EVERTEC, Inc.
Form S-1
February 06, 2013
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As filed with the Securities and Exchange Commission on February 6, 2013

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

EVERTEC, INC.

(Exact name of registrant as specified in its charter)

Puerto Rico	**7374**	**66-0783622**
(State or other jurisdiction of	**(Primary Standard Industrial**	**(I.R.S. Employer**

incorporation or organization)	**Classification Code Number)**	**Identification Number)**

Cupey Center Building

Road 176, Kilometer 1.3

San Juan, Puerto Rico 00926

(787) 759-9999

(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Luisa Wert Serrano, Esq.

EVERTEC, Inc.

Cupey Center Building

Road 176, Kilometer 1.3

San Juan, Puerto Rico 00926

(787) 759-9999

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

With a copy to:

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Proposed maximum aggregate offering price (1)**	**Amount of registration fee**
Common stock, $0.01 par value per share	$ 100,000,000.00	$ 13,640.00

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

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

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

Subject to completion, dated February 6, 2013

PRELIMINARY PROSPECTUS

Shares

EVERTEC, Inc.

Common Stock

$ per share

This is our initial public offering. We are selling of the shares being offered hereby. The selling stockholders identified in this prospectus are selling an additional shares. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for our common stock. We intend to apply to list our common stock on the under the symbol . Following the completion of this offering, we will remain a controlled company as defined under the listing rules because the group consisting of funds affiliated with Apollo Global Management, LLC and Popular, Inc. will beneficially own % of our shares of outstanding common stock, assuming the underwriters do not exercise their option to purchase up to additional shares from the selling stockholders. See Principal and Selling Stockholders.

We are an emerging growth company under applicable federal securities laws and are eligible for reduced public company reporting requirements. See Risk Factors Risks Related to Our Business As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements, which may make our future public filings different than that of other public companies.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 15 of this prospectus.

	Price to Public	Underwriting Discounts	Proceeds to EVERTEC, Inc.	Proceeds to Selling Stockholders
Per Share	$	$	$	$
Total	$	$	$	$

The underwriters also have an option to purchase up to an additional shares from the selling stockholders at the initial public offering price less the underwriting discount.

Delivery of the shares of common stock will be made on or about , 2013.

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

Goldman, Sachs & Co. **J.P. Morgan**

The date of this prospectus is , 2013.

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You should rely only on the information contained in this prospectus. We have not authorized any person to provide you with any information or represent anything about us or this offering that is not contained in this prospectus. If given or made, any such other information or representation should not be relied upon as having been authorized by us. We are not making an offer in any jurisdiction where an offer or sale is not permitted. The information contained in this prospectus is current only as of its date.

Except as otherwise indicated or unless the context otherwise requires, (a) the terms EVERTEC, we, us, our, the Company and our compar refer to EVERTEC, Inc. and its subsidiaries on a consolidated basis, (b) the term Holdings refers to EVERTEC Intermediate Holdings, LLC, but not to any of its subsidiaries and (c) the term EVERTEC, LLC refers to EVERTEC Group, LLC and its predecessor entities and their subsidiaries on a consolidated basis, including the operations of its predecessor entities prior to the Merger (as defined below). Neither

EVERTEC nor Holdings conducts any operations other than with respect to its indirect or direct ownership of EVERTEC, LLC.

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SUMMARY

This summary highlights key aspects of the information contained elsewhere in this prospectus and may not contain all of the information you should consider before making an investment decision. You should read this summary together with the entire prospectus, including the information presented under the heading Risk Factors and the more detailed information in the historical financial statements and related notes appearing elsewhere in this prospectus. For a more complete description of our business, see the Business section in this prospectus.

Company Overview

EVERTEC is the leading full-service transaction processing business in Latin America and the Caribbean. We are based in Puerto Rico and provide a broad range of merchant acquiring, payment processing and business process management services across 19 countries in the region. We process over 1.2 billion transactions annually, and manage the electronic payment network for over 4,900 automated teller machines (ATM) and over 107,000 point-of-sale (POS) payment terminals. According to the July 2012 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and the sixth largest in Latin America based on total number of transactions. We own and operate the ATH network, one of the leading ATM and personal identification number (PIN) debit networks in Latin America. In addition, we provide a comprehensive suite of software and services for core bank processing, cash processing and technology outsourcing in the regions we serve. We serve a broad and diversified customer base of leading financial institutions, merchants, corporations and government agencies with mission critical technology solutions that are essential to their operations, enabling them to issue, process and accept transactions securely and we believe that our business is well positioned to continue to expand across the fast growing Latin American region.

We are differentiated, in part, by our diversified business model, which enables us to provide our varied customer base with a broad range of transaction processing services from a single source across numerous channels and geographic markets. We believe this single source capability provides several competitive advantages which will enable us to continue to penetrate our existing customer base with new, complementary services, win new customers, develop new sales channels and enter new markets. We believe these competitive advantages include:

- Our ability to package and provide a range of services across our customers business that often need to be sourced from different vendors;

- Our ability to serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to manage their business as one enterprise; and

- Our ability to capture and analyze data across the transaction processing value chain to provide value-added services that are differentiated from those offered by pure play vendors that only have the technology, capabilities and products to serve one portion of the transaction processing value chain (such as only merchant acquiring or payment processing).

Our broad suite of services span the entire transaction processing value chain and include a range of front-end customer facing solutions as well as back-end support services. These include: (i) merchant acquiring services, which enable POS and e-commerce merchants to accept and process electronic methods of payment such as debit, credit, prepaid and electronic benefits transfer (EBT) cards; (ii) payment processing services, which enable financial institutions and other issuers to manage, support and facilitate the processing for credit, debit, prepaid, ATM and EBT card programs; and (iii) business process management solutions, which provide mission critical technology solutions such as core bank processing, as well as information technology (IT) outsourcing and cash management services to financial institutions, enterprises and governments. We provide these services through a highly scalable, end-to-end technology platform that we manage and operate in-house. Our end-to-end technology platform includes solutions that encompass the entire transaction processing value chain. This enables us to provide front-end processing services, such as the electronic capture and authorization of transactions at the point-of-sale, and back-end services, such as the clearing and settlement of transactions and account reconciliation for card issuers. Our platform provides us with the broad range of capabilities, flexibility and operating leverage that enable us to innovate and develop new services, differentiate ourselves in the marketplace and generate significant operating efficiencies to continue to maximize profitability.

We sell and distribute our services primarily through a proprietary direct sales force with strong customer relationships. We are also increasingly building a variety of indirect sales channels which enable us to leverage the distribution capabilities of partners in adjacent markets, including value-added resellers, joint ventures and merchant acquiring alliances. Given our breadth across the transaction processing value chain, our customer base is highly diversified by size, type and geographic footprint.

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We benefit from an attractive business model, which is characterized by recurring revenue, significant operating margins and low capital expenditure requirements. Our revenue is recurring in nature because of the mission-critical and embedded nature of the services we provide, the high switching costs associated with these services and the multi-year contracts we negotiate with our customers. Our scalable business model creates significant operating efficiencies. In addition, our business model enables us to continue to grow our business organically without significant additional capital expenditures.

We generate revenues based primarily on transaction fees paid by our merchants and financial institutions in our Merchant Acquiring and Payment Processing segments and on transaction fees or fees based on number of accounts on file in our Business Solutions segment. Our total revenues increased from $276.3 million for the year ended December 31, 2009 to $321.1 million for the year ended December 31, 2011, representing a compound annual growth rate (CAGR) of 7.8%. Our Adjusted EBITDA (as defined below in Note 2 to Summary Historical Consolidated and Combined Financial Data) increased from $117.6 million for the year ended December 31, 2009 to $149.1 million for the year ended December 31, 2011, representing a CAGR of 12.6%. Our Adjusted Net Income (as defined below in Note 2 to Summary Historical Consolidated and Combined Financial Data) increased from $58.2 million for the year ended December 31, 2009 to $71.6 million for the year ended December 31, 2011, representing a CAGR of 10.9%.

History and Separation from Popular

We have a 25 year operating history in the transaction processing industry. Prior to the Merger on September 30, 2010, EVERTEC, LLC was 100% owned by Popular, Inc. (Popular), the largest financial institution in the Caribbean, and operated substantially as an independent entity within Popular. In September 2010, Apollo Global Management, LLC, a leading private equity investor, acquired a 51% interest in EVERTEC and shortly thereafter, we began the transition to a separate, stand-alone entity. As a stand-alone company, we have made substantial investments in our technology and infrastructure, recruited various senior executives with significant transaction processing experience in Latin America, enhanced our profitability through targeted productivity and cost savings actions and broadened our footprint beyond the markets historically served.

We continue to benefit from our relationship with Popular. Popular is our largest customer, acts as one of our largest merchant referral partners and sponsors us with the card associations (such as Visa or MasterCard), enabling merchants to accept these card associations credit card transactions. Popular also provides merchant sponsorship as one of the participants of the ATH network, enabling merchants to connect to the ATH network and accept ATH debit card transactions. We provide a number of critical products and services to Popular, which are governed by a 15-year Amended and Restated Master Services Agreement (the Master Services Agreement) that runs through 2025. For more information on the Master Services Agreement and other related party agreements, see Principal Stockholders and Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger.

Industry Trends

Shift to Electronic Payments

The ongoing migration from cash, check and other paper methods of payment to electronic payments continues to benefit the transaction processing industry globally. This migration is driven by factors including customer convenience, marketing efforts by financial institutions, card issuer rewards and the development of new forms of payment. We believe that the penetration of electronic payments in the markets where we principally operate is significantly lower relative to more mature U.S. and European markets and that this ongoing shift will continue to generate substantial growth opportunities for our business.

Fast Growing Latin American and Caribbean Financial Services and Payments Markets

Currently, the adoption of banking products, including electronic payments, in the Latin American and Caribbean region is lower relative to the mature U.S. and European markets. As these markets continue to evolve and grow, the emergence of a larger and more sophisticated consumer base will influence and drive an increase in card and electronic payments usage. According to the November 2011 and May 2012 Nilson Reports, the Latin American payments market is projected to continue to grow at a CAGR of 23.0% through 2015 (as illustrated in the chart below) and represents the second fastest growing market in the world.

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We believe that the attractive characteristics of our markets and our leadership positions across multiple services and sectors will continue to drive growth and profitability in our businesses.

Ongoing Technology Outsourcing Trends

Financial institutions globally are facing significant challenges including the entrance of non-traditional competitors, the compression of margins on traditional products, significant channel proliferation and increasing regulation that could potentially curb profitability. Many of these institutions have traditionally fulfilled their IT needs through legacy computer systems, operated by the institution itself. Legacy systems are generally highly proprietary, inflexible and costly to operate and maintain and we believe the trend to outsource in-house technology systems and processes by financial institutions will continue. According to estimates published by Gartner Dataquest Market Statistics in January 2013, the banking and securities sector in Latin America is forecasted to have $29 billion of annual IT expenditures by 2016. We believe our ability to provide integrated, open, flexible, customer-centric and efficient IT products and services cater to the evolving needs of our customers, particularly for small- and mid-sized financial institutions in the Latin American markets in which we operate.

Industry Innovation

The electronic payments industry experiences ongoing technology innovation. Emerging payment technologies such as prepaid cards, contactless payments, payroll cards, mobile commerce, online wallets and innovative POS devices facilitate the continued shift away from cash, check and other paper methods of payment. According to the 2012 World Payments Report, the number of online payments for e-commerce activities and number of payments using mobile devices are projected to grow at compound annual growth rates of 20.0% and 52.7%, respectively from 2009 to 2013. The increasing demand for new and flexible payment options catering to a wider range of consumer segments is driving growth in the electronic payment processing sector.

Our Competitive Strengths

Market Leadership in Latin America and the Caribbean

We believe we have an inherent competitive advantage relative to U.S. competitors based on our ability to locally leverage our infrastructure, as well as our first-hand knowledge of the Latin American and Caribbean markets, language and culture. We have built leadership positions across the transaction processing value chain in the geographic markets that we serve, which we believe will enable us to continue to penetrate our core markets and provide advantages to enter new markets. According to the July 2012 Nilson Report, we are the sixth largest merchant acquirer in Latin America and the largest in the Caribbean and Central America based on total number of transactions. We own and operate the ATH network, one of the leading ATM and PIN debit networks in Latin America. The ATH network processed over 625 million transactions in 2011, which according to management estimates, makes ATH branded products the most frequently used electronic method of payment in Puerto Rico, exceeding the total transaction volume of Visa, MasterCard, American Express and Discover, combined. Given our scale and customer base of top tier financial institutions and government entities, we

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believe we are the leading card issuer and core bank processor in the Caribbean and the only non-bank provider of cash processing services to the U.S. Federal Reserve in the Caribbean. We believe our competitive position and strong brand recognition increases card acceptance, driving usage of our proprietary network, and presents opportunities for future strategic relationships.

