are to be awarded in accordance with the terms of such service agreements.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.****Securities Authorized for Issuance Under Equity Compensation Plans**

As of December 31, 2005:

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average price of outstanding options, warrants and rights<br>(b) |      | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|---|------|--|
|  |  |   |      |  |
| Equity compensation plans approved by security holders     | 3,869,642.5000   | \$  | 1.54 | 1,110,881.5000   |
| Equity compensation plans not approved by security holders | n/a  |   | n/a  | n/a  |
| <b>Total</b>   |  |   |      |  |

The MagnaChip Semiconductor LLC California Equity Incentive Plan and the MagnaChip Semiconductor LLC Equity Incentive Plan each provide for the award of nonstatutory options, unit appreciation rights, or SARs, and restricted unit awards to employees, consultants or non-employee directors of MagnaChip and its subsidiaries. Subject to adjustment in the event of certain corporate transactions or events, the maximum aggregate number of MagnaChip units that are available for grant under both plans is 7,490,864, all of which may be granted under either plan. As of March 1, 2006, options to purchase 3,816,267.5 units were outstanding under the plans and options to purchase 1,147,256.5 units were available for future grant under the plans. Units

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subject to awards that expire, are forfeited or otherwise terminate will again be available for grant under the plans. The plans are administered by the board of directors.

The board of directors will determine the number of options granted to each participant, the exercise price of each option, the duration of the options (not to exceed ten years), vesting provisions and all other terms and conditions of such options. Unless otherwise determined by the board of directors, the exercise price of each option is required to be not less than the fair market value of the underlying common units subject to the option on the date of grant. The plans provide for payment of the exercise price of options in the form of cash or, subject to the discretion of the compensation committee, MagnaChip units. The plans provide that upon a termination of the option-holder's employment or service with MagnaChip or its subsidiaries, unless otherwise determined by the compensation committee at or after grant, the exercise period for vested options will be limited, provided that vested options will be cancelled immediately upon a termination for cause.

The board of directors may elect to grant SARs to plan participants and may determine the number of common units subject to the award, the duration of the SARs (not to exceed ten years), vesting provisions and all other terms and conditions of such SARs. In no event may the base price of a SAR be less than the fair market value of the common units subject to the award on the date of grant. A termination of service or employment of the recipient will have the same effect on SARs granted under the plans as on options.

The board of directors will determine the number of restricted units offered to each participant in the plans, the purchase price of the units, the period the units are unvested and subject to forfeiture, the effect of a termination of the recipient's employment or service and all other terms and conditions applicable to the restricted units.

The plans provide that upon a change in control or certain other corporate transactions, the board of directors may, on a holder by holder basis, accelerate the vesting of outstanding options, SARs or restricted units, cancel any unexercised outstanding awards in whole or in part, and/or take actions to ensure that such awards shall be honored or assumed by the successor employer or take such other reasonable actions as the board of directors shall determine.

## **Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth information regarding the beneficial ownership of MagnaChip as of March 1, 2006, by (i) each person or entity known to us to beneficially own more than 5% of any class of outstanding securities of MagnaChip, (ii) each member of the board of directors of MagnaChip, (iii) each named executive officer of MagnaChip and (iv) all of the members of the board of directors and executive officers of MagnaChip as a group. As of March 1, 2006, MagnaChip's outstanding securities consisted of 53,108,568.672 common units and 93,997.4364 Series B preferred units. The table does not include common units issuable upon conversion of Series B preferred units.

The amounts and percentages of common units beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under SEC rules, a person is deemed to be a beneficial owner of a security if that person has or shares voting power, which includes the power to vote or to direct the voting of such security, or investment power, which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has the right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of the same securities and a person may be deemed to be a beneficial owner of securities as to which he or she has no economic interest.

