

PRESENTATION TO THE SPECIAL COMMITTEE OF THE BOARD OF DIRECTORS



LAZARD

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I Transaction Overview

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Summary of Key Business Terms

Transaction:	<ul style="list-style-type: none"> ■ iPayment MergerCo, Inc. ("MergerCo"), a newly formed and wholly owned subsidiary of iPayment Holdings, Inc. ("Parent"), an entity to be owned by certain stockholders of the Company, including certain members of the Company's senior management (Greg Daily, CEO, and Carl Grimstad, President), is expected to agree to acquire iPayment, Inc.
Merger Consideration:	<ul style="list-style-type: none"> ■ \$43.50 per share in cash <ul style="list-style-type: none"> ■ Purchase price adjustment: an increase in the merger consideration will begin to accrue commencing after the 20th day after HSR and stockholder approval at a rate of \$4.7mm/month (\$0.0085 per share per day representing a 7.79% return, equal to the management's estimate of the blended cost of the acquisition financing) until the Closing Date ■ \$882 million in aggregate enterprise value, including \$81 million of estimated outstanding net debt at the expected closing date (March 31, 2006), exclusive of any purchase price adjustments
Financing Commitment:	<ul style="list-style-type: none"> ■ Banc of America has committed to provide up to \$735 million in senior and subordinated debt (subject to reduction at the request of the Company and to certain conditions, including that such debt shall not exceed 6.5x pro forma EBITDA for the latest 12 months at closing) <ul style="list-style-type: none"> ■ Pro forma EBITDA adjusted to reflect full year results of National Processing Management Group acquisition (\$3.0 million), public company expense savings (\$*), compliance Visa fines (\$0.3 million) and projected improvement in joint-venture operating results (\$*) for pro forma LTM (12/31/05E) EBITDA of \$113 million ■ Term Loan Facility: \$450 million (subject to reduction at the request of the Company) available at closing (7-year term; LIBOR + 2.25%) ■ Senior Subordinated Notes: \$285 million (subject to reduction at the request of the Company) at closing, backstopped by Banc of America committed Bridge Facility (1-year term; LIBOR + 6.50%) <ul style="list-style-type: none"> ■ 45 days after all non-financing conditions fulfilled, transaction funding and closing on Bridge is required
Equity Commitment:	<ul style="list-style-type: none"> ■ Remainder of consideration (at least \$170 million, equal to 3.91 million shares) in the form of existing iPayment shares owned by certain stockholders of the Company, including certain members of the Company's senior management <ul style="list-style-type: none"> ■ 3.74 million shares committed from Greg Daily, Carl Grimstad and certain trusts controlled by such persons or affiliates ■ 0.17 million shares committed from Stream Family Entities and certain trusts controlled by such persons or affiliates ■ Greg Daily and Carl Grimstad have committed, solely to the extent required to meet the leverage condition of the Banc of America financing, to "top up" equity to Parent in the form of shares and/or cash having a value of up to \$206.6 million (equivalent to 4.75 million shares) <ul style="list-style-type: none"> ■ An additional 0.41 million shares committed from Stream Family Entities and certain trusts controlled by such persons or affiliates (for a total contribution of 0.58 million shares) ■ Additionally, Greg Daily and Carl Grimstad will cause to be contributed to Parent additional equity in the form of either cash and/or shares in an amount equal to up to \$18.75 million

* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC

Summary of Key Business Terms (cont'd)

Closing Conditions:

■ **Standard and customary including:**

- iPayment agrees to prepare a Proxy Statement as soon as reasonably practicable and to call an iPayment Stockholder Meeting in order to obtain the required stockholder vote (including a majority of the minority)
- Financing on terms not materially less favorable to the Company than contemplated by the Banc of America commitment letter
- Certain third party consents required including: HSR, FDC and JP Morgan Chase affiliates approvals
- No law or court ruling preventing the merger
- Each party's representations and warranties must be true and correct if failure to be so would constitute a MAC and covenants must be performed in all material respects

"Fiduciary Out":

■ **iPayment agrees that it will not solicit or otherwise encourage competing proposals, but will have a "fiduciary out" in the case of a superior proposal**

- If iPayment terminates the merger agreement to accept a superior proposal, then iPayment will pay MergerCo a termination fee equal to \$15 million, representing 1.9% of iPayment's equity value plus up to \$3 million of documented expenses

Termination:

■ **Termination provisions, including:**

- Termination by the Company or Parent if mutually consent to termination, merger does not occur by May 31, 2006 subject to extension to an outside date of August 15, 2006 dependant on the timing of the mailing of the proxy statement, stockholders do not approve merger, receipt of superior bona fide acquisition proposal, breach of covenants, or breach of representation and warranties if such breach would reasonably be expected to result in a MAC
- Personal guarantees of up to \$20 million by Greg Daily and up to \$10 million by Carl Grimstad, totaling up to \$30 million in aggregate, of one-half of any damages payable by MergerCo and Parent if MergerCo or Parent breaches terms of the merger agreement and the transaction does not close

Estimated Sources and Uses

(\$ in millions)

- The acquisition will be financed with senior and subordinated debt and an equity contribution in the form of existing common shares owned by certain stockholders of the Company, including certain members of the Company's senior management

Sources			Uses		
	\$	%		\$	%
Term Loan Facility	\$450	50%	Equity Value (18.4mm shares @ \$43.50) (d)	\$801	88%
Senior Subordinated Notes (a)	285	31%	Refinancing of Existing Indebtedness (d)	81	9%
Revolving Credit Facility (b)	0	0%	Transaction Costs	24	3%
Total Debt	735	81%			
Rollover Equity (3.9mm shares @ \$43.50) & Co-Investment	171	19%			
Total Sources	<u>\$906</u>	<u>100%</u>	Total Uses	<u>\$906</u>	<u>100%</u>

Memo:

Total Debt/2005 EBITDA:

Mgmt. Projections (\$104mm)	7.1x
Pro Forma Mgmt. Projections (\$113mm) (c)	6.5

Source: Company management.

(a) Banc of America has also agreed to provide a committed Bridge Facility.

(b) \$25 million facility, \$0 to be drawn at closing.

(c) Pro forma management projections, as provided by management, reflecting full year results of National Processing Management Group acquisition, public company expense savings and projected improvement in JV operating results.

(d) As of estimated closing at 3/31/06; excluding the impact of interest accruals under the purchase price adjustment mechanism.

Financial Summary

(\$ in millions)

	Description	Relative Contribution			
		EBITDA		Growth	
		2005E	2006E		
ONGOING BUSINESS	<ul style="list-style-type: none"> Represents 12 acquisitions of operating companies consolidated into: <ul style="list-style-type: none"> Two autonomous operational centers Five sales offices 	Ongoing (ex. NPMG)	\$46.0	\$55.3	20%
	<ul style="list-style-type: none"> National Processing Management Group ("NPMG"), acquired in Oct. 2005 (\$5mm) 	NPMG	\$0.8	\$3.8	NM
		Ongoing	\$46.8	\$59.1	26%
		% Total	45%	55%	
FDC PORTFOLIOS	<ul style="list-style-type: none"> Two portfolios acquired from FDC: <ul style="list-style-type: none"> FDMS I: Acquired in December 2003 (\$55mm) FDMS II: Acquired in December 2004 (\$130mm) Closed books of business: <ul style="list-style-type: none"> All service functions outsourced to FDC; limited ability to impact operations Minimal new account capability Acquired as financial investments Valued based on DCF approach to run-off of cash flows 	FDC Portfolios	\$57.2	\$47.6	(17%)
		% Total	55%	45%	
		Total	\$104.0	\$106.7	3%

Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

Transaction Analysis

(\$ in millions)