Diversified Business Model Across the Transaction Processing Value Chain

Our leadership position in the region is driven in part by our diversified business model which provides the full range of merchant acquiring, payment processing and business solutions services to financial institutions, merchants, corporations and government agencies across different geographies. We offer end-to-end technology solutions through a single provider and we have the ability to tailor and customize the features and functionality of all our products and services to the specific requirements of our customers in various industries and across geographic markets. We believe the breadth of our offerings enables us to penetrate our customer base from a variety of perspectives and positions us favorably to cross-sell our other offerings over time. For example, we may host a client s electronic cash register software (part of the Business Solutions segment), acquire transactions that originate at that electronic cash register (part of the Merchant Acquiring segment), route the transaction through the ATH network (part of the Payment Processing segment), and finally settle the transaction between the client and the issuer bank (part of the Payment Processing segment). In addition, we can serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to access one processing platform and manage their business as one enterprise. We believe these services are becoming increasingly complementary and integrated as our customers seek to capture, analyze and monetize the vast amounts of data that they process across their enterprises. As a result, we are able to capture significant value across the transaction processing value chain and believe that this combination of attributes represents a differentiated value proposition vis-à-vis our competitors who have a limited product and service offering.

Broad and Deep Customer Relationships and Recurring Revenue Business Model

We have built a strong and long-standing portfolio of top tier financial institution, merchant, corporate and government customers across Latin America and the Caribbean, which provide us with a reliable, recurring revenue base and powerful references that have helped us expand into new channels and geographic markets. Customers representing approximately 99% of our 2010 revenue continued to be customers in 2011, due to the mission-critical and embedded nature of the services provided and the high switching costs associated with these services. Our Payment Processing and Merchant Acquiring segments, as well as certain business lines representing the majority of our Business Solutions segment, generate recurring revenues that collectively accounted for approximately 85% of our total revenues in 2011. We receive recurring revenues from services based on our customers on-going daily commercial activity such as processing loans, hosting accounts and information on our servers, and processing everyday payments at grocery stores, gas stations and similar establishments. We generally provide these services under one to five year contracts, often with automatic renewals. We also provide a few project-based services that generate non-recurring revenues in our Business Solutions segment such as IT consulting for a specific project or integration. Additionally, we entered into an exclusive 15-year Master Services Agreement with Popular on September 30, 2010. We provide a number of critical payment processing and business solutions products and services to Popular and benefit from the bank s distribution network and continued support. Through our long-standing and diverse customer relationships, we are able to gain valuable insight into trends in the marketplace that allows us to identify new market opportunities. In addition, we believe the recurring nature of our business model provides us with significant revenue and earnings stability.

Highly Scalable, End-to-End Technology Platform

Our diversified business model is supported by our highly scalable, end-to-end technology platform which allows us to provide a full range of transaction processing services and develop and deploy a broad suite of technology solutions to our customers at low incremental costs and increasing operating efficiencies. We have spent over $135 million over the last five years on technology investments to continue to build the capacity and functionality of our platform and we have been able to achieve attractive economies of scale with flexible product development capabilities. We have a proven ability to seamlessly leverage our existing platforms to develop new products and services and expand in new markets. We believe that our platform will increasingly allow us to provide differentiated services to our customers and facilitate further expansion into new sales channels and geographic markets.

Experienced Management Team with a Strong Track Record of Execution

We have grown our revenue organically by introducing new products and services and expanding our geographic footprint throughout Latin America. We have a proven track record of creating value from operational and technology improvements and capitalizing on cross-selling opportunities. We have combined new leadership at EVERTEC, bringing many years of industry experience, with long-standing leadership at the operating business level. In 2012, Peter Harrington, former President of Latin America and Canada for First Data Corporation, joined our management team as our President and Chief Executive Officer. Also, in 2012, Philip Steurer, former Senior

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Vice President of Latin America for First Data Corporation, joined our management team as our Chief Operating Officer. Mr. Harrington and Mr. Steurer both have extensive experience managing and growing transaction processing businesses in Latin America as well as North America, Asia and Europe. In addition, we successfully executed our separation from Popular, transitioning EVERTEC from a division of a larger company to a stand-alone entity with public company best practices. Instrumental to this transition was our Chief Financial Officer Juan J. Roman, former CFO of Triple-S Management, a publicly listed insurance company. Collectively our management team benefits from an average of over 20 years of industry experience and we believe they are well positioned to continue to drive growth across business lines and regions.

Our Growth Strategy

We intend to grow our business by continuing to execute on the following business strategies:

Continue Cross-Sales to Existing Customers

We seek to grow revenue by continuing to sell additional products and services to our existing merchant, financial institution, corporate and government customers. We intend to broaden and deepen our customer relationships by leveraging our full suite of end-to-end technology solutions. For example, we believe that there is significant opportunity to cross-sell our network services, ATM point-of-sale processing and card issuer processing services to our over 180 existing financial institution customers, particularly in markets outside of Puerto Rico. We will also seek to continue to cross-sell value added services into our existing merchant base of over 27,000 locations.

Leverage Our Franchise to Attract New Customers in the Markets We Currently Serve

We intend to attract new customers by leveraging our comprehensive product and services offering, the strength of our brand and our leading end-to-end technology platform. Furthermore, we believe we are uniquely positioned to develop new products and services to take advantage of our access to and position in markets we currently serve. For example, in markets we serve outside of Puerto Rico, we believe there is a significant opportunity to penetrate small to medium financial institutions with our products and services, as well as to penetrate governments with offerings such as EBT.

Expand in the Latin American Region

We believe there is substantial opportunity to expand our businesses in the Latin American region. We believe that we have a competitive advantage relative to U.S. competitors based on our ability to locally leverage our infrastructure, breadth of products and services as well as our first-hand knowledge of Latin American markets, language and culture. Significant growth opportunities exist in a number of large markets such as Colombia, México, Chile and Argentina. We also believe that there is an opportunity to provide our services to existing financial institution customers in other regions where they operate. Additionally, we continually evaluate our strategic plans for geographic expansion, which can be achieved through joint ventures, partnerships, alliances or strategic acquisitions.

Develop New Products and Services

Our experience with our customers provides us with insight into their needs and enables us to continuously develop new transaction processing services. We plan to continue growing our merchant, financial institution, corporate and government customer base by developing and offering additional value-added products and services to cross-sell along with our core offerings. We intend to continue to focus on these and other new product opportunities in order to take advantage of our leadership position in the transaction processing industry in the Latin American and Caribbean region.

Pursue Acquisitions

We intend to evaluate select acquisition opportunities to expand geographically as well as broaden our product and services offerings.

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Our Business

We offer our customers full end-to-end products and solutions across the transaction processing value chain from a single source across numerous channels and geographic markets. The diagram below illustrates the complementary and integrated nature of the services we provide across our three reportable business segments, which are collectively supported by our processing technology platform, proprietary network and direct sales force. Our segments are described in greater detail following the diagram.

Merchant Acquiring

According to the July 2012 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and the sixth largest in Latin America based on total number of transactions. Our Merchant Acquiring business provides services to merchants at over 27,000 locations that allow them to accept electronic methods of payment such as debit, credit, prepaid and EBT cards carrying the ATH, Visa, MasterCard, Discover and American Express brands. Our full suite of merchant acquiring services includes, but is not limited to, the underwriting of each merchant s contract, the deployment of POS devices and other equipment necessary to capture merchant transactions, the processing of transactions at the point-of-sale, the settlement of funds with the participating financial institution, detailed sales reports, and customer support. In 2011, our Merchant Acquiring business processed over 280 million transactions.

Our Merchant Acquiring business generated $62.0 million, or 19.3%, of total revenues and $30.3 million, or 27.0%, of total segment income from operations for the year ended December 31, 2011.

Payment Processing

We are the largest card processor and network services provider in the Caribbean. We provide an innovative and diversified suite of payment processing products and services to blue chip regional and global corporate customers, government agencies, and financial institutions across Latin American and the Caribbean. These services provide the infrastructure technology necessary to facilitate the processing and routing of payments across the transaction processing value chain.

At the point-of-sale, we sell transaction processing technology, similar to the services in our Merchant Acquiring business, to other merchant acquirers to enable them to service their own merchant customers. We also offer terminal driving solutions to merchants, merchant acquirers (including our Merchant Acquiring business) and financial institutions, which provide the technology to securely operate, manage and monitor POS terminals and ATMs. We also sell and rent POS devices to financial institution customers who seek to deploy them across their own businesses. We currently provide technology services for over 4,900 ATMs and over 107,000 POS terminals in the region and are continuously certifying new machines and devices to expand this reach.

To connect the POS terminals to card issuers, we own and operate the ATH network, one of the leading ATM and PIN debit networks in Latin America. The ATH network connects the merchant or merchant acquirer to the card issuer and enables transactions to be routed or switched across the transaction processing value chain. The ATH network offers the technology, communications standards, rules and procedures, security and encryption, funds settlement and common branding that allow consumers, merchants, merchant acquirers, ATMs, card issuer processors and card issuers to conduct commerce seamlessly, across a variety of channels, similar to the services provided by Visa and MasterCard. The ATH network processed over 625 million transactions in 2011. Over 70% of all ATM transactions and over 80% of all debit transactions in Puerto Rico are processed over the ATH network.

To enable financial institutions, governments and other businesses to issue and operate a range of payment products and services, we offer an array of card processing and other payment technology services, such as internet and mobile banking software services, bill payment systems and EBT solutions.

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Financial institutions and certain retailers outsource to us certain card processing services such as card issuance, processing card applications, cardholder account maintenance, transaction authorization and posting, fraud and risk management services, and settlement. Our payment products include electronic check processing, automated clearing house (ACH), lockbox, online, interactive voice response and web-based payments through personalized websites, among others.

We have been the only provider of EBT services to the Puerto Rican government since 1998, processing approximately $2.5 billion in volume annually. Our EBT application allows certain agencies to deliver government benefits to participants through a magnetic card system and serves over 850,000 active participants.

Our Payment Processing business accounted for $85.7 million, or 26.7%, of total revenues and $45.0 million, or 40.2%, of total segment income from operations for the year ended December 31, 2011.

Business Solutions

We provide our financial institution, corporate and government customers with a full suite of business process management solutions including specifically core bank processing, network hosting and management, IT consulting services, business process outsourcing, item and cash processing, and fulfillment. In addition, we believe we are the only non-bank provider of cash processing services to the U.S. Federal Reserve in the Caribbean.

Our Business Solutions business accounted for $173.4 million, or 54.0%, of total revenues and $36.7 million, or 32.8%, of total segment income from operations for the year ended December 31, 2011.

Risk Factors

Participating in this offering involves substantial risk. Our ability to execute our strategy also is subject to certain risks. The risks described under the heading Risk Factors immediately following this summary may cause us not to realize the full benefits of our competitive strengths or may cause us to be unable to successfully execute all or part of our strategy. Some of the more significant challenges and risks we face include the following:

- our high level of indebtedness;
- our reliance on our relationship with Popular;
- the continuing market position of the ATH network despite competition and potential shifts in consumer payment preferences;
- the geographical concentration of our business in Puerto Rico;
- operating an international business in multiple regions with potential political and economic instability, including Latin America;
- our dependence on our processing systems, technology infrastructure, security systems and fraudulent payment detection systems and our ability to develop, install and adopt new software, technology and computing systems;
- our ability to execute our geographic expansion and acquisition strategies;

- we will be a controlled company after this offering and, Apollo and Popular will continue to control all matters affecting us; and

- evolving industry standards, changes in the regulatory environment and adverse changes in global economic, political and other conditions.

Before you participate in this offering, you should carefully consider all of the information in this prospectus, including matters set forth under the heading Risk Factors.

EVERTEC, Inc. (formerly Carib Latam Holdings, Inc.) is a Puerto Rico corporation organized in April 2012. EVERTEC s main operating subsidiary, EVERTEC Group, LLC (formerly EVERTEC, LLC and EVERTEC, Inc.) was organized in 1988 and was formerly a wholly-owned subsidiary of Popular. On September 30, 2010, pursuant to an Agreement and Plan of Merger (as amended, the Merger Agreement), EVERTEC, LLC became a wholly-owned subsidiary of EVERTEC Intermediate Holdings, LLC (formerly Carib Holdings, LLC and Carib Holdings, Inc.), with Apollo owning approximately 51% and Popular owning approximately 49% of the then outstanding voting capital stock of Holdings (the Merger). See Certain Relationships and Related Party Transactions for additional information regarding the Merger Agreement.

On April 13, 2012, EVERTEC, Inc. was formed in order to act as the new parent company of Holdings and its subsidiaries, including EVERTEC, LLC, when Holdings and EVERTEC, LLC were converted from Puerto Rico corporations to Puerto Rico limited liability companies for the purpose of improving the consolidated tax efficiency of our company. See Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Reorganization. Prior to such Reorganization, EVERTEC, LLC was a corporation known as EVERTEC, Inc. and Holdings was a corporation known as Carib Holdings, Inc.

Our principal executive offices are located at Cupey Center Building, Road 176, Kilometer 1.3, San Juan, Puerto Rico 00926 and our telephone number is (787) 759-9999. Our website is www.evertecinc.com. We make our website content available for information purposes only. We do not incorporate the information on our website into this prospectus, and you should not consider it part of this prospectus. You should not rely upon the information on our website for investment purposes.