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Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all units shown as beneficially owned by them.

| Name of Beneficial Owner                            | Common Units    |         | Series B Preferred Units |         |
|---|-----------------|---------|--------------------------|---------|
|   | Number          | Percent | Number                   | Percent |
| <b>Greater than 5% Securityholders:</b>             |                 |         |                          |         |
| CVC(1)  | 17,962,521.9300 | 33.8%   | 33,716.7546              | 35.9%   |
| c/o Citigroup Venture Capital Equity Partners, L.P. |                 |         |                          |         |
| 399 Park Avenue, 14th Floor                         |                 |         |                          |         |
| New York, NY 10022                                  |                 |         |                          |         |
| Francisco Partners(2)                               | 17,962,521.9200 | 33.8%   | 33,716.7547              | 35.9%   |
| c/o Francisco Partners, L.P.                        |                 |         |                          |         |
| Sand Hill Road, Suite 280                           |                 |         |                          |         |
| Menlo Park, CA 94025                                |                 |         |                          |         |
| CVC Asia Pacific(3)                                 | 9,659,710.5600  | 18.2%   | 18,131.8699              | 19.3%   |
| c/o CVC Capital Partners Asia Limited               |                 |         |                          |         |
| 22 Grenville Street                                 |                 |         |                          |         |
| St. Helier, Jersey JE4 8PX                          |                 |         |                          |         |
| Channel Islands                                     |                 |         |                          |         |
| Hynix Semiconductor Inc.(4)                         | 5,079,254.0000  | 8.7%    |                          |         |
| Hynix Youngdong Bldg. 17th F.                       |                 |         |                          |         |
| 891 Daechi-dong, Kangnam-ku                         |                 |         |                          |         |
| Seoul, 135-738, Korea                               |                 |         |                          |         |
| Peninsula Investment Pte. Ltd.                      | 3,636,271.0700  | 6.8%    | 6,825.5041               | 7.3%    |
| 255 Shoreline Drive                                 |                 |         |                          |         |
| Suite 600   |                 |         |                          |         |
| Redwood City, CA 94065                              |                 |         |                          |         |
| <b>Directors and named executive officers:</b>      |                 |         |                          |         |
| Jerry M. Baker(5)(6)                                | 682,158.1600    | 1.3%    | 255.9564                 | *       |
| Dipanjan Deb(2)(7)                                  | 17,962,521.9200 | 33.8%   | 33,716.7547              | 35.9%   |
| Armando Geday                                       |                 |         |                          |         |
| Youm Huh(5)(8)                                      | 1,182,501.7800  | 2.2%    | 170.6376                 | *       |
| Robert J. Krakauer(5)(9)                            | 773,153.7700    | 1.5%    | 170.6375                 | *       |
| Roy Kuan(3)(10)                                     | 9,659,710.5600  | 18.2%   | 18,131.8699              | 19.3%   |
| Dale Lindly(5)(11)                                  | 18,750.000      | *       |                          |         |
| Victoria Miller Nam(5)(12)                          | 181,903.3800    | *       | 85.3188                  | *       |

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|  |                        |              |                    |              |
|--|------------------------|--------------|--------------------|--------------|
| Phokion Potamianos(2)(7)   | 17,962,521.9200        | 33.8%        | 33,716.7547        | 35.9%        |
| Paul C. Schorr IV(13)  | 36,362.72              | *            | 68.2551            | *            |
| David F. Thomas(1)(14)   | 18,035,247.3400        | 34.0%        | 33,853.2646        | 36.0%        |
| <b>Directors and executive officers as a group (17 persons):</b> | <b>48,850,571.3800</b> | <b>89.6%</b> | <b>86,452.6946</b> | <b>92.0%</b> |

\* Less than one percent.