	Consolidated		Ongoing (b)		Precedent Transactions			
	Financials	Multiples	Financials	Multiples	High	Mean	Median	Low
Capitalization:								
Share Price		\$43.50		\$43.50				
FD Shares		18.416		18.416				
Equity Value		\$801.1		\$801.1				
Net Debt (a)		81.0		81.0				
Enterprise Value		\$882.1		\$882.1				
Less: FDC Portfolios				\$190.0				
Less: Net Debt				81.0				
Adjusted Enterprise Value				\$611.1				
EV/EBITDA								
LTM	\$92.5	9.5x	\$43.3	14.1x	13.5x	11.5x	11.4x	9.7x
2005E	104.0	8.5	46.8	13.1	11.2	9.9	9.8	8.1
2006E	106.7	8.3	59.1	10.3	--	--	--	--
Memo: 05-06 EBITDA Growth	2.7%		26.4%					
P/E								
LTM	\$1.69	25.7x			47.5x	32.5x	27.1x	19.9x
2005E	1.87	23.3			37.0	25.0	23.5	15.9
2006E	2.13	20.4			31.1	21.7	21.1	13.3
Premium								
1-Day Pre-Ann. (11/1/05)	\$36.00	20.8	%					
1-Day Pre-Ann. (Initial Offer - 5/13/05)	31.55	37.9						
52-Week High (12/28/04)	51.50	(15.5)						
52-Week Low (5/13/05)	30.41	43.0						

Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

(a) As of estimated closing at 3/31/06.

(b) Enterprise value adjusted to exclude FDC Portfolios value (midpoint valuation range-see page 18). Assumes debt is fully allocated to FDC Portfolios.

II iPayment Overview

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iPayment Background

- Founded in 2000, iPayment has grown through acquisitions to become the 12th largest merchant acquiring company in the U.S.:
 - \$12.8bn processed transaction volume, 0.8% market share

COMPANY DESCRIPTION

- Provides credit and debit-based payment processing services to over 135,000 small merchants across the U.S.
 - Services payment processing contracts generated through independent sales organizations' ("ISOs") sales channels
 - Outsources bulk of processing to First Data
- iPayment divided into two segments:
 - **"Ongoing business"**: Two autonomous operational centers (Calabasas, CA and Chicago, IL) and five additional sales offices (Petroleum Card Services, Transaction Solutions, Card Payment Services, National Processing Management Group and ICE Utah JV)
 - **"FDC Portfolios"**: two merchant portfolios acquired in December 2003 and December 2004 from FDC

ACQUISITION HISTORY

Ann. Date	Target
<u>Ongoing Businesses:</u>	
Oct. 2005	National Processing Mgmt Group
Jun. 2005	ICE Utah Joint Venture
Jan. 2005	Petroleum Card Services
Sep. 2004	Transaction Solutions
Aug. 2003	CardPayment Solutions
Sep. 2002	CardSync Processing
Aug. 2002	First Merchant Bancard Services
Aug. 2002	Online Data Corp
Mar. 2002	E-Commerce Exchange
Aug. 2001	First National Processing
<u>Portfolios:</u>	
Dec. 2004	First Data Corp - Merchant
Dec. 2003	First Data Corp - Agent Bank

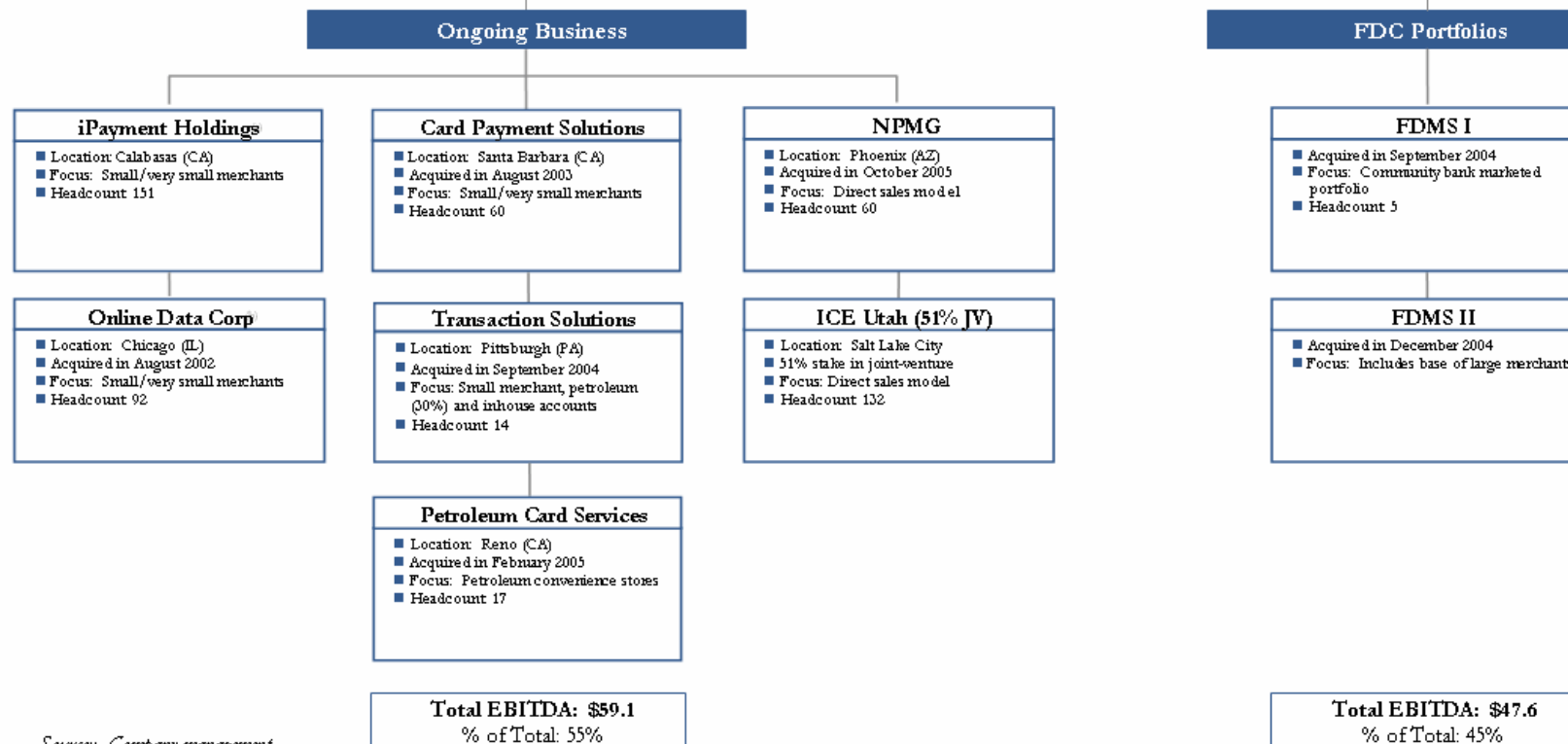
Source: Company management and Nilson's report.

Corporate Overview

(\$ in millions)



- Headcount: 545
- Management:
 - Greg Daily – Chairman of the Board, CEO
 - Carl Grimstad – President
 - Clay Whitson – CFO
 - Afshin Yazdian – Executive Vice President, General Counsel, Secretary
- 2006E EBITDA: \$106.7



Source: Company management.