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Ownership and Corporate Structure

The following chart summarizes our corporate organization as of September 30, 2012 after giving effect to this offering.

Principal Stockholders

Apollo: AP Carib Holdings, Ltd. (Apollo), an investment vehicle indirectly managed by Apollo Management VII, L.P. (Apollo Management), an affiliate of Apollo Global Management, LLC (together with its subsidiaries, including Apollo Management, AGM), acquired an approximately 51% indirect ownership interest in EVERTEC, LLC as part of the Merger, and after the consummation of this offering, will own approximately % of our common stock (or % if the underwriters exercise their option to purchase additional shares in full). AGM is a leading global alternative investment manager with offices in New York, Los Angeles, London, Frankfurt, Luxembourg, Singapore, Hong Kong and Mumbai. As of September 30, 2012, AGM and its subsidiaries had assets under management of approximately $110 billion in private equity, hedge funds, distressed debt and mezzanine funds invested across a core group of industries where AGM has considerable knowledge and resources.

Popular: Popular retained an approximately 49% indirect ownership interest in EVERTEC, LLC as part of the Merger and after the consummation of this offering, will own approximately % of our common stock (or % if the underwriters exercise their option to purchase additional shares in full). Popular, Inc. (NASDAQ: BPOP), whose principal banking subsidiary s history dates back to 1893, is the No. 1 bank holding company by both assets and deposits based in Puerto Rico, and, as of September 30, 2012, ranks 44th by assets among U.S. bank holding companies. In the United States, Popular has established a community-banking franchise providing a broad range of financial services and products with branches in New York, New Jersey, Illinois, Florida and California. In 2010, Popular raised $1.15 billion in proceeds from a public equity offering, and successfully completed an FDIC-assisted acquisition of Westernbank Puerto Rico.

In connection with the Merger, we entered into several agreements with Apollo and Popular, including a Stockholder Agreement with Apollo, Popular and our other stockholders (the Stockholder Agreement) and a 15-year Master Services Agreement with Popular. Under the Stockholder Agreement, Apollo and Popular were granted significant control over matters requiring board or stockholder approval, including the election of directors, amendment of our organizational documents and certain corporate transactions such as issuances of equity, acquisition or disposition of significant assets, incurring debt for borrowed money, and entering into significant contracts and related party transactions. Under the Stockholder Agreement, our Board is comprised of five directors nominated by Apollo, three directors nominated by Popular and one management director. Subject to certain exceptions and adjustments, each of Apollo and Popular will have these director nomination rights so long as it owns, together with its affiliates, at least 25% of our outstanding voting common stock. Immediately after this offering, Apollo and Popular will own % and %, respectively, of our outstanding common stock and as a result will continue to have the power to nominate and control the election of directors at our annual meetings. The Stockholder Agreement also grants certain demand and piggyback registration rights to Apollo, Popular and the other parties thereto. Under the Stockholder Agreement, we agreed not to engage in any business (including commencing operations in any country in which we do not currently operate), subject to certain exceptions, if such activity would reasonably require Popular or an affiliate of Popular to seek regulatory approval from, or provide notice to, any bank regulatory authority. Under the Master Services Agreement, we provide a number of critical payment processing and business solutions products and services to Popular, who agreed to continue to utilize our services on an exclusive basis on commercial terms consistent with the terms of our historical relationship. For more information on the Stockholder Agreement, Master Services Agreement and other agreements, with Apollo and Popular, see Certain Relationships and Related Party Transactions.

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The Offering

Issuer	EVERTEC, Inc.
Common stock offered by us	shares
Common stock offered by selling stockholders	shares
Common stock to be outstanding immediately after the offering	shares
Underwriters option to purchase additional shares of common stock in this offering	The selling stockholders have granted to the underwriters a 30-day option to purchase up to additional shares, respectively, at the initial public offering price less underwriting discounts.
Common stock voting rights	Each share of our common stock will entitle its holder to one vote.
Dividend policy	We currently intend to retain all future earnings, if any, for use in the operation of our business and to fund future growth. The decision whether to pay dividends will be made by our board of directors (our Board) in light of conditions then existing, including factors such as our financial condition, earnings, available cash, business opportunities, legal requirements, restrictions in our debt agreements and other contracts, including requirements under the Stockholder Agreement described elsewhere in this prospectus, and other factors our Board deems relevant. See Dividend Policy.
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $ million after deducting the estimated underwriting discounts and other expenses of $ million payable by us, assuming the shares are offered at $ per share, which represents the midpoint of the range set forth on the front cover of this prospectus. We intend to use these net proceeds for general corporate purposes. We will not receive any proceeds from the sale of our common stock by the selling stockholders. See Use of Proceeds.
Listing	We intend to list our common stock on under the trading symbol .
Risk factors	You should carefully read and consider the information set forth under Risk Factors beginning on page 15 of this prospectus and all other information set forth in this prospectus before deciding to invest in our common stock.
Conflicts of interest	We expect that each of Apollo Global Securities, LLC, an affiliate of Apollo Management, and Popular Securities, Inc., an affiliate of Popular, will be an underwriter of this offering. Since each of Apollo and Popular owns more than 10% of our outstanding common stock, a conflict of interest would be deemed to exist under Rule 5121(f) (5)(B) of the Conduct Rules of the Financial Industry Regulatory Authority, or FINRA. Accordingly, we intend that this offering will be made in compliance with the applicable provisions of Rule 5121. Since neither Apollo Global Securities, LLC nor Popular Securities, Inc. is primarily responsible for managing this offering, pursuant to FINRA Rule 5121, the appointment of a qualified independent underwriter is not necessary. As such, neither Apollo Global Securities, LLC nor Popular Securities, Inc. will confirm sales to accounts in which it exercises discretionary authority without the prior written consent of the customer.

See Underwriting (Conflicts of Interest).

Except as otherwise indicated, all of the information in this prospectus assumes or reflects:

- the for one stock split described below has been completed;
- no exercise of the underwriters option to purchase up to additional shares of common stock from the selling stockholders;
- an initial offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus;
- the conversion of all outstanding shares of our Class B Non-Voting Common Stock into shares of our voting common stock on a one-for-one basis; and
- our amended and restated certificate of incorporation and amended and restated bylaws are in effect, pursuant to which the provisions described under Description of Capital Stock will become operative.

Prior to completion of this offering, we will increase our authorized shares of common stock and effect a stock split, whereby our stockholders will receive shares of common stock for each share it currently holds. There will be no shares of Class B Non-Voting Common Stock outstanding following the completion of this offering. Upon the effectiveness of our amended and restated certificate of incorporation following the completion of this offering, we will only have one class of common stock.

The number of shares of common stock to be outstanding after completion of this offering is based on shares of our common stock to be sold by us and the selling stockholders in this offering and, except where we state otherwise, the information with respect to our common stock we present in this prospectus, including as set forth above:

- does not give effect to shares of our common stock issuable upon the exercise of outstanding options as of , 2013, at a weighted-average exercise price of $ per share; and
- does not give effect to shares of common stock reserved for future issuance under the Equity Incentive Plan (as defined in Management Executive Compensation).

You should refer to the section entitled Risk Factors for an explanation of certain risks of investing in our common stock.

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Summary Historical Consolidated and Combined Financial Data

We have presented in this prospectus selected historical combined financial data of EVERTEC Business Group (Predecessor) and selected historical consolidated financial data of EVERTEC and Holdings (Successor) during the periods presented. We have also presented in this prospectus (i) the audited combined financial statements of EVERTEC Business Group (Predecessor) as of and for the nine months ended September 30, 2010 and (ii) the audited consolidated financial statements of EVERTEC and Holdings (Successor) as of and for the three months ended December 31, 2010 and the year ended December 31, 2011, which have been prepared, in each case, in accordance with GAAP. See Note 1 of the Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus for more information on the presentation of the financial statements.

The summary historical consolidated financial data as of December 31, 2010 and December 31, 2011 and for the three months ended December 31, 2010, and for the year ended December 31, 2011 have been derived from the audited consolidated financial statements of EVERTEC (Successor) and related notes appearing elsewhere in this prospectus. The summary historical combined financial data as of September 30, 2010 and the nine months ended September 30, 2010, have been derived from the audited combined financial statements of EVERTEC Business Group (Predecessor) appearing elsewhere in this prospectus. The summary historical combined financial data for the year ended December 31, 2009 has been derived from the unaudited combined financial statements of EVERTEC Business Group (Predecessor), not included in this prospectus.

The summary unaudited historical consolidated financial data as of September 30, 2012 and for the nine months ended September 30, 2012 and 2011 have been derived from the unaudited consolidated financial statements of EVERTEC appearing elsewhere in this prospectus, which have been prepared on a basis consistent with the audited consolidated and combined financial statements of EVERTEC Intermediate Holdings, LLC (as predecessor parent company). In the opinion of management, such unaudited financial data reflects all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for such period. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

The summary historical consolidated and combined financial data should be read in conjunction with Capitalization, Selected Historical Consolidated and Combined Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated and combined financial statements and related notes of EVERTEC and EVERTEC Business Group appearing elsewhere in this prospectus.

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SUMMARY HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL DATA

	Predecessor		Successor		Successor		
(Dollar amounts in thousands)	Year ended December 31, 2009	Nine months ended September 30, 2010	Three months ended December 31, 2010 (1)	Year ended December 31, 2011	Nine months ended September 30, 2011	Nine months ended September 30, 2012	Twelve months ended September 30, 2012
Statement of Income Data:							
Revenues:							
Merchant acquiring, net	$ 48,744	39,761	$ 14,789	$ 61,997	$ 44,043	$ 51,499	$ 69,453
Payment processing	74,728	$ 56,777	21,034	85,691	63,235	69,986	92,442
Business solutions	152,827	118,482	46,586	173,434	128,273	129,214	174,375
Total revenues	276,299	215,020	82,409	321,122	235,551	250,699	336,270
Operating costs and expenses							
Cost of revenues, exclusive of depreciation and amortization shown below	150,070	113,246	41,839	155,377	114,832	118,469	159,014
Selling, general and administrative expenses	25,639	27,000	8,392	33,339	26,005	24,759	32,093
Depreciation and amortization	24,500	19,425	17,722	69,891	51,977	53,517	71,431
Total operating costs and expenses	200,209	159,671	67,953	258,607	192,814	196,745	262,538
Income from operations	76,090	55,349	14,456	62,515	42,737	53,954	73,732
Non-operating income (expenses)							
Interest income	1,048	360	118	797	667	237	367
Interest expense	(91)	(70)	(13,436)	(50,957)	(39,272)	(39,214)	(50,899)
Earnings of equity method investments	3,508	2,270		833	685	103	251
Other (expenses) income:							
Voluntary Retirement Program (VRP) expense				(14,529)	(14,197)		(332)
Merger and advisory-related costs			(34,848)				
Other income (expenses)	7,942	2,276	(1,316)	(3,672)	(2,092)	(9,802)	(11,382)
Total other income (expense)	7,942	2,276	(36,164)	(18,201)	(16,289)	(9,802)	(11,714)
Total non-operating income (expenses)	12,407	4,836	(49,482)	(67,528)	(54,209)	(48,676)	(61,995)
Income (loss) before income taxes	88,497	60,185	(35,026)	(5,013)	(11,472)	5,278	11,737
Income tax expense (benefit)	30,659	23,017	(14,450)	(29,227)	(30,845)	1,501	3,119
Net income (loss) from continuing operations	57,838	37,168	(20,576)	24,214	19,373	3,777	8,618
Net income from discontinued operations	1,813	117					

Net income (loss)	$ 59,651	$ 37,285	$ (20,576)	$ 24,214	$ 19,373	$ 3,777	$ 8,618
Other Financial Data:							
EBITDA (2)	112,040	79,320	(3,986)	115,038	79,110	97,772	133,700
Adjusted EBITDA (2)	117,575	92,290	36,508	149,118	108,909	117,455	157,664
Adjusted Net Income (2)	58,223	49,420	14,702	71,625	49,202	56,703	79,126
Cash interest expense (3)	91	70	12,861	43,394	33,116	35,802	46,080
Capital expenditures	22,701	30,468	10,541	21,858	17,367	12,707	17,198
Net cash provided by (used in) operating activities from continuing operations	65,464	63,701	(16,752)	69,371	59,854	69,103	78,620
Net cash (used in) provided by investing activities from continuing operations	(2,692)	16,153	(496,598)	(31,747)	(29,309)	(12,308)	(14,746)
Net cash (used in) provided by financing activities from continuing operations	(77,710)	(65,796)	539,990	(36,623)	(26,449)	(62,883)	(73,057)
Balance Sheet Data (at period end):							
Cash (4)	$ 11,891		$ 55,199	$ 56,200	$ 59,296	$ 50,112	$ 50,112
Working capital (5)	82,272		62,226	87,267	68,970	72,518	72,518
Total assets	243,445		1,092,179	1,046,860	1,065,087	992,175	992,175
Total long-term liabilities	481		673,736	615,713	626,073	819,164	819,164
Total debt	1,413		562,173	523,833	532,806	736,197	736,197
Total net debt (6)			506,974	467,633	473,510	686,085	686,085
Total equity	211,475		339,613	366,176	360,723	104,071	104,071

(1) We define the three months ended December 31, 2010 as the financial results of Holdings for the period from its inception on June 25, 2010 to December 31, 2010, consisting primarily of merger and advisory-related costs incurred prior to the Merger on September 30, 2010, and following the Merger consisting primarily of EVERTEC, LLC results of operations.