Footnotes:

- (1) Includes (a) 17,630,628.4200 common units held by Citigroup Venture Capital Equity Partners, L.P., 156,381.7100 common units held by CVC Executive Fund LLC and 175,511.8000 common units held by CVC/SSB Employee Fund, L.P. and (b) 33,093.7702 Series B preferred units held by Citigroup Venture Capital Equity Partners, L.P., 293.5380 Series B preferred units held by CVC Executive Fund LLC and 329.4464 Series B preferred units held by CVC/SSB Employee Fund, L.P.
- (2) Includes (a) 16,941,762.2000 common units held by Francisco Partners, L.P., 83,423.4000 common units held by Francisco Partners Fund A, L.P., 909,067.7600 common units held by FP-MagnaChip Co-Invest, LLC and 28,268.5600 common units held by FP Annual Fund Investors, LLC and (b) 31,800.7261 Series B

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- preferred units held by Francisco Partners, L.P., 156.5909 Series B preferred units held by Francisco Partners Fund A, L.P., 1,706.3760 Series B preferred units held by FP-MagnaChip Co-Invest, LLC and 53.0617 Series B preferred units held by FP Annual Fund Investors, LLC.
- (3) Includes (a) 3,219,903.5200 common units held by CVC Capital Partners Asia Pacific L.P., 4,048,152.3700 common units held by CVC Capital Partners Asia Pacific II L.P., 781,702.9100 common units held by CVC Capital Partners Asia Pacific II Parallel Fund A, L.P. and 1,609,951.7600 common units held by Asia Investors LLC and (b) 6,043.9566 Series B preferred units held by CVC Capital Partners Asia Pacific L.P., 7,598.6306 Series B preferred units held by CVC Capital Partners Asia Pacific II L.P., 1,467.3043 Series B preferred units held by CVC Capital Partners Asia Pacific II Parallel Fund A, L.P. and 3,021.9784 Series B preferred units held by Asia Investors LLC. Asia Investors LLC co-invests alongside of CVC Capital Partners Asia Pacific L.P., but is not a subsidiary of CVC Capital Partners.
- (4) Consists of a warrant exercisable within 60 days for 5,079,254.0000 common units.
- (5) The address of each of Mr. Baker, Dr. Huh, Mr. Krakauer, Mr. Lindly, and Ms. Miller Nam is c/o MagnaChip Semiconductor, Ltd., 1 Hyangjeong-dong, Hungduk-gu, Cheongju-si, 361-725, Korea.
- (6) Includes (a) 136,360.1600 common units held by the Baker Family Revocable Trust and 375,236,125.0000 restricted common units held by Mr. Baker and (b) 255.9564 Series B preferred units held by the Baker Family Revocable Trust. Restricted common units are subject to a right of repurchase by MagnaChip.
- (7) Each of Mr. Deb and Mr. Potamianos is a member of management of Francisco Partners, L.P. and disclaims beneficial ownership of the units held by Francisco Partners, L.P., Francisco Partners Fund A, L.P., FP-MagnaChip Co-Invest, LLC and FP Annual Fund Investors, LLC. The address of each of Mr. Deb and Mr. Potamianos is c/o Francisco Partners, L.P., 2882 Sand Hill Road, Suite 280, Menlo Park, CA 94025.
- (8) Includes 90,906.7800 common units and 750,471.5625 restricted common units. Restricted common units are subject to a right of repurchase by MagnaChip.
- (9) Includes (a) 54,544.0600 common units held jointly by Mr. Krakauer and his spouse, Theresa Krakauer, for which Mr. Krakauer shares voting and investment power with Theresa Krakauer, (b) 36,362.7100 common units held by the Krakauer Family Partnership, for which Mr. Krakauer shares voting and investment power with Theresa Krakauer and (c) 469,044.8125 restricted common units. Restricted common units are subject to a right of repurchase by MagnaChip.
- (10) Mr. Kuan is a member of management of CVC Asia Pacific Limited, an investment advisor to the general partners of CVC Capital Partners Asia Pacific L.P., CVC Capital Partners Asia Pacific II L.P. and CVC Capital Partners Asia Pacific II Parallel Fund A, L.P. and to Asia Investors LLC. Mr. Kuan disclaims beneficial ownership of the units held by these entities. The address of Mr. Kuan is c/o CVC Capital Partners Asia II Limited, 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands.
- (11) On April 14, 2006, Mr. Lindly will vest the right to exercise an option to purchase 18,750 common units of MagnaChip.
- (12) Includes 93,809.375 restricted common units that are subject to a right of repurchase by MagnaChip.
- (13) Includes (a) 29,544.7100 common units held by BG Partners LP and 6,818.0100 common units held by BG/CVC-1 and (b) 55.4573 Series B preferred units held by BG Partners LP and 12.7978 Series B preferred units held by BG/CVC-1. The address of Mr. Schorr is c/o The Blackstone Group, 345 Park Avenue, New York, NY 10154.
- (14) Mr. Thomas is a member of management of Citigroup Venture Capital Equity Partners, L.P. and disclaims beneficial ownership of the units held by Citigroup Venture Capital Equity Partners, L.P., CVC Executive Fund LLC and CVC/SSB Employee Fund, L.P. The address of Mr. Thomas is c/o Citigroup Venture Capital Equity Partners, L.P., 399 Park Avenue, 14th Floor, New York, NY 10022.