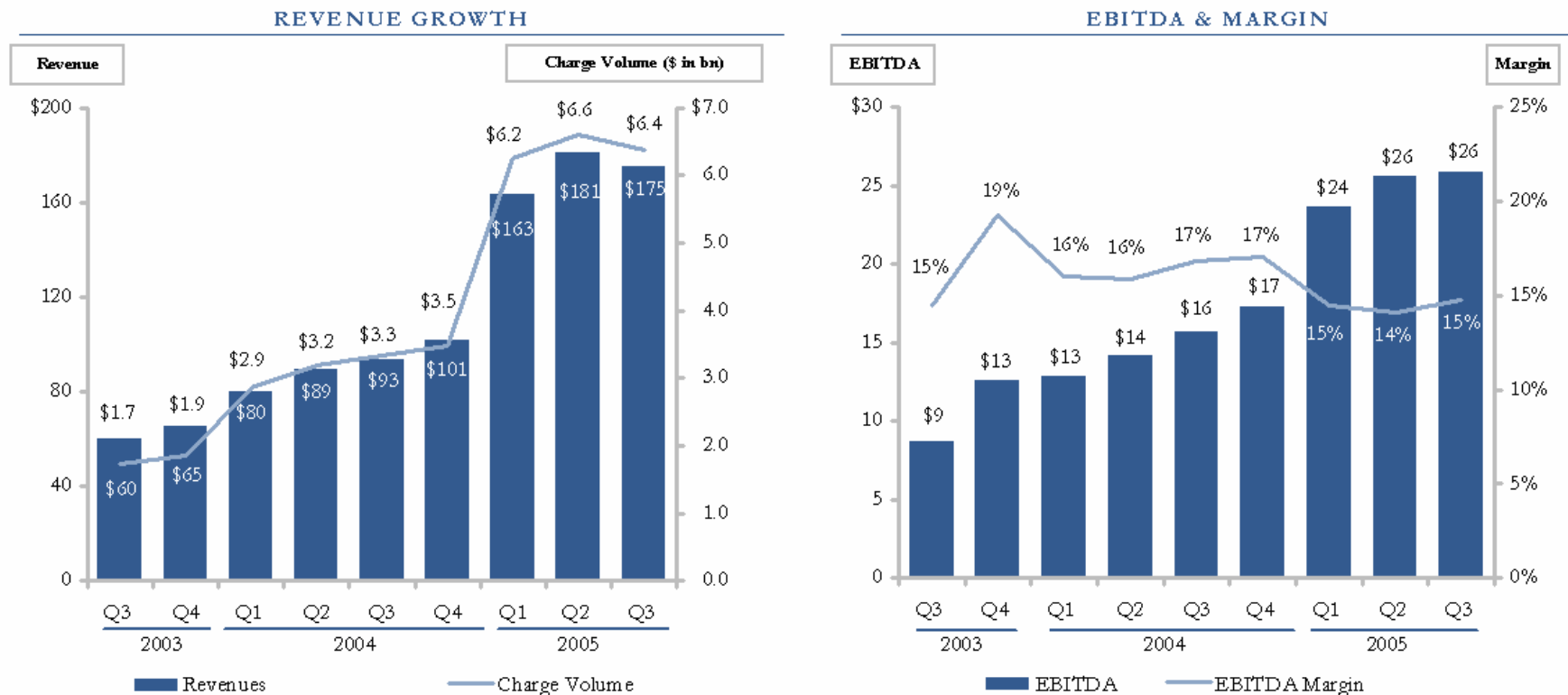
Note: Headcount as of 9/30/05 (consolidated figure includes 14 employees at corporate level); Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

(a) Includes CardSync, E-Commerce Exchange, iPayment Inc., iPayment Tech, Quad City, iPayment ICE, iPayment of Maine and iPayment of Eureka.

(b) Includes AMS & FMBS.

Historical Financial Performance

(\$ in millions, except stated otherwise)



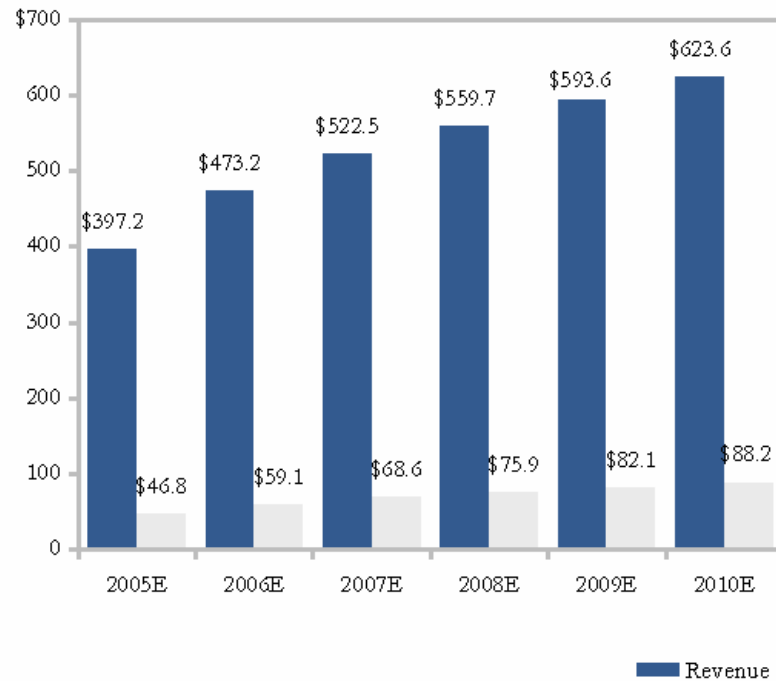
Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

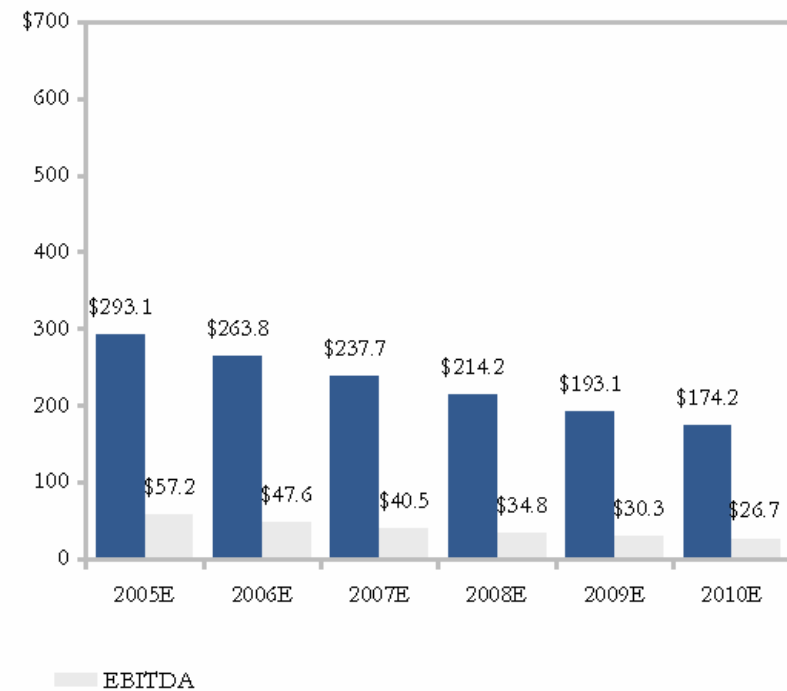
Projected Financial Performance

(\$ in millions)

ONGOING OPERATIONS



FDC PORTFOLIOS



Revenue Growth

Ongoing Business	19.1%	10.4%	7.1%	6.0%	5.1%
Excl. NPMG/ICE	14.7				

	NM	(10.0%)	(9.9%)	(9.9%)	(9.8%)	(9.8%)
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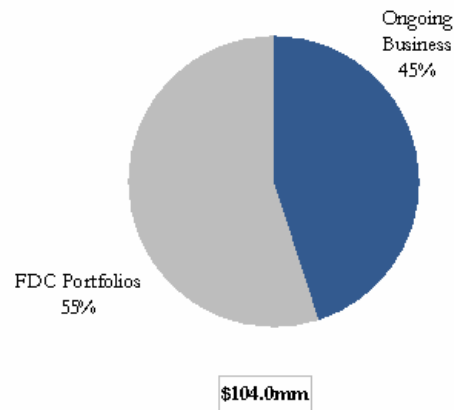
Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