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(2) EBITDA, Adjusted EBITDA and Adjusted Net Income are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. They are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flows from operating activities, as indicators of cash flows or as measures of our liquidity.

We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA as further adjusted to exclude unusual items and other adjustments described below. We define Adjusted Net Income as net income as adjusted to exclude unusual items and other adjustments described below.

We caution investors that amounts presented in accordance with our definitions of EBITDA, Adjusted EBITDA and Adjusted Net Income may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate EBITDA, Adjusted EBITDA and Adjusted Net Income in the same manner. We present EBITDA and Adjusted EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our presentation of Adjusted EBITDA for the periods presented is consistent with the equivalent measurements that are contained in the senior secured credit facilities and the indenture governing the notes in testing EVERTEC, LLC s compliance with the covenants therein such as interest coverage and debt incurrence. We use Adjusted Net Income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash taxes paid rather than our tax expense as calculated under GAAP and excludes the impact of the non-cash amortization and depreciation that was created as a result of the Merger. In addition, in evaluating EBITDA, Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses such as those excluded in calculating them. Further, our presentation of these measures should not be construed as an inference that our future operating results will not be affected by unusual or nonrecurring items.

Some of the limitations of EBITDA, Adjusted EBITDA and Adjusted Net Income are as follows:

- they do not reflect cash outlays for capital expenditures or future contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements;
- in the case of EBITDA and Adjusted EBITDA, they do not reflect interest expense, or the cash requirements necessary to service interest, or principal payments, on indebtedness;
- in the case of EBITDA and Adjusted EBITDA, they do not reflect income tax expense or the cash necessary to pay income taxes; and
- other companies, including other companies in our industry, may not use EBITDA, Adjusted EBITDA and Adjusted Net Income or may calculate EBITDA, Adjusted EBITDA and Adjusted Net Income differently than as presented in this prospectus, limiting their usefulness as a comparative measure.

A reconciliation of net income to EBITDA, Adjusted EBITDA and Adjusted Net Income is provided below.

(Dollar amounts in thousands)	**Predecessor**		**Successor**	**Successor**			
	Year ended December 31,	**Nine months ended September 30,**	**Three months ended December 31,**	**Year ended December 31,**	**Nine months ended September 30,**	**Nine months ended September**	**Twelve months ended**

	2009	2010	2010	2011	2011	30, 2012	September 30, 2012
Net income (loss)	$ 57,838	$ 37,168	$ (20,576)	$ 24,214	$ 19,373	$ 3,777	$ 8,618
Income tax expense (benefit)	30,659	23,017	(14,450)	(29,227)	(30,845)	1,501	(3,119)
Interest (income) expense	(957)	(290)	13,318	50,160	38,605	38,977	50,532
Depreciation and amortization	24,500	19,425	17,722	69,891	51,977	53,517	71,431
EBITDA	112,040	79,320	(3,986)	115,038	79,110	97,772	133,700
Stand-alone cost savings (a)	6,411	4,930	36	2,570	1,850	1,922	2,642
Disposals (b)	(9,440)	(3,916)	60				
Equity income (c)	47	(852)	1,514	635	53	625	1,207
Compensation and benefits (d)	(629)	6,976	(408)	15,970	15,362	3,480	4,088
Pro forma VRP benefits (e)			1,584	4,751	4,751		
Transaction costs (f)			34,848				
Transition fees (g)			2,019	3,957	3,625	2,525	2,857
Refinancing and new debt issuance costs (h)				2,422	2,209	8,758	8,971
Management fees (i)				2,532	1,896	2,237	2,873
Westernbank EBITDA (j)	7,900	5,267					
Purchase accounting (k)			595	(393)	(1,413)	(652)	368
Other (l)	1,246	565	246	1,636	1,466	788	958
Adjusted EBITDA	$ 117,575	$ 92,290	$ 36,508	$ 149,118	$ 108,909	$ 117,455	$ 157,664
Pro forma EBITDA adjustments (m)	(14,221)	(8,727)	(1,425)	(4,755)	(4,741)		(14)
Operating depreciation and amortization (n)	(23,690)	(18,881)	(7,401)	(28,935)	(21,274)	(23,386)	(31,047)
Cash interest income (expense) (o)	957	290	(12,533)	(42,165)	(32,136)	(35,236)	(45,265)
Cash income taxes (p)	(22,398)	(15,552)	(448)	(1,638)	(1,556)	(2,130)	(2,212)
Adjusted Net Income	$ 58,223	$ 49,420	$ 14,701	$ 71,625	$ 49,202	$ 56,703	$ 79,126

(a) For the year ended December 31, 2011, the nine months ended September 30, 2011 and 2012, and the twelve months ended September 30, 2012, primarily represents reimbursements received for certain software maintenance expenses as part of the Merger. For 2009 and 2010, represents stand-alone savings for costs historically allocated to EVERTEC by Popular, which did not continue post closing, other than temporary transition costs, net of estimated stand-alone costs. The allocations were primarily based on a percentage of revenues or costs (and not based on actual costs incurred) and related to corporate functions such as accounting, tax, treasury, payroll and benefits, risk management, institutional marketing, legal, public relations and compliance. The allocations were $9.8 million and $7.5 million for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively, which are partially offset by estimated annual stand-alone costs of $3.4 million and $2.6 million for the year ended December 31, 2009 and the nine months ended September 30, 2010, respectively. Our estimated stand-alone costs were based on assumptions and estimates that we believe were reasonable, but such assumptions and estimates could be proved to be inaccurate over time.

(b) Relates to adjustments for disposal of investments and businesses as follows: (i) removal of the gain resulting from the sales of shares of Visa stock, (ii) removal of the EBITDA of the Health Care Division which was sold to Inmediata Health Group, Corp. a medical transaction processing company, in April 2008 (in exchange for an equity interest in Inmediata Health Group, Corp.) and removal of the gain on sale of this transaction, (iii) removal of gain on sale in April 2010 of our equity interest in Inmediata Health Group, Corp., and removal of the related equity income, (iv) allocations previously charged to the discontinued Venezuela operations and (v) write-off of certain investment securities in the three months ended December 31, 2010.

(c) Represents the elimination of historical non-cash equity in earnings of investments reported in net income from our 53.97% equity ownership in CONTADO and 31.11% equity ownership in Serfinsa, net of cash dividends received from CONTADO. The equity income adjustments include cash dividends from CONTADO of $1.9 million and $1.5 million for the years ended 2009 and 2010, respectively. On March 31, 2011, after a final agreement was reached between Popular and the other shareholders of CONTADO, Popular transferred to us 19.99% of the equity interest in CONTADO. Includes cash dividends from CONTADO of $1.5 million and $0.7 million for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively, offset by CONTADO s non-cash equity income of $0.8 million and $0.1 million for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively. See Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger CONTADO and Serfinsa.

(d) For the nine months ended September 30, 2012 mainly represents a one-time payment of $2.2 million as a result of the former CEO s employment modification agreement. For the twelve months ended September 30, 2012 and for 2011 periods mainly represents one-time costs related to the VRP and other adjustments related to non-cash equity based compensation. For 2010 periods primarily represents non-recurring bonuses and payroll tax impact of awards given to certain of our employees in connection with the Merger, partially offset by estimated costs for the anticipated reinstatement of the employer s matching contribution to defined contribution pre-tax savings plan which was suspended in March 2009 and reinstated in March 2011. Also includes other adjustments related to: (i) estimated incremental cost previously impacted by the Troubled Asset Relief Program restrictions, (ii) elimination of severance expense in 2009, (iii) employee benefit cost savings, and (iv) add-back of non-cash equity based compensation.

(e) Adjustment represents the pro forma effect of the expected net savings in compensation and benefits related to the employees that participated in the VRP offered by EVERTEC, LLC during the third quarter of 2011. The pro forma effect was calculated using the actual payroll, benefit and bonus payments of employees participating in the VRP for the 12 month period prior to their termination.

(f) Represents the transaction costs, such as due diligence costs, legal and other advisors fees incurred in connection with the Merger.

(g) Primarily relates to professional fees to support additional requirements of a stand-alone entity.

(h) Represents costs relating to the refinancing of the senior secured credit facilities, the issuance of additional notes in the second quarter of 2012 and costs associated with the distribution made to our stockholders also in the second quarter of 2012.

(i) Represents the management fee payable to the equity sponsors which commenced in January 2011. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Consulting Agreements.

(j) Represents an estimated adjustment for additional EBITDA to be earned from our processing of Westernbank volumes. The estimate was arrived at using the pricing schedule in the Master Services Agreement as well as management s estimated related costs of the contribution of additional business volume. Banco Popular de Puerto Rico (Banco Popular) acquired Westernbank s Puerto Rico operations on April 30, 2010, and we did not realize the impact of these additional volumes and associated revenues until the third quarter of 2010. The estimate of Westernbank EBITDA was added to previous periods for comparative purposes, and reflects estimated, rather than observed, impact. See Principal Stockholders and Key Relationship with Popular.

(k) Represents elimination of the effects of purchase accounting in connection with (i) certain customer service and software related arrangements where we receive reimbursements from Popular; and (ii) for 2011, our rights and obligations to buy equity interests in CONTADO and Serfinsa.

(l) Primarily relates to salaries and benefits cost savings on positions vacated in 2009 and not replaced, non-recurring additional property taxes assessed by the government in 2010 and certain non-cash and other adjustments permitted under the senior secured credit facilities and the indenture governing the notes.

(m) Represents the elimination of EBITDA adjustments to reflect the pro forma benefit related to headcount reductions in 2010, post merger stand-alone cost savings and the VRP described in notes (a), (d) and (e) above.

(n) Represents operating depreciation and amortization expense which excludes amounts generated as a result of the Merger.

(o) Represents interest expense adjusted to exclude non-cash amortization of the debt issue cost and accretion of discount and premium.

(p) Represents cash taxes paid for each period presented.

(3) Represents cash interest expense accrued during each period related to our indebtedness (excluding amortization of discount, premiums and debt issuance costs).
(4) Excludes restricted cash of $3.7 million, $6.1 million, $5.3 million and $4.7 million as of December 31, 2009, December 31, 2010, December 31, 2011, and September 30, 2012, respectively.
(5) Working capital is defined as the excess of current assets over current liabilities.
(6) Total net debt is defined as total debt less cash.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, as well as other information contained in this prospectus, before investing in our common stock. If any of the following risks actually occur, our business, financial condition, operating results or cash flow could be materially and adversely affected. Additional risks and uncertainties not presently known to us or not believed by us to be material may also negatively impact us.

Risks Related to Our Business

We expect to continue to derive a significant portion of our revenue from Popular.

Our services to Popular account for a significant portion of our revenues, and we expect that our services to Popular will continue to represent a significant portion of our revenues for the foreseeable future. In 2011, products and services billed through Popular accounted for approximately 46% of our total revenues, of which approximately 29% are derived from core bank processing and related services for Popular and approximately 17% are transaction processing activities driven by third parties. If Popular were to terminate, or fail to perform under, the Master Services Agreement or our other material agreements with Popular, our revenues could be significantly reduced. See Certain Relationships and Related Party Transactions.

In 2011, our next largest customer, the Government of Puerto Rico, consolidating all individual agencies and public corporations, represented approximately 11% of our total revenues.

We depend, in part, on our merchant relationships and our alliance with Banco Popular, a wholly-owned subsidiary of Popular, to grow our Merchant Acquiring business. If we are unable to maintain these relationships and this alliance, our business may be adversely affected.

Growth in our Merchant Acquiring business is derived primarily from acquiring new merchant relationships, new and enhanced product and service offerings, cross selling products and services into existing relationships, the shift of consumer spending to increased usage of electronic forms of payment, and the strength of our relationship with Banco Popular. A substantial portion of our business is generated from our ISO Agreement with Banco Popular. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Independent Sales Organization Sponsorship and Services Agreement. Banco Popular acts as a merchant referral source and provides sponsorship into the ATH, Visa, Discover and MasterCard networks for merchants, as well as card association sponsorship, clearing and settlement services. We provide transaction processing and related functions. Both alliance partners may provide management, sales, marketing, and other administrative services. We rely on the continuing growth of our merchant relationships, our alliance with Banco Popular and other distribution channels. There can be no guarantee that this growth will continue and the loss or deterioration of these relationships could negatively impact our business and result in a reduction of our revenue and profit.

If we are unable to renew client contracts at favorable terms, we could lose clients and our results of operations and financial condition may be adversely affected.