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**Table of Contents****Item 13. Certain Relationships and Related Transactions.****THE ORIGINAL ACQUISITION**

In June 2004, MagnaChip Korea entered into a business transfer agreement to purchase certain assets and assume certain liabilities of the System IC business of Hynix, which we refer to as the Original Acquisition in this report. The Original Acquisition closed on October 6, 2004. In connection with the Original Acquisition, MagnaChip Korea and certain of our other subsidiaries entered into definitive agreements with Hynix regarding key raw materials, campus facilities, research and development equipment, and information technology, factory automation and back office support services. MagnaChip Korea also agreed to provide certain utilities and infrastructure support services to Hynix. The obligation to provide services under these agreements generally lasts for one to five years from the closing of the Original Acquisition. The obligation to provide certain services lasts indefinitely.

In addition, MagnaChip Korea entered into a wafer foundry services agreement with Hynix under which MagnaChip Korea agreed to sell and Hynix agreed to purchase a certain monthly minimum quantity of 0.18µm DRAM semiconductors until August 31, 2005; this arrangement was terminated on November 10, 2005. MagnaChip Korea and Hynix also entered into a photo mask supply agreement under which Hynix agreed to supply MagnaChip Korea with up to a certain maximum quantity of photo masks. This agreement is for two years from the closing of the Original Acquisition plus an additional year at MagnaChip Korea's option.

In connection with the Original Acquisition, MagnaChip Korea also entered into a royalty-free non-exclusive cross license with Hynix which provides us with access to certain of Hynix's intellectual property for use in the manufacture and sale of non-memory semiconductor products and provides Hynix with access to the intellectual property we acquired from Hynix. This cross license is subject to the non-competition provisions of the business transfer agreement, pursuant to which Hynix agreed not to engage in most aspects of the non-memory semiconductor business and MagnaChip Korea agreed not to engage in most aspects of the memory semiconductor business. Generally, these non-competition provisions last for three years from the closing of the Original Acquisition. Under a trademark license agreement, Hynix also granted to MagnaChip Korea a limited license to certain trademarks of Hynix embedded in our products.

Upon the closing of the Original Acquisition, MagnaChip Korea and Hynix also entered into four lease agreements. Under one agreement, MagnaChip Korea leases from Hynix approximately 11,352 square meters of exclusive-use space plus certain common- and joint-use space in several buildings, primarily warehouses, in Cheongju, Korea. Under another agreement, Hynix leases from MagnaChip Korea approximately 8,921 square meters of exclusive-use space plus certain common- and joint-use space in three buildings in Cheongju, Korea. These two leases are generally for an initial term of 20 years plus an indefinite number of renewal terms of 10 years each. Each of the leases is cancelable upon 90 days' notice by the lessee. Under the third agreement, MagnaChip Korea leased from Hynix approximately 1,439 square meters of exclusive-use space plus certain common-use space in a building in Icheon, Korea, although this lease was terminated on November 15, 2005. Under the final agreement, the Company leases from Hynix certain exclusive-use plus common- and joint-use land located in Cheongju, Korea. The term of this agreement is indefinite unless otherwise agreed between the both parties, and as long as the buildings remain on the lease site and are owned and used by the Company for permitted uses.