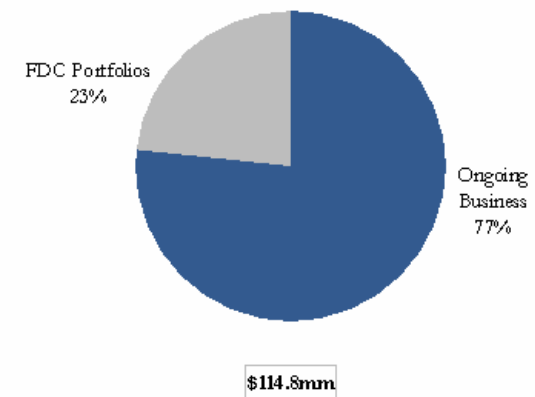
EBITDA Breakdown – Ongoing Business vs. FDC Portfolios

(\$ in millions)

2005E EBITDA BREAKDOWN



2010E EBITDA BREAKDOWN



Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

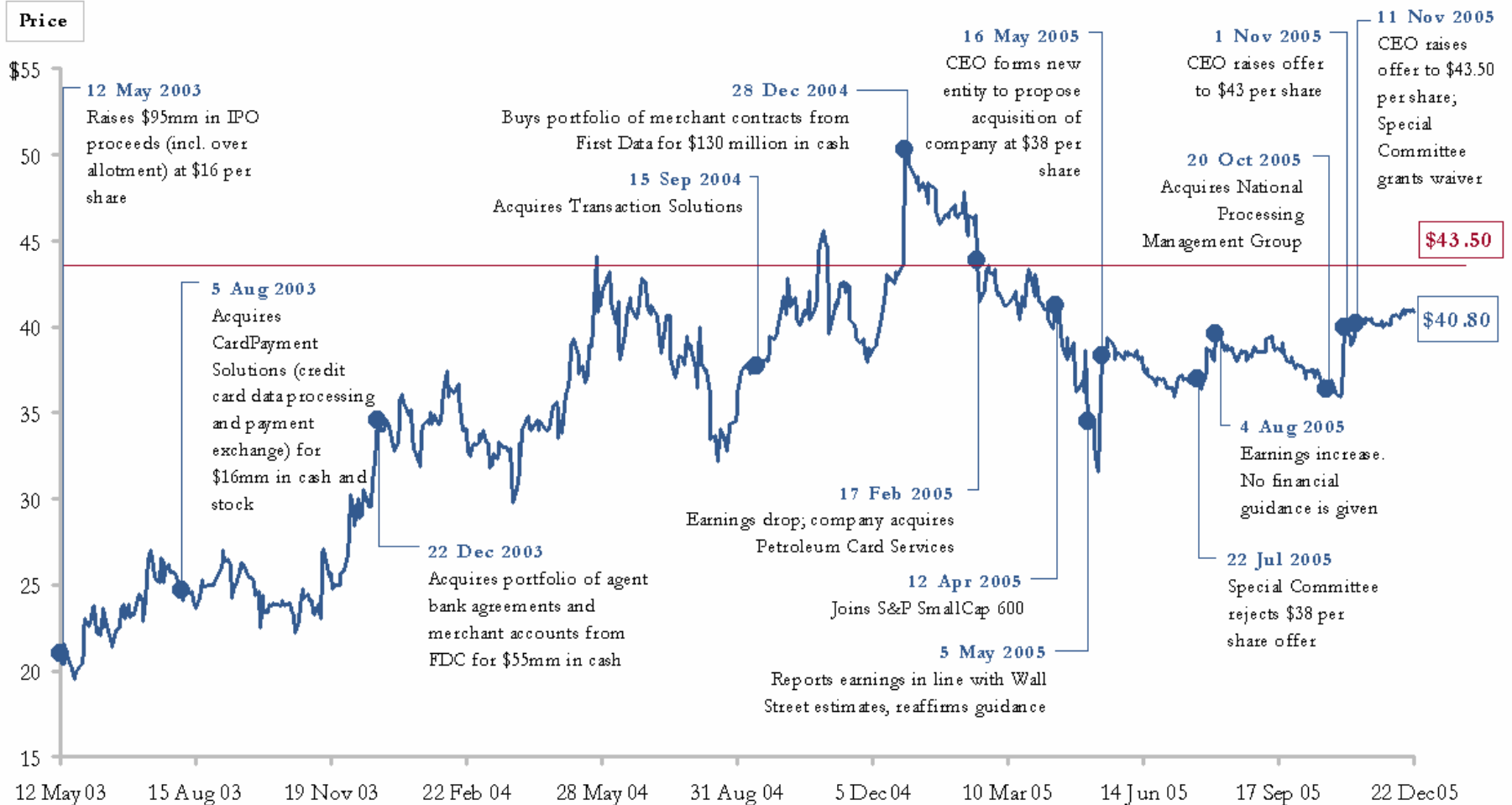
III Valuation

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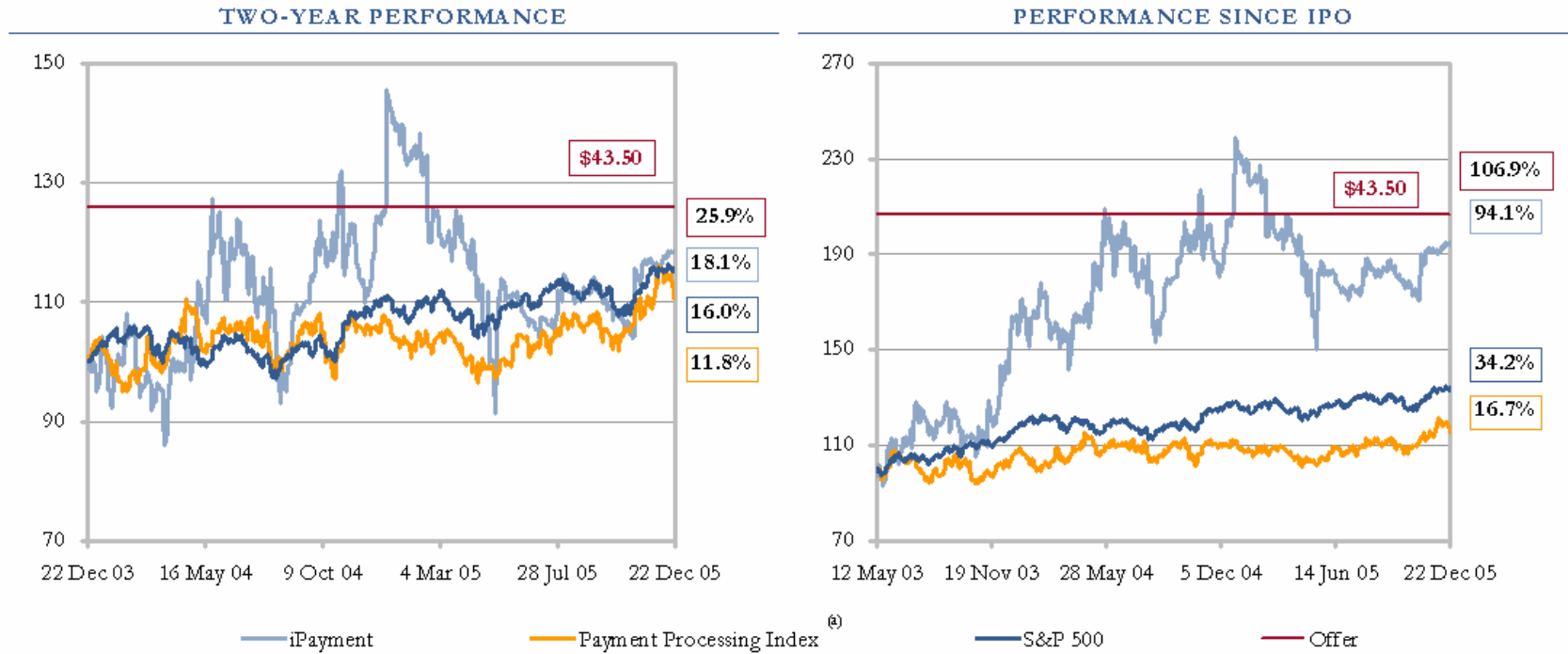
Stock Price Performance Since IPO

STOCK PRICE PERFORMANCE



Source: FactSet (12/22/05).