Failure to achieve favorable renewals of client contracts could negatively impact our business. Our contracts with private clients generally run for a period of one to five years and provide for termination fees upon early termination. Our government contracts generally run for one year without automatic renewal periods due to requirements of the government procurement rules. Our standard merchant contract has an initial term of one or three years, with automatic one-year renewal periods. At the end of the contract term, clients have the opportunity to renegotiate their contracts with us and to consider whether to engage one of our competitors to provide products and services. If we are not successful in achieving high renewal rates and contract terms that are favorable to us, our results of operations and financial condition may be adversely affected.

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We rely on our systems, employees and certain counterparties, and certain failures could materially adversely affect our operations.

Our businesses are dependent on our ability to process, record and monitor a large number of transactions. If any of our financial, accounting, or other data processing systems or applications fail or have other significant shortcomings or limitations, we could be materially adversely affected. We are similarly dependent on our employees. We could be materially adversely affected if one of our employees causes a significant operational breakdown or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates our operations or systems. Third parties with which we do business could also be sources of operational risk to us, including relating to breakdowns or failures of such parties own systems or employees. Any of these occurrences could diminish our ability to operate one or more of our businesses, or result in potential liability to clients, reputational damage and regulatory intervention, any of which could materially adversely affect us.

We may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control, which may include, for example, computer viruses or electrical or telecommunications outages, natural disasters, disease pandemics or other unanticipated damage to property or physical assets. Such disruptions may give rise to losses in service to customers and loss or liability to us. In addition, there is the risk that our controls and procedures as well as business continuity and data security systems prove to be inadequate. Any such failure could affect our operations and could materially adversely affect our results of operations by requiring us to expend significant resources to correct the defect, as well as by exposing us to litigation, regulatory fines or penalties or losses not covered by insurance.

Security breaches or our own failure to comply with privacy regulations and industry security requirements imposed on providers of services to financial institutions and card processing services could harm our business by disrupting our delivery of services and damaging our reputation.

As part of our business, we electronically receive, process, store and transmit sensitive business information of our customers. In addition, we collect personal consumer data, such as names and addresses, social security numbers, driver s license numbers, cardholder data and payment history records. The uninterrupted operation of our information systems and the confidentiality of the customer/consumer information that resides on such systems are critical to the successful operations of our business. Despite the safeguards we have in place, unauthorized access to our computer systems or databases could result in the theft or publication of confidential information, the deletion or modification of records or could otherwise cause interruptions in our operations. These risks are increased when we transmit information over the Internet. Our visibility in the global payments industry may attract hackers to conduct attacks on our systems that could compromise the security of our data or could cause interruptions in the operations of our businesses and subject us to increased costs, litigation and other liabilities. There is also a possibility of mishandling or misuse, for example, if such information were erroneously provided to parties who are not permitted to have the information, either by fault of our systems, employees acting contrary to our policies, or where such information is intercepted or otherwise improperly taken by third parties. An information breach in the system and loss of confidential information such as credit card numbers and related information could have a longer and more significant impact on the business operations than a hardware failure and could result in claims against us for misuse of personal information, such as identity theft.

Additionally, as a provider of services to financial institutions and card processing services, we are subject directly (or indirectly through our clients) to the same laws, regulations, industry standards and limitations on disclosure of the information we receive from our customers as apply to the customers themselves. If we fail to comply with these regulations, standards and limitations, we could be exposed to suits for breach of contract, governmental proceedings, or prohibitions on card processing services. In addition, as more restrictive privacy laws, rules or industry security requirements are adopted in the future on the federal or local level or by a specific industry body, the change could have an adverse impact on us through increased costs or restrictions on business processes. We may be required to expend significant capital and other resources to comply with mandatory privacy and security standards required by law, industry standard, or contracts.

Any inability to prevent security or privacy breaches or failure to comply with privacy regulations and industry security requirements could cause our existing customers to lose confidence in our systems and terminate their agreements with us, and could inhibit our ability to attract new customers, damage our reputation and/or adversely impact our relationship with administrative agencies.

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

We depend heavily on the reliability of our processing systems in our core businesses. A system outage or data loss, regardless of reason, could have a material adverse effect on our business, financial condition and results of operations. Not only would we suffer damage to our reputation in the event of a system outage or data loss, but we may also be liable to third parties. Some of our contractual agreements with financial institutions require the crediting of certain fees if our systems do not meet certain specified service levels. To successfully operate our business, we must be able to protect our processing and other systems from interruption, including from events that may be beyond our control. Events that could cause system interruptions include, but are not limited to, fire, natural disasters, telecommunications failure, computer viruses, terrorist acts and war. Although we have taken steps to protect against data loss and system failures, there is still risk that we may lose critical data or experience system failures. We perform the vast majority of disaster recovery operations ourselves, though we utilize select third parties for some aspects of recovery. To the extent we outsource our disaster recovery, we are at risk of the vendor s unresponsiveness in the event of breakdowns in our systems. Furthermore, our property and business interruption insurance may not be adequate to compensate us for all losses or failures that may occur.

Lack of system integrity, fraudulent payments or credit quality related to funds settlement could result in a financial loss.

We settle funds on behalf of financial institutions, other businesses and consumers and process funds transactions from clients, card issuers, payment networks and consumers on a daily basis for a variety of transaction types. Transactions facilitated by us include debit card, credit card, electronic bill payment transactions, ACH payments and check clearing that supports consumers, financial institutions and other businesses. These payment activities rely upon the technology infrastructure that facilitates the verification of activity with counterparties, the facilitation of the payment and, in some cases, the detection or prevention of fraudulent payments. If the continuity of operations, integrity of processing, or ability to detect or prevent fraudulent payments were compromised this could result in a financial loss to us.

We may experience defects, development delays, installation difficulties, system failure, or other service disruptions with respect to our technology solutions, which would harm our business and reputation and expose us to potential liability.

Many of our services are based on sophisticated software, technology and computing systems, and we may encounter delays when developing new technology solutions and services. Further, the technology solutions underlying our services have occasionally contained and may in the future contain undetected errors or defects when first introduced or when new versions are released. In addition, we may experience difficulties in installing or integrating our technologies on platforms used by our customers. Finally, our systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorized entry and computer viruses or other cyber attacks. Defects in our technology solutions, errors or delays in the processing of electronic transactions, or other difficulties could result in: (1) interruption of business operations; (2) delay in market acceptance; (3) additional development and remediation costs; (4) diversion of technical and other resources; (5) loss of customers; (6) negative publicity; or (7) exposure to liability claims.

Any one or more of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

The ability to adopt technology to changing industry and customer needs or trends may affect our competitiveness or demand for our products, which may adversely affect our operating results.

Changes in technology may limit the competitiveness of and demand for our services. Our businesses operate in industries that are subject to technological advancements, developing industry standards and changing

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customer needs and preferences. Also, our customers continue to adopt new technology for business and personal uses. We must anticipate and respond to these industry and customer changes in order to remain competitive within our relative markets. For example, the ability to adopt technological advancements surrounding POS technology available to merchants could have an impact on our Merchant Acquiring business. Our inability to respond to new competitors and technological advancements could impact all of our businesses.

Consolidations in the banking and financial services industry could adversely affect our revenues by eliminating existing or potential clients and making us more dependent on a more limited number of clients.

In recent years, there have been a number of mergers and consolidations in the banking and financial services industry. Mergers and consolidations of financial institutions reduce the number of our clients and potential clients, which could adversely affect our revenues. Further, if our clients fail or merge with or are acquired by other entities that are not our clients, or that use fewer of our services, they may discontinue or reduce their use of our services. It is also possible that the larger banks or financial institutions resulting from mergers or consolidations would have greater leverage in negotiating terms with us or could decide to perform in-house some or all of the services which we currently provide or could provide. Any of these developments could have a material adverse effect on our business, financial condition and results of operations.

We are subject to the credit risk that our merchants will be unable to satisfy obligations for which we may also be liable.

We are subject to the credit risk of our merchants being unable to satisfy obligations for which we also may be liable. For example, as the merchant acquirer, we are contingently liable for transactions originally acquired by us that are disputed by the card-holder and charged back to the merchants. If we or Banco Popular are unable to collect this amount from the merchant, due to the merchant s insolvency or other reasons, we will bear the loss for the amount of the refund paid to the cardholder. Notwithstanding our adherence to industry standards with regards to the acceptance of new merchants and certain steps to screen for credit risk, it is possible that a default on such obligations by one or more of our merchants could have a material adverse effect on our business.

Increased competition or changes in consumer spending or payment preferences could adversely affect our business.

A decline in the market for our services, either as a result of increased competition, a decrease in consumer spending or a shift in consumer payment preferences, could have a material adverse effect on our business. We may face increased competition in the future as new companies enter the market and existing competitors expand their services. Some of these competitors could have greater overall financial, technical and marketing resources than us, which could enhance their ability to finance acquisitions, fund internal growth and respond more quickly to professional and technological changes. Some competitors could have or may develop a lower cost structure. New competitors or alliances among competitors could emerge, resulting in a loss of business for us and a corresponding decline in revenues and profit margin. Further, if consumer confidence decreases in a way that adversely affects consumer spending, we could experience a reduction in the volume of transactions we process. In addition, if we fail to respond to changes in technology or consumer payment preferences, we could lose business to competitors.

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

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

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Changes in interchange fees or other fees charged by card associations and debit networks could increase our costs or otherwise adversely affect our business.

From time to time, card associations and debit networks change interchange, processing and other fees, which could impact our Merchant Acquiring and Payment Processing businesses. It is possible that competitive pressures will result in our Merchant Acquiring and Payment Processing businesses absorbing a portion of such increases in the future, which would increase our operating costs, reduce our profit margin and adversely affect our business, operating results and financial condition.

Our revenues from the sale of services to merchants that accept Visa, Discover and MasterCard cards are dependent upon our continued Visa, Discover and MasterCard registration and financial institution sponsorship.

In order to provide our Visa, Discover and MasterCard transaction processing services, we must be registered as a merchant processor of Visa, Discover and MasterCard. These designations are dependent upon our being sponsored by member clearing banks of those organizations. If our sponsor banks should stop providing sponsorship for us, we would need to find another financial institution to serve as a sponsor, which could prove to be difficult and/or more expensive. If we are unable to find a replacement financial institution to provide sponsorship we may no longer be able to provide processing services to the affected customers which would negatively impact our revenues and earnings.

Changes in laws, regulations and enforcement activities may adversely affect the products, services and markets in which we operate.

We and our customers are subject to Federal, Puerto Rico and other countries laws, rules and regulations that affect the electronic payments industry in the countries in which our services are used. In particular, our customers are subject to numerous regulations applicable to banks, financial institutions, processors and card issuers in the United States and abroad, and, consequently, we are at times affected by such laws, rules and regulations. Failure to comply may result in the suspension or revocation of licenses or registrations, the limitation, suspension or termination of service, and/or the imposition of civil and criminal penalties, including fines which could have an adverse effect on our financial condition. In addition, even an inadvertent failure by us to comply with laws, rules and regulations, as well as rapidly evolving social expectations of corporate fairness, could damage our reputation or brands.

Furthermore, regulation of the electronic payment card industry, including regulations applicable to us and our customers, has increased significantly in recent years. There is also increasing scrutiny by the U.S. Congress of the manner in which payment card networks and card issuers set various fees, from which some of our customers derive significant revenue. For example, on July 21, 2010, the Wall Street Reform Consumer Protection Act (the Dodd-Frank Act) was signed into law in the United States, which includes Section 1075 (commonly referred to as the Durbin Amendment). To implement this provision, the Federal Reserve adopted rules which took effect on October 1, 2011 and April 1, 2012. These rules, among other things, place certain restrictions on the interchange transaction fees that a card issuer can receive for an electronic debit transaction originated at a merchant and also places various exclusivity prohibitions and routing requirements on such transactions. To date, the Durbin Amendment has had mixed implications for our business, but the overall net impact has been positive. However, we cannot assure you that this trend will continue, and we believe that any future impact (positive or negative) resulting from the Durbin Amendment is uncertain due to the competitive landscape in which we operate. See Business Government Regulation and Payment Network Rules Regulatory Reform and Other Legislative Initiatives.

Further changes to laws, rules and regulations, or interpretation or enforcement thereof, could have a negative financial effect on us. We have structured our business in accordance with existing tax laws and interpretations of such laws. Changes in tax laws or their interpretations could decrease the value of revenues we receive and the amount of our cash flow and have a material adverse impact on our business.

Our business concentration in Puerto Rico imposes risks.

For the fiscal year ended December 31, 2011, approximately 88% of our total revenues were generated from our operations in Puerto Rico. In addition, some of our total revenues generated from our operations outside

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Puerto Rico are dependent upon our operations in Puerto Rico. Since 2006, the Puerto Rico economy has been experiencing recessionary conditions. Continuing economic decline or other adverse political developments, natural disasters (including hurricanes), and other events could affect, among other things, our customer base, general consumer spending, our cost of operations, our ability to provide services and our physical locations, property and equipment and could have a material adverse effect on our business, financial condition and results of operations.

There are risks associated with our presence in international markets, including political or economic instability.