**ADVISORY AGREEMENTS**

In connection with the Original Acquisition, and the related equity financing, MagnaChip Korea and MagnaChip entered into advisory agreements with each of CVC Management LLC, Francisco Partners Management, LLC and CVC Capital Partners Asia Limited, which are related to CVC, Francisco Partners and CVC Asia Pacific, respectively, pursuant to which each may provide financial, advisory and consulting services to MagnaChip Korea and MagnaChip. Under such agreements, each of CVC Management, Francisco Partners Management and CVC Capital Partners Asia is entitled to receive fees billed at such firm's customary rates for actual time spent performing such services plus reimbursement for out-of-pocket expenses or, at such firm's

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option and upon certain conditions, an annual advisory fee, the amount of which is the greater of a fixed dollar amount or a percentage of the annual consolidated revenue of MagnaChip Korea and MagnaChip for the last twelve months, plus out-of-pocket expenses, for the remaining term of the advisory agreement. The annual advisory fees under the agreements are as follows: CVC Management and Francisco Partners Management are each entitled to the greater of \$1,379,163.42 or 0.14777% of annual consolidated revenue and CVC Capital Partners Asia is entitled to the greater of \$741,673.15 or 0.07946% of annual consolidated revenue. There are no minimum levels of service required to be provided pursuant to the advisory agreements. Each advisory agreement has an initial term of ten years from the date of the Original Acquisition, subject to termination by either party upon written notice 90 days prior to the expiration of the initial term or any extension thereof. Each advisory agreement includes customary indemnification provisions in favor of each of CVC Management, Francisco Partners Management and CVC Capital Partners Asia.

**UBS**

Phokion Potamianos has been a director of MagnaChip and a Principal with Francisco Partners since March 2005. Prior to joining Francisco Partners, Mr. Potamianos was the head of the UBS global semiconductor investment banking group. During Mr. Potamianos' tenure at UBS, UBS Securities LLC acted as an initial purchaser in connection with the offer and sale of our Second Priority Senior Secured Notes and our Senior Subordinated Notes in December 2004. Concurrently with the issuance of the Notes, we entered into a \$100 million senior secured revolving credit facility with a syndicate of banks, financial institutions and other entities including UBS Loan Finance LLC as lenders, UBS Securities LLC as arranger, and UBS AG, Stamford Branch, as administrative agent and priority lien collateral agent.

**Item 14. Principal Accounting Fees and Services.****Audit fees and services**

The following table presents fees for professional services rendered by Samil PricewaterhouseCoopers and its affiliates. Audit related fees paid in 2005 were for assurance services provided by Samil PricewaterhouseCoopers associated with S-4 filing. Audit related fees paid to Samil PricewaterhouseCoopers during the three months ended December 31, 2004 were mainly for assurance services related to our notes offering. Tax services provided by Samil PricewaterhouseCoopers in 2005 were primarily related to transfer price study for the inter-company transactions. During the three months ended December 31, 2004, tax services rendered by Samil PricewaterhouseCoopers were mainly related to the Original Acquisition.

|                    | Year ended<br>December 31,<br>2005 | Three months<br>ended<br>December 31,<br>2004 |
|--------------------|------------------------------------|---|
|                    | <i>(in millions of US dollars)</i> |   |
| Audit fees         | \$ 1.3                             | \$ 4.3  |
| Audit related fees | 0.4                                | 1.1   |
| Tax fees           | 0.5                                | 0.7   |
| All other fees     |                                    |   |

**Policy and procedure for approval of audit and permitted non-audit services**

All audit, audit-related and tax services were pre-approved by the Company's board of directors (serving as the Audit Committee), which concluded that the provision of such services by Samil PricewaterhouseCoopers and its affiliates was compatible with the maintenance of that firm's independence in the conduct of its auditing functions. The Audit Committee's Outside Auditor Independence Policy provides for pre-approval of specifically described audit, audit-related, non-audit related and tax services by the Committee on an annual basis. Individual engagements must be separately approved. The policy also requires specific approval by the Committee if total fees for audit-related and tax services would exceed total fees for audit services in any fiscal year. The policy authorizes the Committee to delegate to one or more of its members pre-approval authority with respect to permitted services that will be ratified by the entire Audit Committee at a future committee meeting in accordance with requirements of the SEC. In 2004 and 2005, the Audit Committee followed these guidelines in approving all services rendered by Samil PricewaterhouseCoopers and its affiliates.