Relative Market Performance



Source: FactSet (12/22/05). Includes reinvestment of dividends.

(a) Includes First Data, TSYS, Global Payments, Certegy, Checkfree, Heartland, MoneyGram and Wright Express.

Analyst Estimates Snapshot – October 2005 (Pre \$43.00 Offer)

12-MONTH ANALYST RECOMMENDATION SUMMARY – LATEST RESEARCH UPDATE FROM 5/16/05 TO 10/31/05

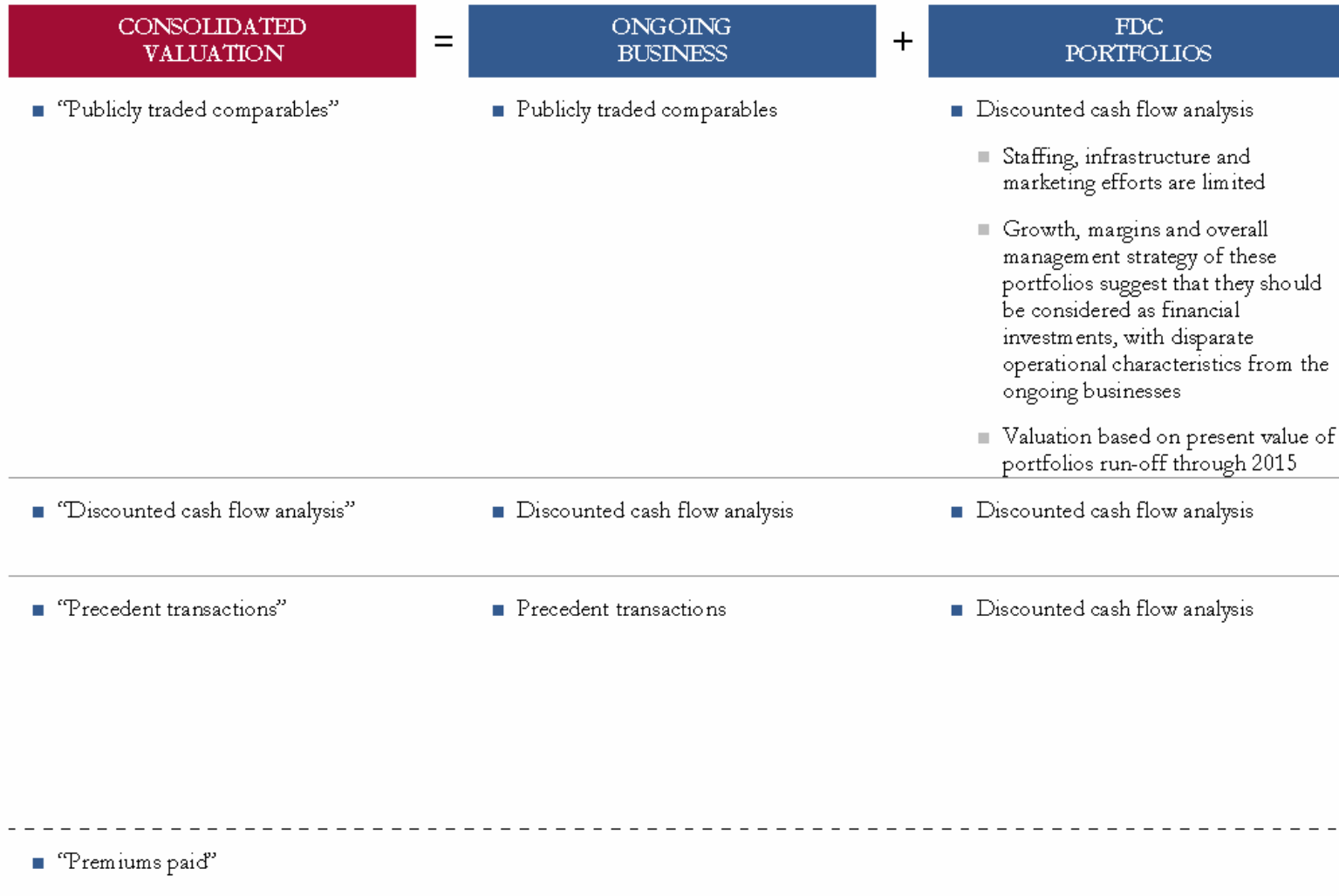
FIRM NAME	ANALYST	RECOMMENDATION	TARGET PRICE	2005E EPS	2006E EPS	DATE
Avondale Partners	P. Swindle	Outperform	\$46.00	\$1.86	\$2.16	8/8/05
Adam Harkness	C. Gillis	Buy	46.00	1.80	2.25	8/5/05
Smith Barney	T. Wible	Hold	43.00	1.81	2.20	8/4/05
Morgan Keegan	R. Dodd	Outperform	--	1.86	2.16	8/4/05
Wachovia	D. Trossman	Outperform	--	1.87	2.17	8/4/05
Bear Stearns	P. Bany	Outperform	47.00	1.80	2.15	8/4/05
KeyBanc	M. Keller	Buy	47.00	1.83	2.12	8/4/05
Stifel Nicolaus	D. McArthur	Market perform	--	1.86	2.15	8/4/05
Deutsche Bank	B. Sakakeeny	Hold	34.00	1.85	2.05	8/4/05
Friedman, Billings, Ramsey	C. Penny	Outperform	58.00	1.86	2.08	6/9/05
Barrington	G. Prestopino	Market perform	42.00	1.85	2.15	5/23/05
Merrill Lynch	G. Smith	Neutral	--	1.86	2.16	5/16/05

SUMMARY STATISTICS	Buy	58%	High	\$58.00	\$1.87	\$2.25
	Hold	42	Mean	45.38	1.84	2.15
	Sell	0	Median	46.00	1.86	2.16
			Low	34.00	1.80	2.05
			Management Projections		\$1.87	\$2.13

Source: Thomson Research and Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

Valuation Methodology



Publicly Traded Comparables – Business Overview

	LTM Revenue Breakdown					
	Merchant Acquiring		Money Transfer	Check Processing	Card Services	EBPP/ Other
	Domestic	International				
Certegy				42%	58%	
CheckFree						100%
First Data	28%		39%	16%	4%	13%
TSYS					100%	
Global Payments	78%	6%	16%			
Heartland	99%					1%
MoneyGram			67%			36%
Wright Express	7%					93%

05E-06E Revenue Growth		
Rank	Company	Growth
1	Heartland Payment	23.5%
2	iPayment - Ongoing	19.1
3	Global Payments	13.9
4	First Data	10.4
5	MoneyGram	10.4
6	CheckFree	10.2
7	Certegy	8.3
8	iPayment - Consolidated	6.8
9	TSYS	6.3
10	Wright Express	6.3

05E-06E EBITDA Growth		
Rank	Company	Growth
1	Heartland Payment	27.8%
2	iPayment - Ongoing	26.4
3	Global Payments	15.8
4	First Data	15.6
5	Certegy	11.7
6	Wright Express	8.8
7	TSYS	7.8
8	CheckFree	6.7
9	iPayment - Consolidated	2.7
10	MoneyGram	1.9

EPS Long-Term Growth		
Rank	Company	Growth
1	Heartland Payment	26.9%
2	CheckFree	18.1
3	TSYS	15.0
4	Global Payments	15.0
5	Certegy	14.0
6	MoneyGram	14.0
7	First Data	13.0
8	Wright Express	11.0
9	iPayment - Consolidated	10.9
10	iPayment - Ongoing	NA

05E EBITDA Margin		
Rank	Company	Margin
1	Wright Express	53.5%
2	CheckFree	31.8
3	First Data	30.6
4	TSYS	27.6
5	Global Payments	27.3
6	Certegy	21.7
7	MoneyGram	19.0
8	iPayment - Consolidated	15.1
9	iPayment - Ongoing	11.8
10	Heartland Payment	9.1

Source: For comparable companies; company filings, recent research and IBES estimates. For iPayment, Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

Note: Based on calendar years.