Our financial performance may be significantly affected by general economic, political and social conditions in the emerging markets where we operate. Many countries in Latin America have suffered significant economic, political and social crises in the past, and these events may occur again in the future. Instability in Latin America has been caused by many different factors, including:

- significant governmental influence over local economies;
- substantial fluctuations in economic growth;
- high levels of inflation;
- exchange controls or restrictions on expatriation of earnings;
- high domestic interest rates;
- wage and price controls;
- changes in governmental economic or tax policies;
- imposition of trade barriers;
- unexpected changes in regulation which may restrict the movement of funds or result in the deprivation of contract rights or the taking of property without fair compensation; and
- overall political, social and economic instability.

Adverse economic, political and social conditions in the Latin America markets where we operate may create uncertainty regarding our operating environment, which could have a material adverse effect on our company.

Our business in countries outside the United States and transactions with foreign governments increase our compliance risks.

Our operations outside the United States could expose us to trade and economic sanctions or other restrictions imposed by the United States or other local governments or organizations. The U.S. Departments of the Treasury and Justice (Treasury), the Securities and Exchange Commission (SEC) and other federal agencies and authorities have a broad range of civil and criminal penalties they may seek to impose against corporations and individuals for violations of economic sanctions laws, the Foreign Corrupt Practices Act (FCPA) and other federal statutes. Under economic sanctions laws, the Treasury may seek to impose modifications to business practices, including cessation of business activities involving sanctioned countries, and modifications to compliance programs, which may increase compliance costs. In addition, we are also subject to compliance with local government regulations. If any of the risks described above materialize, it could adversely impact our business, operating results and financial condition.

These regulations also prohibit improper payments or offers of payments to foreign governments and their officials and political parties by the United States and other business entities for the purpose of obtaining or retaining business. We have operations and deal with government entities and financial institutions in countries known to experience corruption, particularly certain emerging countries in Latin America, and further international expansion may involve more of these countries. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees or consultants that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. Our existing safeguards and any future improvements may prove to be less than effective, and our employees or consultants may engage in conduct for which we may be held responsible. Violations of the FCPA may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

We are also subject to the Export Administration Regulations (EAR) administered by the U.S. Department of Commerce s Bureau of Industry and Security which regulates the export, re-export and re-transfer abroad of items made or originating in the United States as well as the transfer of U.S.-origin technology abroad. We have adopted an Export Management Compliance Policy, a comprehensive compliance program under which the goods and technologies that we export are identified and classified under the EAR to make sure they are being exported in compliance with the requirements of the EAR. However, there can be no assurance that we have not violated the EAR in past transactions or that our new policies and procedures will prevent us from violating the EAR in every transaction in which we engage. Any such violations of the EAR could result in fines, penalties or other sanctions being imposed on us, which could negatively affect our business, operating results and financial condition.

We and our subsidiaries conduct business with financial institutions and/or card payment networks operating in countries whose nationals, including some of our customers customers, engage in transactions in countries that are the targets of U.S. economic sanctions and embargoes. If we are found to have failed to comply with applicable U.S. sanctions laws and regulations in these instances, we and our subsidiaries could be exposed to fines, sanctions and other penalties or other governmental investigations.

We and our subsidiaries conduct business with financial institutions and/or card payment networks operating in countries whose nationals, including some of our customers customers, engage in transactions in countries that are the target of U.S. economic sanctions and embargoes, including Cuba. As a U.S.-based entity, we and our subsidiaries are obligated to comply with the economic sanctions regulations administered by the U.S. Department of the Treasury s Office of Foreign Assets Control (OFAC). These regulations prohibit U.S.-based entities from entering into or facilitating unlicensed transactions with, for the benefit of, or in some cases involving the property and property interests of, persons, governments, or countries designated by the U.S. government under one or more sanctions regimes. Failure to comply with these sanctions and embargoes may result in material fines, sanctions or other penalties being imposed on us. In addition, various state and municipal governments, universities and other investors maintain prohibitions or restrictions on investments in companies that do business involving sanctioned countries or entities.

For these reasons, we have established risk-based policies and procedures designed to assist us and our personnel in complying with applicable U.S. laws and regulations. These policies and procedures include the use of software to screen transactions we process for evidence of sanctioned-country and persons involvement. Consistent with a risk-based approach and the difficulties of identifying all transactions of our customers customers that may involve a sanctioned country, there can be no assurance that our policies and procedures will prevent us from violating applicable U.S. laws and regulations in every transaction in which we engage, and such violations could adversely affect our reputation, business, financial condition and results of operations.

Because we process transactions on behalf of the aforementioned financial institutions through the aforementioned payment networks, we have processed a limited number of transactions potentially involving sanctioned countries and there can be no assurances that, in the future, we will not inadvertently process such transactions. Due to a variety of factors, including technical failures and limitations of our transaction screening process, conflicts between U.S. and local laws, political or other concerns in certain countries in which we and our subsidiaries operate, and/or failures in our ability effectively to control employees operating in certain non-U.S. subsidiaries, we have not rejected every transaction originating from or otherwise involving sanctioned countries, or persons and there can be no assurances that, in the future, we will not inadvertently fail to reject such transactions.

On June 25, 2010, EVERTEC, LLC discovered potential violations of the Cuban Assets Control Regulations (CACR), which are administered by OFAC, which occurred due to an oversight in the activation of screening parameters for two customers located in Haiti and Belize. Upon discovery of these potential violations, EVERTEC, LLC initiated an internal review and submitted an initial notice of voluntary self-disclosure to OFAC on July 1, 2010. OFAC responded to this initial report with requests for additional information and EVERTEC, LLC provided the information requested on September 24, 2010 in its final notice of voluntary self-disclosure, which also included information on the remedial measures and new and enhanced internal controls adopted by EVERTEC, LLC

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to avoid this situation in the future. These potential violations involved a small number of processed transactions from Cuba compared to the overall number of transactions processed for these customers during the two-month period in which the screening failures occurred. Nevertheless, should OFAC determine that these activities constituted violations of U.S. sanctions regulations, civil penalties and/or criminal fines, could be assessed against EVERTEC, LLC. We cannot predict the timing or ultimate outcome of the OFAC review, the total costs to be incurred in response to this review, the potential impact on our personnel, the effect of implementing any further measures that may be necessary to ensure full compliance with U.S. sanctions regulations, or to what extent, if at all, we could be subject to penalties or other governmental investigations.

Separately, on September 15, 2010, EVERTEC, LLC submitted an initial notice of voluntary self-disclosure to OFAC regarding certain activities of its former Venezuelan subsidiary, EVERTEC de Venezuela, C.A. (EVERTEC Venezuela) (which ceased being a subsidiary of EVERTEC, LLC after the closing of the Merger) and one of EVERTEC, LLC s Costa Rican subsidiaries (which continues to be a subsidiary of EVERTEC, LLC after the closing of the Merger). This initial self-disclosure informed OFAC that these subsidiaries appeared to have been involved in processing Cuba-related credit card transactions that EVERTEC, LLC and the subsidiaries believed they could not reject under governing local law and policies, but which nevertheless may not be consistent with the CACR. With respect to EVERTEC, LLC and its former Venezuelan subsidiary, we disclosed that they completely ceased processing Cuba-related transactions for financial institutions operating in Venezuela on September 4, 2010. We also disclosed that EVERTEC, LLC s Costa Rican subsidiary completely ceased processing Cuba-related credit card transactions for financial institutions operating in Costa Rica in January 2009. In addition, it was also disclosed that EVERTEC, LLC s Costa Rican subsidiary s switch had served as a conduit through which information about Cuban-related debit card transactions was transmitted to credit card associations and issuer banks, which made the decisions to approve or reject the transactions.

On November 15, 2010, EVERTEC, LLC submitted its final notice of voluntary self-disclosure on these transactions to OFAC. The final report indicated the measures that we had taken to determine the amount of the credit transactions relating to Cuba that had not been rejected between 2007 and 2010. In addition, we confirmed that EVERTEC, LLC terminated the routing of the Cuban-related debit card transaction information on September 30, 2010. While the credit and debit card transactions at issue represent a small proportion of the overall number of transactions processed for these financial institutions, the transactions occurred over an extended period of time. Should OFAC determine that EVERTEC, LLC s processing activities constituted violations of the CACR, civil or criminal penalties could be assessed against EVERTEC, LLC and/or its subsidiaries. We cannot predict the timing, total costs or ultimate outcome of any OFAC review, the cost or effect of implementing any further measures that may be necessary to ensure full compliance with U.S. sanctions regulations or to what extent, if at all, we could be subject to penalties or governmental investigations.

Popular agreed to specific indemnification obligations with respect to all of the matters described above and certain other matters, in each case, subject to the terms and conditions contained in the Merger Agreement. However, we cannot assure you that we will be able to fully collect any claims made with respect to such indemnities or that Popular will satisfy its indemnification obligations to us. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Merger Agreement.

Our expansion and selective acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses.

As part of our growth strategy, we evaluate opportunities for acquiring complementary businesses that may supplement our internal growth. However, there can be no assurance that we will be able to identify and purchase suitable operations. In addition, the success of any acquisition depends in part on our ability to integrate the acquired company, which may involve unforeseen difficulties and may require a disproportionate amount of our management s attention and our financial and other resources. Although we conduct due diligence investigations prior to each acquisition, there can be no assurance that we will discover all operational deficiencies or material liabilities of an acquired business for which we may be responsible as a successor owner or operator. The failure to successfully integrate these acquired businesses or to discover such liabilities could adversely affect our operating results.

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

Our trademarks, proprietary software, and other intellectual property, including technology/software licenses, are important to our future success. For example, the ATH trademark and trade name is widely recognized in Latin America and the Caribbean and is associated with quality and reliable service. Therefore, such marks represent substantial intangible assets and are important to our business. Limitations or restrictions on our ability to use such marks or a diminution in the perceived quality associated therewith could have an adverse impact on the growth of our businesses. We also rely on proprietary software and technology, including third party software that is used under licenses. It is possible that others will independently develop the same or similar software or technology, which would permit them to compete with us more efficiently. Furthermore, if any of the third party software or technology licenses are terminated, not properly assigned to us, or otherwise determined to be unenforceable, then we would have to obtain a comparable license, which may involve increased license fees and other costs.

Despite our efforts to protect our proprietary or confidential business know-how and other intellectual property rights, unauthorized parties may attempt to copy or misappropriate certain aspects of our services, infringe upon our rights, or to obtain and use information that we regard as proprietary. Policing such unauthorized use of our proprietary rights is often very difficult, and therefore, we are unable to guarantee that the steps we have taken will prevent misappropriation of our proprietary software/technology or that the agreements entered into for that purpose will be effective or enforceable in all instances. Misappropriation of our intellectual property or potential litigation concerning such matters could have a material adverse effect on our results of operations or financial condition. Our registrations and/or applications for trademarks, copyrights, and patents could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with maximum protection or meaningful advantage. If we are unable to maintain the proprietary nature of our software or technologies, we could lose competitive advantages and our businesses may be materially adversely affected. Furthermore, the laws of certain foreign countries in which we do business or contemplate doing business in the future may not protect intellectual property rights to the same extent as do the laws of the United States. Adverse determinations in judicial or administrative proceedings could prevent us from selling our services and products, or prevent us from preventing others from selling competing services, and may result in a material adverse effect on our business, financial condition and results of operations.

If our applications or services or third party applications upon which we rely are found to infringe the proprietary rights of others, we may be required to change our business practices and may also become subject to significant costs and monetary penalties.

As our IT applications and services develop, we are increasingly subject to potential claims for intellectual property infringement, for example, patent or copyright infringement. Any such claims, even if lacking merit, could: (i) be expensive and time-consuming to defend; (ii) cause us to cease making, licensing or using software or applications that incorporate the challenged intellectual property; (iii) require us to redesign our software or applications, if feasible; (iv) divert management s attention and resources; and (v) require us to enter into royalty or licensing agreements in order to obtain the right to use necessary technologies. Unfavorable resolution of these claims could result in us being restricted from delivering the related service and products, liable for damages, or otherwise result in a settlement that could be material to us.

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

All of our businesses function at the intersection of rapidly changing technological, social, economic and regulatory developments that requires a wide ranging set of expertise and intellectual capital. For us to successfully compete and grow, we must retain, recruit and develop the necessary personnel who can provide the needed expertise across the entire spectrum of our intellectual capital needs. In addition, we must develop our personnel to provide succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. Our effort to retain and develop personnel may also result in significant additional expenses, which could adversely affect our profitability. We cannot assure you that key personnel, including executive officers, will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on us.

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

Due to our ownership of the ATH network and our Merchant Acquiring and Payment Processing business in Puerto Rico, we are involved in a significant percentage of the debit and credit card transactions conducted in Puerto Rico each day. Regulatory scrutiny of, or regulatory enforcement action in connection with, compliance with state and federal antitrust requirements could have a material adverse effect on our reputation and business.

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

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

The historical financial information for certain periods presented in this prospectus may not be representative of our results as a consolidated, stand-alone company and may not be a reliable indicator of our future results.