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**PART IV**

**Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K**

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

1. Financial Statements: See Index to Consolidated Financial Statements under Item 8.
2. Financial Statement Schedules are omitted because of the absence of the conditions under which they are required or because the information required by such omitted schedules is set forth in the financial statements or the notes thereto.
3. Exhibits.

(b) Exhibits

- 2.1 Business Transfer Agreement, dated as of June 12, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 2.2 First Amendment to Business Transfer Agreement, dated as of October 6, 2004, between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 3.1 Certificate of Formation of MagnaChip Semiconductor LLC (formerly System Semiconductor Holding LLC)
- 3.2 Certificate of Amendment to Certificate of Formation of MagnaChip Semiconductor LLC
- 3.3 Third Amended and Restated Limited Liability Company Operating Agreement of MagnaChip Semiconductor LLC
- 3.4 Articles of Incorporation of MagnaChip Semiconductor S.A.
- 3.5 Certificate of Incorporation of MagnaChip Semiconductor Finance Company
- 3.6 Bylaws of MagnaChip Semiconductor Finance Company
- 3.7 Certificate of Formation for MagnaChip Semiconductor SA Holdings LLC
- 3.8 Limited Liability Company Agreement of MagnaChip Semiconductor SA Holdings LLC
- 3.9 Deed of Amendment to the Articles of Association of MagnaChip Semiconductor B.V. (English translation)
- 3.12 Articles of Incorporation of MagnaChip Semiconductor, Ltd. (Korea)
- 3.14 Memorandum of Association of MagnaChip Semiconductor Ltd. (Hong Kong)
- 3.15 Articles of Association of MagnaChip Semiconductor Ltd. (Hong Kong)
- 3.16 Memorandum of Association of MagnaChip Semiconductor Ltd. (United Kingdom)
- 3.17 Articles of Association of MagnaChip Semiconductor Ltd. (United Kingdom)
- 3.18 Articles of Incorporation of MagnaChip Semiconductor Ltd. (Taiwan) (English translation)
- 3.19 Merger Agreement by and between ISRON Corporation and MagnaChip Semiconductor Inc. dated December 21, 2005, as amended on February 22, 2006, including Articles of Incorporation of MagnaChip Semiconductor Inc. (formerly ISRON Corporation) (Japan) (English translation)
- 3.21 Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)
- 3.22 Certificate of Amendment to the Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)

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|        |   |
|--------|---|
| 3.23   | Certificate of Amendment to the Bylaws of MagnaChip Semiconductor, Inc. (formerly IC Media Corporation)   |
| 3.24   | Memorandum of Association of IC Media International Corporation   |
| 3.25   | Articles of Association of IC Media International Corporation   |
| 3.26   | Memorandum of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)  |
| 3.27   | Articles of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)  |
| 3.27.a | Amendment to Memorandum and Articles of Association of MagnaChip Semiconductor Holding Company Limited (formerly IC Media Holding Company Limited)  |
| 3.28   | Articles of Incorporation of IC Media Technology Corporation (English translation)  |
| 3.29   | Agreement and Plan of Merger by and between IC Media Corporation and MagnaChip Semiconductor, Inc., including Amended and Restated Articles of Incorporation, as filed with the State of California Secretary of State on November 17, 2005, and as corrected on February 6, 2006   |
| 4.1    | Indenture, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors as named therein and The Bank of New York, as trustee for the Floating Rate Second Priority Senior Secured Notes due 2011 and the 6 <sup>7/8</sup> % Second Priority Senior Secured Notes due 2011.                         |
| 4.2    | Form of Floating Rate Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1)  |
| 4.3    | Form of 6 <sup>7/8</sup> % Second Priority Senior Secured Notes due 2011 and related guarantees (included in Exhibit 4.1)   |
| 4.4    | Registration Rights Agreement, dated as of December 23, 2004, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc.  |
| 4.5    | Indenture, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors as named therein and The Bank of New York, as trustee for the 8% Senior Subordinated Notes due 2014.  |
| 4.6    | Form 8% Senior Subordinated Notes due 2014 and related guarantees (included in Exhibit 4.5)   |
| 4.7    | Registration Rights Agreement, dated as of December 23, 2004, by and among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc.  |
| 10.1   | Purchase Agreement, dated as of December 16, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, UBS Securities LLC, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and Deutsche Bank Securities Inc.  |
| 10.2   | Credit Agreement, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, UBS Securities LLC, Korea Exchange Bank, UBS AG, Stamford Branch and UBS Loan Finance LLC.   |
| 10.3.a | First Amendment to Credit Agreement and Waiver, dated as of May 6, 2005, to the Credit Agreement, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, UBS Securities LLC, Korea Exchange Bank, UBS AG, Stamford Branch and UBS Loan Finance LLC. |