Publicly Traded Comparables – Valuation Statistics

(\$ in millions, except per share data)

Company:	Price		Equity		Price as a Multiple of Earnings			Enterprise Value as a Multiple of EBITDA			L-T Growth	
	12/22/05	52-Week		Market Value	Enterprise Value	LTM	2005E (a)	2006E (a)	LTM	2005E (b)	2006E (b)	Rate (a)
		High	Low									
First Data	\$42.48	\$44.75	\$36.50	\$32,922	\$37,573	20.3 x	18.6 x	16.6 x	11.9 x	11.6 x	10.0 x	13.0 %
CheckFree	47.39	50.55	32.33	4,399	4,099	29.5	30.0	28.3	15.0	16.0	15.0	18.1
TSYS	19.68	25.88	17.76	3,884	3,694	20.6	20.1	17.9	9.0	8.3	7.7	15.0
Global Payments	47.91	48.49	27.13	3,881	3,864	37.6	35.1	30.8	17.7	16.7	14.4	15.0
Certegy	40.53	41.29	32.35	2,566	2,690	23.1	22.3	19.4	11.0	11.0	9.9	14.0
MoneyGram	26.92	27.67	17.91	2,323	2,473	22.8	21.5	21.0	14.0	13.5	13.3	14.0
Wright Express	22.35	24.91	15.25	898	1,105	18.3	18.8	17.2	9.4	8.5	7.8	11.0
Heartland Payment	21.55	27.73	21.13	768	722	54.1	44.0	29.3	12.8	9.8	7.7	26.5

Median:						22.9 x	21.9 x	20.2 x	12.4 x	11.3 x	10.0 x	14.5 %
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Summary Statistics:												
High						54.1 x	44.0 x	30.8 x	17.7 x	16.7 x	15.0 x	26.5 %
Mean						28.3	26.3	22.6	12.6	11.9	10.7	15.8
Median						22.9	21.9	20.2	12.4	11.3	10.0	14.5
Low						18.3	18.6	16.6	9.0	8.3	7.7	11.0

<u>iPayment (Deal Price):</u>												
Consolidated	\$43.50			\$801	\$882	25.7 x	23.3 x	20.4 x	9.5 x	8.5 x	8.3 x	10.9 %
Ongoing Business (c)	43.50				611	NA	NA	NA	14.1	13.1	10.3	NA

Source: Filings and Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

(a) Source: IBES estimates. Calendar year estimates.

(b) Source: Recent equity research. Calendar year estimates.

(c) Enterprise value adjusted to exclude FDC Portfolios value (midpoint valuation range-see page 18). Assumes debt is fully allocated to FDC Portfolios.

Publicly Traded Comparables – Valuation Analysis

(\$ in millions)

		Enterprise Value as a Multiple of:			
		EBITDA			
		LTM	2005E	2006E	
Trading Multiples (see pages 15-16 for detail)					
	High	17.7 x	16.7 x	15.0 x	
	Mean	12.6	11.9	10.7	
	Median	12.4	11.3	10.0	
	Low	9.0	8.3	7.7	
	Heartland	12.8 x	9.8 x	7.7 x	
ONGOING BUSINESS VALUATION	Relevant Multiple Range:				
		High	14.0 x	12.5 x	11.0 x
		Low	13.0	10.0	8.0
		Financial Statistics Ongoing Business	\$43.3	\$46.8	\$59.1
		Implied Enterprise Value:			
	High	\$605.6	\$584.7	\$650.3	
	Low	562.4	467.8	472.9	
TOTAL COMPANY VALUATION	Enterprise Value Range:				
		Ongoing Business	\$470.0	-	\$650.0
		FDC Portfolios (see page 18)	180.0		200.0
		Consolidated	\$650.0	-	\$850.0
		Net Debt (3/31/06E)	\$81.0		\$81.0
		Equity Value Range:			
		Consolidated	\$569.0	-	\$769.0
	Per Share	\$31.35		\$41.82	

Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

Discounted Cash Flow Analysis – FDC Portfolios

(\$ in millions)

		Present Value of Total Enterprise Value		
		3.0x	3.5x	4.0x
Discount Rate	11.0%	\$195.6	\$198.4	\$201.3
	12.0%	188.6	191.3	193.9
	13.0%	182.1	184.5	186.9
	14.0%	176.0	178.2	180.4

		Implied Perpetuity Growth at 2015 EBITDA Multiple of		
		3.0x	3.5x	4.0x
Discount Rate	11.0%	(16.7%)	(13.6%)	(11.2%)
	12.0%	(16.0%)	(12.8%)	(10.4%)
	13.0%	(15.2%)	(12.1%)	(9.6%)
	14.0%	(14.5%)	(11.3%)	(8.8%)

Reference Range:	
Enterprise Value	\$180.0 - \$200.0

Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

Discounted Cash Flow Analysis – Ongoing Business

(\$ in millions)

		Present Value of Total Enterprise Value		
		10.0x	11.0x	12.0x
Discount Rate	11.0%	\$678.4	\$730.7	\$783.0
	12.0%	651.7	701.7	751.7
	13.0%	626.3	674.2	722.0
	14.0%	602.2	648.0	693.8

		Implied Perpetuity Growth at 2010 EBITDA Multiple of		
		10.0x	11.0x	12.0x
Discount Rate	11.0%	4.7%	5.3%	5.7%
	12.0%	5.7%	6.2%	6.7%
	13.0%	6.6%	7.2%	7.6%
	14.0%	7.5%	8.1%	8.6%

<u>Enterprise Value Range:</u>			
Ongoing Business	\$625.0	-	\$750.0
FDC Portfolios	180.0		200.0
Consolidated	\$805.0	-	\$950.0
Net Debt (3/31/06E)	\$81.0	-	\$81.0
<u>Equity Value Range:</u>			
Consolidated	\$724.0	-	\$869.0
Per Share	\$39.46	-	\$47.05

Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

Precedent Transactions

(\$ in millions)

Date	Acquirer / Target	Consideration	Equity Value	Transaction Value	Price as a Multiple of Earnings			Transaction Value as a Multiple of			
					LTM	CFY	NFY	Revenue		EBITDA	
								LTM	CFY	LTM	CFY
8/3/04	Royal Bank of Scotland Group Lynk Systems Inc	Cash	\$525	\$525	--	--	--	--	--	--	--
7/13/04	Bank of America National Processing	Cash	1,423	1,130	27.1 x	24.6 x	22.2 x	2.3 x	2.2 x	10.3 x	9.8 x
5/17/04	Metavante NYCE	Cash	610	610	19.9	--	--	4.3	4.4	--	9.2
12/17/03	CheckFree American Payment Systems	Cash	109	106	--	--	--	--	2.5	--	--
9/2/03	Intuit Innovative Merchant Solutions	Cash	116	116	--	--	--	4.6 (a)	--	--	--
6/6/03	National Processing Co LLC Bridgeview Payment Solutions	Cash	32	32	--	--	--	--	1.6	--	8.5
4/2/03	First Data Concord EFS	Stock	6,748	5,337	22.4	15.9	13.3	2.5	2.3	9.7	8.1
6/15/01	First Data NYCE	Cash	556	556	--	--	--	--	--	--	--
5/4/01	US Bancorp NOVA Corporation	Cash and Stock	2,097	2,313	47.5	22.5	20.0	1.5	1.4	12.5	11.0
3/23/99	First Data Paymentech	Cash	940	940	45.5	37.0	31.1	4.2	3.7	13.5	11.2

Summary Statistics:

2003-2005 Transactions

High	27.1 x	24.6 x	22.2 x	4.6 x	4.4 x	10.3 x	9.8 x
Mean	23.1	20.3	17.8	3.4	2.6	10.0	9.1
Median	22.4	20.3	17.8	3.4	2.3	10.0	9.2
Low	19.9	15.9	13.3	2.3	1.6	9.7	8.1

All Transactions

High	47.5 x	37.0 x	31.1 x	4.6 x	4.4 x	13.5 x	11.2 x
Mean	32.5	25.0	21.7	3.2	2.6	11.5	9.9
Median	27.1	23.5	21.1	3.3	2.3	11.4	9.8
Low	19.9	15.9	13.3	1.5	1.4	9.7	8.1

Source: SDC, Dealogic and SNL (includes payment processing deals since 1/1/1999, on U.S. targets).