The historical financial statements of EVERTEC, LLC for certain periods included in this prospectus were prepared on a carved-out basis from Popular s consolidated financial statements and do not reflect our operations as a separate stand-alone entity for such periods. Because our businesses were either wholly-owned subsidiaries of Popular, or were operated as divisions of wholly-owned subsidiaries of Popular, the historical financial statements for certain periods include assets, liabilities, revenues and expenses directly attributable to our operations and allocations to us of certain corporate expenses of Popular. These expenses for corporate services, which include expenses for accounting, tax, treasury, payroll and benefits administration, risk management, legal, public relations and compliance, have been allocated to us on the basis that management considers to reflect most fairly or reasonably the utilization of the services provided to or the benefit obtained by businesses comprising our company. However, the historical financial statements do not necessarily reflect what our financial position and results of operations would have been if we had been operated as a stand-alone entity during such periods, and may not be indicative of future results of operations or financial position. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Transition Services Agreement for further detail on the transition services provided by Popular.

We are a holding company and rely on dividends and other payments, advances and transfers of funds from our subsidiaries to meet our dividend and other obligations.

We have no direct operations and no significant assets other than ownership of 100% of the stock of Holdings, which in turn has no significant assets other than ownership of 100% of the membership interests of EVERTEC, LLC. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet our financial obligations, and to pay any dividends with respect to our common stock. Legal and contractual restrictions in the senior secured credit facilities and the indenture governing the notes and other agreements which may govern future indebtedness of our subsidiaries, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. The earnings from, or other available assets of, our subsidiaries may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our common stock or other obligations.

As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements, which may make our future public filings different than that of other public companies.

As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements. We will be an emerging growth company until the earliest of: (i) the last day of the fiscal year during which we had total annual gross revenues of $1 billion or more; (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement; (iii) the date on which we have, during the previous 3-year period, issued more than $1 billion in non-convertible debt; or (iv) the date on which we are deemed a large accelerated filer as defined under the federal securities laws. For so long as we remain an emerging growth company, we will not be required to:

- have an auditor attestation report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;

- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor s report providing additional information about the audit and the financial statements (auditor discussion and analysis);

- submit certain executive compensation matters to shareholders advisory votes pursuant to the say on frequency and say on pay provisions (requiring a non-binding shareholder vote to approve compensation of certain executive officers) and the say on golden parachute provisions (requiring a non-binding shareholder vote to approve golden parachute arrangements for certain executive officers in connection with mergers and certain other business combinations) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010; or

- include detailed compensation discussion and analysis in our filings under the Securities Exchange Act of 1934, as amended (the Exchange Act), and instead may provide a reduced level of disclosure concerning executive compensation.

We may choose to take advantage of some but not all of these reduced burdens and, if we do, the information that we provide you in our public filings may be different than that of other public companies. In this prospectus we have taken advantage of reduced financial reporting requirements available under the JOBS Act for an emerging growth company in the registration statement for its initial public offering. Specifically, we have provided only two years of audited financial statements and selected financial data and related discussion in Management s Discussion and Analysis of Financial Condition and Results of Operations. If some investors find our common stock less attractive as a result of these reduced disclosure obligations, there may be a less active trading market for our common stock and our stock price may be more volatile, which could cause our stock price to decline. Furthermore, because investors may be unable to compare our business with other companies in our industry if they believe that our financial accounting is not as transparent as that of other companies in our industry, we may have more difficulty raising additional capital, potentially adversely impacting our financial condition.

Section 107 of the JOBS Act also provides that an emerging growth company may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain new accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period is irrevocable pursuant to Section 107 of the JOBS Act.

The exact implications of the JOBS Act for us are still subject to interpretations and guidance by the SEC and other regulatory agencies. In addition, as our business grows, we may no longer satisfy the conditions of an emerging growth company. We are currently evaluating and monitoring developments with respect to these new rules and we cannot assure you that we will be able to take advantage of all of the benefits from the JOBS Act.

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Risks Related to Our Indebtedness

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

We are highly leveraged. As of September 30, 2012, the total principal amount of our indebtedness, before giving effect to discounts and premiums, was approximately $745.5 million. Our high degree of leverage could have important consequences for you, including:

- increasing our vulnerability to adverse economic, industry or competitive developments;
- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow for other purposes, including for our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates because certain of our borrowings, including borrowings under the senior secured credit facilities, will be at variable rates of interest;
- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including the notes, and any failure to comply with the obligations of any of our other debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under the indenture governing the notes and the agreements governing such other indebtedness;
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures;
- limiting our ability to obtain additional debt or equity financing for working capital, capital expenditures, business development, debt service requirements, acquisitions and general corporate or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business or market conditions and placing us at a competitive disadvantage compared to our competitors who are less highly leveraged and who therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting.

For the year ended December 31, 2011 and the nine months ended September 30, 2012, our cash interest expense on the senior secured credit facilities amounted to $19.3 million and $16.5 million, respectively. Our interest expense could increase if interest rates increase because the entire amount of the indebtedness under the senior secured credit facilities bears interest at a variable rate. At September 30, 2012, we had approximately $495.0 million aggregate principal amount of variable rate indebtedness under the senior secured credit facilities. A 100 basis point increase in the applicable margins over our floor(s) on our debt balances outstanding as of September 30, 2012 under the senior secured credit facilities would increase our annual interest expense by approximately $5.0 million.

Despite our high indebtedness level, we and our subsidiaries still may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future, some of which may be secured. Although the agreement governing the senior secured credit facilities and the indenture governing the notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness, including secured indebtedness, that could be incurred in compliance with these restrictions could be substantial.

In addition to the $50.0 million which is available for borrowing under the revolving credit facility, the terms of the senior secured credit facilities enable us to increase the amount available under the term loan and/or revolving credit facilities if we are able to obtain loan commitments from banks and satisfy certain other conditions. If new debt is added to our and our subsidiaries existing debt levels, the related risks that we face would increase. In addition, the indenture does not prevent us from incurring obligations that do not constitute indebtedness under such indenture. See Description of Certain Indebtedness.

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

The indenture governing the notes and the agreement governing the senior secured credit facilities contain, and any future indebtedness we incur may contain, various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our restricted subsidiaries ability to, among other things:

- incur additional indebtedness or issue certain preferred shares;
- pay dividends on, repurchase or make distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

As a result of these covenants, we are limited in the manner in which we conduct our business and we may be unable to engage in favorable business activities or finance future operations or capital needs. In addition, the covenants in the senior secured credit facilities require us to maintain a maximum senior secured leverage ratio and also limit our capital expenditures. A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions and, in the case of the revolving credit facility, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under the senior secured credit facilities, the lenders could elect to declare all amounts outstanding under the senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under our other indebtedness. If we were unable to repay those amounts, the lenders under the senior secured credit facilities could proceed against the collateral granted to them to secure that indebtedness. We have pledged a significant portion of our assets as collateral under the senior secured credit facilities. If the lenders under the senior secured credit facilities accelerate the repayment of borrowings, the proceeds from the sale or foreclosure upon such assets will first be used to repay debt under the senior secured credit facilities and we may not have sufficient assets to repay our unsecured indebtedness thereafter. See Description of Certain Indebtedness Senior Secured Credit Facilities.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding

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indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

Repayment of our debt is dependent on cash flow generated by our subsidiaries.

Repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the indenture limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to certain qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants in the instruments governing our indebtedness (including covenants in the senior secured credit facilities), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default,

- the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest;

- the lenders under the senior secured credit facilities could elect to terminate their revolving commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets; and

- we could be forced into bankruptcy or liquidation.

If our operating performance declines, we may in the future need to obtain waivers from the required lenders under the senior secured credit facilities or any other indebtedness to avoid being in default. If we breach our covenants under the senior secured credit facilities or any other indebtedness and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under the senior secured credit facilities or any other indebtedness, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

Risks Related to This Offering

There is no existing market for our common stock, and we do not know if one will develop, which could impede your ability to sell your shares and may depress the market price of our common stock.

There has not been a public market for our common stock prior to this offering. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market or how liquid that market might become. If an active trading market does not develop, you may have difficulty selling any of our common stock that you buy. The initial public offering price for the common stock will be determined by negotiations between us and the underwriters and may not be indicative of prices that will prevail in the open market following this offering. See Underwriting (Conflicts of Interest). Consequently, you may be unable to sell our common stock at prices equal to or greater than the price you pay in this offering.

The interests of our principal stockholders may conflict with or differ from your interests as a stockholder.

After the consummation of this offering, Apollo will own approximately % of our common stock, assuming the underwriters do not exercise their option to purchase additional shares, or % if the underwriters exercise their option in full and Popular will own approximately % of our common

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stock, assuming the underwriters do not exercise their option to purchase additional shares, or % if the underwriters exercise their option in full. After the consummation of this offering, the group consisting of Apollo and Popular will beneficially own % of our shares of outstanding common stock, assuming the underwriters do not exercise their option to purchase up to additional shares from the selling stockholders. As a result, subject to the Stockholder Agreement described in this prospectus, Apollo and Popular will continue to control all matters affecting us, including decisions regarding extraordinary business transactions, fundamental corporate transactions, appointment of members to our management, election of directors and our corporate and management policies. The interests of Apollo and/or Popular could conflict with your interests as a holder of our common stock. For example, the concentration of ownership held by Apollo and Popular, along with Popular s right to terminate certain of its agreements with us in certain situations upon a change of control of EVERTEC, LLC, could delay, defer or prevent a change of control of us or impede a merger, takeover or other business combination that you as a stockholder may otherwise view favorably. See Certain Relationships and Related Party Transactions for a description of the circumstances under which Popular may terminate certain of its agreements with us. Further, Apollo and Popular will realize substantial benefits from the sale of their shares in this offering. A sale of a substantial number of shares of stock in the future by Apollo or Popular could cause our stock price to decline.

Furthermore, Popular operates in the financial services industry and Apollo Management and its affiliates are in the business of managing funds that make investments in companies and one or more of them may from time to time manage funds that acquire and hold interests in businesses that compete directly or indirectly with us, as well as businesses that represent major customers of our business. Funds managed by Apollo Management and its affiliates and/or Popular may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Our certificate of incorporation will provide that we expressly renounce any interest or expectancy in any business opportunity, transaction or other matter in which any of our stockholders or any director nominated by Apollo or Popular participates or desires or seeks to participate in, even if the opportunity is one that we would reasonably be deemed to have pursued if given the opportunity to do so. See Certain Relationships and Related Party Transactions Stockholder Agreement and Description of Capital Stock Corporate Opportunity.

We will be a controlled company within the meaning of the rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

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

- the requirement that we have a majority of independent directors on our Board;
- the requirement that we have a nominating committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- the requirement that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- the requirement for an annual performance evaluation of the nominating and compensation committees.

Following this offering, we intend to utilize the foregoing exemptions from the applicable corporate governance requirements. As a result, we will not have a majority of independent directors nor a separate nominating committee. In addition, our compensation committees will not consist entirely of independent directors and we will not be required to have an annual performance evaluation of the compensation committees. See Management. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the applicable corporate governance requirements.

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Certain underwriters have interests in this offering beyond customary underwriting discounts; specifically, certain underwriters are affiliates of our controlling stockholders.

We expect that each of Apollo Global Securities, LLC, an affiliate of Apollo Management, and Popular Securities, Inc., an affiliate of Popular, will be an underwriter of this offering. Since each of Apollo and Popular owns more than 10% of our outstanding common stock, a conflict of interest would be deemed to exist under Rule 5121(f)(5)(B) of the Conduct Rules of the Financial Industry Regulatory Authority, or FINRA. There may be a conflict of interest between such underwriter s interests (e.g., in negotiating the initial public offering price) and your interest as a purchaser. As affiliates of participants in this offering that may seek to realize the value of their investments in us, these underwriters could have interests beyond customary underwriting discounts. Accordingly, we intend that this offering will be made in compliance with the applicable provisions of Rule 5121. Since neither Apollo Global Securities, LLC nor Popular Securities, Inc. is primarily responsible for managing this offering, pursuant to FINRA Rule 5121, the appointment of a qualified independent underwriter is not necessary. As such, neither Apollo Global Securities, LLC nor Popular Securities, Inc. will confirm sales to accounts in which it exercises discretionary authority without the prior written consent of the customer.

The price of our common stock may fluctuate significantly and you could lose all or part of your investment.

Volatility in the market price of our common stock may prevent you from being able to sell your common stock at or above the price you paid for your common stock. The market price for our common stock could fluctuate significantly for various reasons, including:

- our operating and financial performance and prospects;
- changes in earnings estimates or recommendations by securities analysts who track our common stock or industry;
- market and industry perception of our success, or lack thereof, in pursuing our growth strategy;
- sales of common stock by us, our stockholders, Apollo or its affiliates, Popular or members of our management team.

In addition, the stock market has experienced significant price and volume fluctuations in recent years. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Hence, the price of our common stock could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price.

We currently have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock.

We currently have no plans to pay regular dividends on our common stock. Any payment of future dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions applying to the payment of dividends, and other considerations that our Board deems relevant. The terms of the senior secured credit facility and the indenture governing the notes include limitations on our ability to pay dividends and/or the ability of our subsidiaries to pay dividends to us. Accordingly, you may have to sell some or all of your common stock in order to generate cash flow from your investment.