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- 10.3.b Second Amendment to Credit Agreement and Waiver dated as of June 21, 2005, to the Credit Agreement, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, UBS Securities LLC, Korea Exchange Bank, UBS AG, Stamford Branch and UBS Loan Finance LLC.
- 10.3.c Third Amendment to Credit Agreement dated as of March 27, 2005, to the Credit Agreement, dated as of December 23, 2004, among MagnaChip Semiconductor S.A., MagnaChip Semiconductor Finance Company, the guarantors named therein, the lenders named therein, UBS Securities LLC, Korea Exchange Bank, UBS AG, Stamford Branch and UBS Loan Finance LLC.
- 10.4 Intercreditor Agreement dated as of December 23, 2004 among MagnaChip Semiconductor Finance Company, the other Pledgors party thereto, UBS AG, Stamford Branch, The Bank of New York and U.S. Bank National Association
- 10.5 Second Amended and Restated Securityholders Agreement of MagnaChip Semiconductor LLC
- 10.6 Warrant held by Hynix Semiconductor Inc. to purchase common units of MagnaChip Semiconductor LLC
- 10.7 Intellectual Property License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.8 Trademark License Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.9 Building Lease Agreement for Warehouses, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.9.a First Amendment to Building Lease Agreement for Warehouses, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.10 Building Lease Agreement for M4 Building, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*
- 10.11 Building Lease Agreement for R, C1 and C2 Buildings, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.11.a First Amendment to Building Lease Agreement for R, C1 and C2 Buildings, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.12 Land Lease and Easement Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*
- 10.12.a First Amendment to Land Lease and Easement Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.13 Wafer Foundry Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*
- 10.14 Wafer Mask Production and Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*
- 10.14.a First Amendment to Wafer Mask Production and Supply Agreement, dated as of December 30,2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*\*
- 10.15 General Service Supply Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.15.a First Amendment to General Service Supply Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.16 IT and FA Service Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)