(a) Multiple based on 2002 net revenues.

Precedent Transactions – Valuation Analysis

(\$ in millions)

	Enterprise Value as a Multiple of EBITDA	
	2005E	2006E
Precedent Transactions Multiples		
High	13.5 x	11.2 x
Mean	11.5	9.9
Median	11.4	9.8
Low	9.7	8.1
ONGOING BUSINESS VALUATION		
<u>Relevant Multiple Range:</u>		
High	13.0 x	11.0 x
Low	11.0	10.0
Financial Statistics Ongoing Business	\$46.8	\$59.1
<u>Implied Enterprise Value:</u>		
High	\$608.1	\$650.3
Low	514.6	591.2
TOTAL COMPANY VALUATION		
<u>Enterprise Value Range:</u>		
Ongoing Business	\$590.0 -	\$650.0
FDC Portfolios	180.0	200.0
Consolidated	\$770.0 -	\$850.0
Net Debt (3/31/06E)	\$81.0	\$81.0
<u>Equity Value Range:</u>		
Consolidated	\$689.0 -	\$769.0
Per Share	\$37.63	\$41.82

Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections.

Premiums Paid Analysis

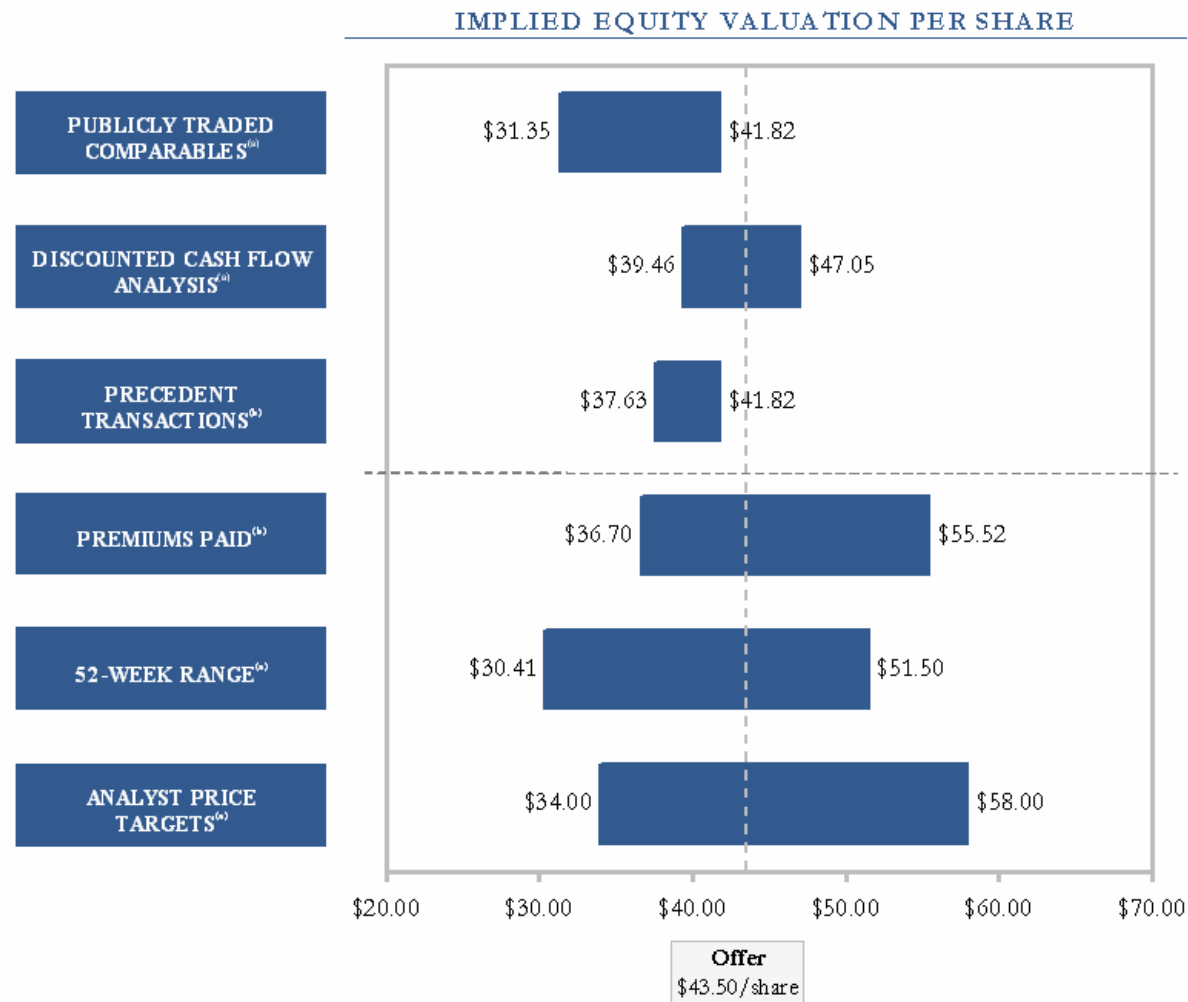
	Premium to		
	<u>1-Day Prior</u>	<u>1-Week Prior</u>	<u>1-Month Prior</u>
High	44.6 %	55.0 %	63.5 %
Median	21.9	19.4	21.4
Low	0.0	1.5	2.7

	<u>1-Day</u>	<u>1-Week</u>	<u>1-Month</u>
	Unaffected Share Price:		
5/13/05	\$31.55	\$34.80	\$41.21
11/1/05	36.00	36.83	37.66
Memo: Current Price	\$40.80	\$40.77	\$40.55
Implied Value per Share:			
5/13/05 - High	\$45.63	\$53.94	\$67.36
5/13/05 - Low	31.55	35.33	42.32
11/1/05 - High	\$52.07	\$57.09	\$61.56
11/1/05 - Low	36.00	37.39	38.68
Reference Range (a)			
<i>Per Share</i>	\$36.70 - \$55.52		

Source: Dealogic (includes all offers on U.S public companies, as of 12/7/05, with a deal value comprised between \$750mm and \$1,000mm, since 1/1/2001; excludes 5 high and low outliers).

(a) High and low premiums applied to average of current and unaffected share prices.

Valuation Summary



(a) Trading valuation.

(b) Takeover valuation.