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- 10.16.a First Amendment to IT and FA Service Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.17 Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Dr. Youm Huh
- 10.18 Service Agreement, dated as of October 1, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jerry Baker
- 10.19 Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Robert Krakauer
- 10.20 Service Agreement, dated as of December 29, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Victoria Miller Nam
- 10.21 Service Agreement, dated as of October 6, 2004, by and between MagnaChip Semiconductor, Ltd. (Korea) and Tae Young Hwang
- 10.22 Service Agreement, dated as of May 16, 2005, by and between MagnaChip Semiconductor, Ltd. (Korea) and Jason Hartlove
- 10.23 Service Agreement, dated as of April 14, 2005 by and between MagnaChip Semiconductor, Ltd. (Korea) and Dale Lindly
- 10.24 MagnaChip Semiconductor LLC Equity Incentive Plan
- 10.25 MagnaChip Semiconductor LLC California Equity Incentive Plan
- 10.26 R&D Equipment Utilization Agreement, dated as of October 6, 2004, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*
- 10.26.a First Amendment to R&D Equipment Utilization Agreement, dated as of December 30, 2005, by and between Hynix Semiconductor Inc. and MagnaChip Semiconductor, Ltd. (Korea)
- 10.27 License Agreement (ModularBCD), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*
- 10.28 License Agreement (TrenchDMOS), dated as of March 18, 2005, by and between Advanced Analogic Technologies, Inc. and MagnaChip Semiconductor, Ltd. (Korea)\*\*
- 10.29 RFID Development and Licensing Agreement, dated as of March 29, 2004, by and between Celis Semiconductor Corporation and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)\*\*
- 10.30 Technology License Agreement, dated as of July 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)\*\*
- 10.31 Technology License Agreement, dated as of December 16, 1996, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)\*\*
- 10.32 ARM7201TDSP Device License Agreement, dated as of August 26, 1997, by and between Advanced RISC Machines Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to LG Semicon Company Limited)\*\*
- 10.33 Technology License Agreement, dated as of August 22, 2001, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)\*\*
- 10.34 Technology License Agreement, dated as of May 20, 2004, by and between ARM Limited and MagnaChip Semiconductor, Ltd. (Korea) (successor in interest to Hynix Semiconductor Inc.)
- 10.35 Interest Rate Swap Transaction Letter Agreement, dated as of June 30, 2005, by and between MagnaChip Semiconductor S.A. and Deutsche Bank AG#

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- 21.1 Subsidiaries of MagnaChip Semiconductor LLC
- 31.1 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Executive Officer.
- 31.2 Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Financial Officer.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer.

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- Incorporated by reference to identically numbered exhibits filed in response to Item 21(a), Exhibits, of the company's Registration Statement on Form S-4, as amended (File No. 33-126019), which became effective July 20, 2005.
  - # Incorporated by reference to an identically numbered exhibit filed in response to Item 6, Exhibits, of the company's Quarterly Report on Form 10-Q for the quarter ended July 3, 2005 (File No. 33-126019-09).
  - \*\* Certain portions of this document have been omitted and granted confidential treatment by the SEC.
  - \*\*\* Certain portions of this document have been omitted pursuant to a confidential treatment request.
- (c) Financial Statement Schedules:

Schedules are omitted because of the absence of the conditions under which they are required or because the information required by such omitted schedules is set forth in the financial statements or the notes thereto.

**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**MAGNACHIP SEMICONDUCTOR LLC**

Dated: March 29, 2006

By: /s/ YOUNG HUH  
**Youm Huh**

**Chief Executive Officer and President**

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

| <b>Signature</b>                                    | <b>Title</b>   | <b>Date</b>    |
|---|--|----------------|
| /s/ YOUNG HUH<br><b>Youm Huh</b>                    | Chief Executive Officer, President and Director<br>(Principal Executive Officer)   | March 29, 2006 |
| /s/ ROBERT J. KRAKAUER<br><b>Robert J. Krakauer</b> | Chief Financial Officer, Executive Vice President,<br>Strategic Operations and Director (Principal<br>Financial Officer) | March 29, 2006 |
| /s/ DALE LINDLY<br><b>Dale Lindly</b>               | Chief Accounting Officer and Senior Vice<br>President (Principal Accounting Officer)                                     | March 29, 2006 |
| /s/ JERRY M. BAKER<br><b>Jerry M. Baker</b>         | Chairman of the Board of Directors   | March 29, 2006 |
| /s/ DIPANJAN DEB<br><b>Dipanjan Deb</b>             | Director   | March 29, 2006 |
| /s/ ROY KUAN<br><b>Roy Kuan</b>                     | Director   | March 29, 2006 |
| /s/ PHOKION POTAMIANOS<br><b>Phokion Potamianos</b> | Director   | March 29, 2006 |
| /s/ PAUL C. SCHORR IV<br><b>Paul C. Schorr IV</b>   | Director   | March 29, 2006 |
| /s/ DAVID F. THOMAS<br><b>David F. Thomas</b>       | Director   | March 29, 2006 |

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/s/ ARMANDO GEDAY

Director

March 29, 2006

**Armando Geday**

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