Appendix

LAZARD

Interest Cost Analysis – Estimated

	<u>Annual Rate</u>	<u>Monthly Rate</u>	<u>Daily Rate</u>		<u>Management Estimate - High Yield (9%)</u>		
					<u>Annual</u>	<u>Monthly</u>	<u>Daily</u>
<u>Term Loan Facility</u>				Term Loan	7.02%	0.57%	0.02%
3-Month LIBOR	4.50%			Sub. Debt	9.00%	0.72%	0.02%
Spread	2.25%			Blended Rate	7.79%	0.63%	0.02%
Rate	<u>6.75%</u>	0.55%	0.02%	Expense (\$mm)	\$57.2	\$4.6	\$0.2
3-Month LIBOR	4.50%			Memo: Per Basic Share (a)	\$3.2324	\$0.2601	\$0.0085
Spread	2.25%						
Swap Cost	0.53%			<u>Lazard Estimate - High Yield (11%)</u>			
Rate	<u>7.28%</u>	0.59%	0.02%		<u>Annual</u>	<u>Monthly</u>	<u>Daily</u>
50%/50% Blended Rate	7.02%	0.57%	0.02%	Term Loan	7.02%	0.57%	0.02%
				Sub. Debt	11.00%	0.87%	0.03%
				Blended Rate	8.56%	0.69%	0.02%
				Expense (\$mm)	\$62.9	\$5.0	\$0.2
				Memo: Per Basic Share (a)	\$3.5544	\$0.2847	\$0.0093
<u>High Yield</u>							
Management Estimate	9.00%	0.72%	0.02%				
Lazard Estimate	11.00%	0.87%	0.03%				

Source: Bloomberg.

Note: Monthly and daily rates based on compound calculation.

(a) 17.7mm basic shares outstanding as of 8/31/05.

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Summary LBO Analysis

(\$ in millions)

	USES		
	\$	Per Share	#
Purchase Price - FD Common (a)	\$801.1	\$43.50	18,416
Transaction Expenses	24.0		
Purchase Price	\$825.1		
Refinanced Revolver (a)	\$81.0		
Total Uses	\$906.1		

	SOURCES			
	\$	%	Interest Rate	Pro Forma EBITDA 05E
Equity (Rollover and Co-Investment)	\$171.1	19%		
Senior Debt	450.0	50%	L + 2.25% (b)	4.0x
Junior Debt	285.0	31%	11.0%	2.5
Total Sources	\$906.1	100%		6.5x

IRR SENSITIVITY ON OFFER PRICE AND EXIT EBITDA MULTIPLE - 6.5x LEVERAGE AND 2010 EXIT YEAR

		Without Management Options (c)			With Management Options (c)			
		9.0x	10.0x	11.0x	9.0x	10.0x	11.0x	
Price	\$41.50	26.3%	31.3%	35.7%	\$41.50	24.5%	29.3%	33.5%
	42.50	23.0%	27.9%	32.1%	42.50	21.4%	26.0%	30.0%
	43.50	20.1%	24.9%	29.0%	43.50	18.6%	23.1%	27.1%
	44.50	17.6%	22.2%	26.3%	44.50	16.3%	20.7%	24.5%
	45.50	15.4%	19.9%	23.9%	45.50	14.2%	18.5%	22.2%

Source: Company management.

Note: Lazard reviewed three sets of financial projections: the January Long-Term Projections, the Adjusted Management Long-Term Projections and the Sensitivity Case. In providing this fairness opinion, Lazard has relied solely on the most recent projections provided by Management: the Adjusted Management Long-Term Projections. The Adjusted Management Long-Term Projections are pro forma for private company expense savings of \$* per year (\$* public company expense, \$* and \$*) and pro forma for *. Terminal value based on (i) EBITDA exit multiples of 9x-11x for Ongoing Business and (ii) midpoint of DCF valuation range for FDC Portfolios. FDC Portfolio valuation range based on a 5-year DCF from 2010E to 2015E using EBITDA exit multiples of 3x-4x and discount rates of 11%-14%.

(a) Assumes 3/31/06 close.

(b) Assumes 50% of senior debt swapped to comparable fixed term.

(c) Assumes 10% of realized upside return to terminal equity value over the initial equity investment (\$171mm) is paid to non "rollover equity" management.

* Omitted pursuant to a confidential treatment request. The confidential portion has been filed separately with the SEC

Weighted Average Cost of Capital

Retained Comparables	Equity Beta (a)	Debt/Ent. Value (b)	Debt/Mkt. Cap. (b)	Unlevered Beta	Cost of Equity	WACC
First Data	0.99	12.4%	14.1%	0.91	12.5%	11.4%
CheckFree	1.26	0.0%	0.0%	1.26	14.7%	14.7%
TSYS	1.53	0.0%	0.0%	1.53	16.9%	16.9%
Global Payments	1.08	0.0%	0.0%	1.08	13.2%	13.2%
Certegy	1.14	4.6%	4.8%	1.11	13.7%	13.3%
MoneyGram	1.04	6.1%	6.5%	1.00	12.9%	12.4%
Wright Express	1.12	18.7%	22.9%	0.98	13.5%	11.7%
Heartland Payment	0.99	0.0%	0.0%	0.99	12.5%	12.5%
Mean	1.14	5.2%	6.0%	1.11	13.8%	13.3%
Median	1.10	2.3%	2.4%	1.04	13.4%	12.8%
iPayment	0.99	9.2%	10.1%	0.93	12.5%	11.7%

Debt/Ent. Value	Debt/Equity	Relevered Beta (c)	Cost of Equity	WACC
0%	0%	1.04	12.9%	12.9%
10%	11%	1.11	13.5%	12.5%
20%	25%	1.20	14.2%	12.1%
30%	43%	1.31	15.1%	11.7%

Assumptions

Cost of Debt	6.0%	Based on market yields of comparably rated debt.
Risk Free Rate:	4.4%	10 Year U.S. Treasury rate, as of 12/22/05.
Market Risk Premium:	8.2%	Ibbotson Associates, 2005. Reflects long-term equity risk premium and mid-cap size premium.
Cost of Equity:	Calc.	Risk Free Rate + Levered Beta*Equity Risk Premium.
Marginal Tax Rate:	39.0%	iPayment tax rate.

(a) Source: Barra's predicted betas (December 2005).

(b) Based on market values as of 12/22/05 and value of debt as of last available release.

(c) Relevered beta = unlevered beta * [1 + (Debt/Equity)*(1-Tax Rate)].

(d) Based on market yields of comparably rated debt.

Rollover Share Contribution

	<u>Shares</u>
Daily, Greg	1,925,294
Daily -- GSD Trust Partners, LLC	426,215
Daily Family Foundation	47,445
Daily Trust (Austin)	23,722
Daily Trust (Chase)	23,722
Daily Trust (Courtney)	23,722
Daily Trust (Grayson)	23,722
Daily (Total)	2,493,842
Grimstad	1,243,704
Stream Family Ltd. Partners et al	200,056
Stream III, Harold H	142,334
Stream Miller, Sandra	94,889
Stream Trust - FBO Harold H Stream III	23,722
Stream Trust - FBO Sandra Gray Stream	23,722
Stream Trust - FBO William Gray Stream	23,723
Gray, Opal (Trust)	72,384
Stream (Total)	580,830

Note: As detailed per Exchange Agreement.

EBITDA Coverage Analysis

(\$ in millions)

	<u>Agreement (b)</u>
Number of shares and/or cash committed	4.750
Number of shares required (a)	<u>3.931</u>
Share surplus	0.819
Value at \$43.50 per share	<u>\$35.6</u>
Pro forma LTM 12/31/05E EBITDA shortfall coverage	<u>\$5.5</u>
Implied Pro Forma LTM 12/31/05E EBITDA	\$107.5
<i>% Shortfall</i>	<i>4.9%</i>

(a) Assumes pro forma LTM 12/31/05E EBITDA equals \$113.0mm

(b) Maximum guaranteed number of shares includes (i) 3.74 million shares committed from Greg Daily, Carl Grimstad and certain trusts controlled by such persons or affiliates, (ii) 0.58 million shares committed from Stream Family Entities and certain trusts controlled by such persons or affiliates and (iii) commitment by Greg Daily and Carl Grimstad to "top up" equity, as required, up to an additional \$18.7 million in cash and/or shares totaling \$206.6 million.