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Future sales or the possibility of future sales of a substantial amount of our common stock may depress the price of shares of our common stock.

We may sell additional shares of common stock in subsequent public offerings or otherwise, including to finance acquisitions. Our amended and restated certificate of incorporation will authorize us to issue shares of common stock, of which shares will be outstanding upon consummation of this offering. The outstanding share number includes shares that we or the selling stockholders are selling in this offering, which may be resold immediately in the public market. The remaining outstanding shares are restricted from immediate resale under the lock-up agreements with the underwriters described in the Underwriting (Conflicts of Interest) section of this prospectus, but may be sold into the market in the near future. Following the expiration of the applicable lock-up period, which is days after the date of this prospectus, shares of our common stock will be freely transferable without restriction or further registration under the Securities Act, except for any such shares which are held or may be acquired by any of our affiliates as that term is defined in Rule 144 under the Securities Act, which will be subject to the resale limitations of Rule 144. See Shares Eligible for Future Sale for a discussion of the shares of our common stock that may be sold into the public market in the future. Pursuant to the Stockholder Agreement with Apollo and Popular, each of Apollo and Popular have certain rights to demand underwritten registered offerings in respect of the approximately shares of common stock that they will own immediately following this offering, and we have granted Apollo, Popular and certain members of management incidental registration rights, in respect of shares of common stock. Upon the effectiveness of such a registration statement, all shares covered by the registration statement would be freely transferable. See Certain Relationships and Related Party Transactions Stockholder Agreement.

As soon as practicable after the completion of this offering, we intend to file a registration statement on Form S-8 under the Securities Act covering shares of our common stock reserved for issuance under the Equity Incentive Plan. Accordingly, shares of our common stock registered under such registration statement may become available for sale in the open market upon grants under the Equity Incentive Plan, subject to vesting restrictions, Rule 144 limitations applicable to our affiliates and the contractual lock-up provisions described below.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including any shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices for our common stock.

Our organizational documents and Stockholder Agreement may impede or discourage a takeover, which could deprive our investors of the opportunity to receive a premium for their shares.

Provisions of our amended and restated certificate of incorporation, bylaws and the Stockholder Agreement may make it more difficult for, or prevent a third party from, acquiring control of us without the approval of our Board. These provisions include:

- granting to each of Apollo and Popular, for so long as it, together with its respective affiliates, owns certain percentages of our outstanding common stock, the right to nominate a certain number of directors and the sole right to remove any director nominated by it, with or without cause, and to fill any vacancy caused by the removal of any such director;
- prohibiting cumulative voting in the election of directors;
- authorizing the issuance of blank check preferred stock without any need for action by stockholders other than Apollo and Popular;
- prohibiting stockholders from acting by written consent unless the action is taken by unanimous written consent;
- requiring that each of Apollo and Popular, for so long as it, together with its respective affiliates, owns at least 20% of our outstanding common stock, approve certain corporate actions before we may take those actions, including amendments to our organizational documents, equity issuances, acquisitions or dispositions of material assets and certain other significant matters; and

establishing advance notice requirements, if Apollo and Popular, together with their respective affiliates, cease to own at least % of our outstanding common stock, for nominations for election to our Board or for proposing matters that can be acted on by stockholders at stockholder meetings.

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Our issuance of shares of preferred stock could delay or prevent a change in control of us. Our Board has authority to issue shares of preferred stock, subject to the approval of each of Apollo and Popular for so long as it, together with its respective affiliates, owns at least 20% of our outstanding common stock and the approval of at least one director nominated by each of Apollo and Popular for so long as it, together with its respective affiliates, owns at least 10% of our outstanding common stock. Our Board may issue preferred stock in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. The issuance of shares of our preferred stock may have the effect of delaying, deferring or preventing a change in control without further action by the stockholders, even where stockholders are offered a premium for their shares.

In addition, Apollo and Popular, under and subject to the Stockholder Agreement, will have significant control over matters requiring board or stockholder approval, including the election of directors, amendment of our organizational documents and certain corporate transactions. See Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Stockholder Agreement.

Together, our amended and restated certificate of incorporation, bylaws and Stockholder Agreement could make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our common stock. Furthermore, the existence of the foregoing provisions, as well as the significant common stock owned by Apollo and Popular following this offering and their individual rights to nominate a specified number of directors in certain circumstances, could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of us, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition. See Description of Capital Stock Certain Anti-Takeover, Limited Liability and Indemnification Provisions.

You will experience an immediate and substantial dilution in the net tangible book deficit of the common stock you purchase.

After giving effect to this offering and the other adjustments described elsewhere in this prospectus under Dilution, we expect that our pro forma as adjusted net tangible book deficit as of September 30, 2012 would be $ per share. Based on an assumed initial public offering price of $ per share, the midpoint of the estimated offering range set forth on the cover page of this prospectus, you will experience immediate and substantial dilution of approximately $ per share in net tangible book deficit of the common stock you purchase in this offering. See Dilution, including the discussion of the effects on dilution from a change in the price of this offering.

The additional requirements of having a class of publicly traded equity securities may strain our resources and distract management.

Even though EVERTEC, LLC currently files reports with the SEC, after the consummation of this offering, we will be subject to additional reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, (the Sarbanes-Oxley Act), and the Dodd-Frank Act. The Dodd-Frank Act effects comprehensive changes to public company governance and disclosures in the United States and will subject us to additional federal regulation. We cannot predict with any certainty the requirements of the regulations ultimately adopted or how the Dodd-Frank Act and such regulations will impact the cost of compliance for a company with publicly traded common stock. We are currently evaluating and monitoring developments with respect to the Dodd-Frank Act and other new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management s time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a company with publicly traded common stock and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board, particularly to serve on our audit committee, and qualified executive officers.

The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. These requirements may place a strain on our systems and resources. Under Section 404 of the Sarbanes-Oxley Act, we will be required to include a report of management on our internal control over financial reporting in our Annual Reports on Form 10-K beginning with the Form 10-K for the year ending December 31, 2013. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight will be required. This may divert management s attention from other business concerns, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. If we are unable to conclude that our disclosure controls and procedures and internal control over financial reporting are effective, or if we are no longer an emerging growth company and our independent public accounting firm is unable to provide us with an unqualified report on our internal control over financial reporting in future years, investors may lose confidence in our financial reports and our stock price may decline.

We have broad discretion to apply the proceeds to us from this offering, and we may use them in ways that may not enhance our operating results or the price of our common stock.

Our management will have broad discretion over the use of proceeds from this offering, and we could spend the proceeds from this offering in ways our stockholders may not agree with or that do not yield a favorable return, if at all. If we do not invest or apply the proceeds of this offering in ways that improve our operating results, we may fail to achieve expected financial results, which could cause our stock price to decline.

If securities analysts do not publish research or reports about our company, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.

The trading market for our common stock will depend in part on the research and reports that third-party securities analysts publish about our company and our industry. One or more analysts could downgrade our common stock or issue other negative commentary about our company or our industry. In addition, we may be unable or slow to attract research coverage. Alternatively, if one or more of these analysts cease coverage of our company, we could lose visibility in the market. As a result of one or more of these factors, the trading price of our common stock could decline.

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CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing information and other information that is not historical information. Such forward-looking statements can be identified by the use of forward-looking terminology such as believes, expects, may, estimates, will, should, plans or anticipates or the negative thereof or other variations tl comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and may involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. Among the factors that significantly impact our business and could impact our business in the future are:

- our reliance on our relationship with Popular for a significant portion of our revenues and with Banco Popular, Popular s principal banking subsidiary, to grow our Merchant Acquiring business;
- our ability to renew our client contracts on terms favorable to us;
- our dependence on our processing systems, technology infrastructure, security systems and fraudulent payment detection systems, as well as on our personnel and certain third parties with whom we do business;
- our ability to develop, install and adopt new software, technology and computing systems;
- a decreased client base due to consolidations and failures in the financial services industry;
- the credit risk of our merchant clients, for which we may also be liable;
- the continuing market position of the ATH network despite competition and potential shifts in consumer payment preferences;
- our dependence on credit card associations, including any adverse changes in credit card association or network rules or fees;
- changes in the regulatory environment and changes in international, legal, political, administrative or economic conditions;
- the geographical concentration of our business in Puerto Rico;
- operating an international business in multiple regions with potential political and economic instability, including Latin America;
- our ability to execute our geographic expansion and acquisition strategies;

- our ability to protect our intellectual property rights against infringement and to defend ourselves against claims of infringement brought by third parties;
- our ability to recruit and retain the qualified personnel necessary to operate our business;
- our ability to comply with federal, state and local regulatory requirements;
- evolving industry standards and adverse changes in global economic, political and other conditions;
- our high level of indebtedness and restrictions contained in our debt agreements, including the senior secured credit facilities and the indenture governing the notes, as well as debt that could be incurred in the future;
- our ability to generate sufficient cash to service our indebtedness and to generate future profits; and
- other risks and uncertainties discussed in this prospectus, including in the section entitled Risk Factors.

These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth in this prospectus under Risk

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Factors, in Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this prospectus. In light of such risks and uncertainties, we caution you not to rely on these forward-looking statements in deciding whether to participate in this offering. These forward-looking statements speak only as of the date of this prospectus, and we do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

INDUSTRY AND MARKET DATA

This prospectus includes industry data that we obtained from periodic industry publications, including the November 2011, May 2012 and July 2012 Nilson Reports, the January 2013 Gartner Dataquest Market Statistics and the 2012 World Payments Report. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable. This prospectus also includes market share and industry data that were prepared primarily based on management s knowledge of the industry and industry data. Unless otherwise noted, statements as to our market share and market position relative to our competitors are approximated and based on management estimates using the above-mentioned latest-available third-party data and our internal analyses and estimates. While we are not aware of any misstatements regarding any industry data presented herein, our estimates, in particular as they relate to market share and our general expectations, involve risks and uncertainties and are subject to change based on various factors, including those discussed under Risk Factors, Cautionary Notice Regarding Forward-Looking Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus.

The Gartner report, Forecast: Enterprise IT Spending by Vertical Industry Market, Worldwide, 2010-2016, 4Q12 Update, January 2013, described herein (the Gartner Report), represents data, research opinion or viewpoints published as part of a syndicated subscription service by Gartner, Inc. and are not representations of fact. The Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report are subject to change without notice.

NON-GAAP FINANCIAL MEASURES

Our comparison of Successor and Predecessor periods, EBITDA, Adjusted EBITDA and Adjusted Net Income, as presented in this prospectus, are supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States (GAAP). They are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flows from operating activities, as indicators of cash flows or as measures of our liquidity.

We define the three months ended December 31, 2010 as the financial results of Holdings for the period from its inception on June 25, 2010 to December 31, 2010, consisting primarily of merger and advisory-related costs incurred prior to the Merger on September 30, 2010, and following the Merger consisting primarily of EVERTEC, LLC results of operations (the Successor period).

We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA as further adjusted to exclude unusual items and other adjustments as described under Summary Summary Historical Consolidated and Combined Financial Data. We define Adjusted Net Income as net income as adjusted to exclude unusual items and other adjustments as described under Summary Summary Historical Consolidated and Combined Financial Data. We caution investors that amounts presented in accordance with our definitions of EBITDA, Adjusted EBITDA and Adjusted Net Income may not be comparable to similar measures disclosed by other issuers, because not all issuers and analysts calculate EBITDA, Adjusted EBITDA or Adjusted Net Income in the same manner. We present EBITDA and Adjusted EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our presentation of Adjusted EBITDA is consistent with the equivalent measurements that are contained in the senior secured credit facilities and the indenture governing the 11% senior notes due 2018 (the notes) in testing EVERTEC, LLC s compliance with covenants therein such as interest coverage and debt incurrence. We use Adjusted Net Income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash taxes paid rather than our tax expense as calculated under GAAP and excludes the impact of the non-cash amortization and depreciation that was created as a result of the Merger. See Summary Summary Historical Consolidated and Combined Financial Data for a quantitative reconciliation of EBITDA, Adjusted EBITDA and Adjusted Net Income to the most directly comparable GAAP financial performance measure, which is net income. In addition, in evaluating EBITDA, Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses such as those excluded in calculating them. Further, our presentation of these measures should not be construed as an inference that our future operating results will not be affected by unusual or nonrecurring items.

Some of the limitations of EBITDA, Adjusted EBITDA and Adjusted Net Income are as follows:

- they do not reflect cash outlays for capital expenditures or future contractual commitments;

- they do not reflect changes in, or cash requirements for, working capital;

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements;

- in the case of EBITDA and Adjusted EBITDA, they do not reflect interest expense, or the cash requirements necessary to service interest, or principal payments, on indebtedness;

- in the case of EBITDA and Adjusted EBITDA, they do not reflect income tax expense or the cash necessary to pay income taxes; and

- other companies, including other companies in our industry, may not use EBITDA, Adjusted EBITDA and Adjusted Net Income or may calculate EBITDA, Adjusted EBITDA and Adjusted Net Income differently than as presented in this prospectus, limiting their usefulness as a comparative measure.

EMERGING GROWTH COMPANY STATUS

We are an emerging growth company as defined in the recently-enacted Jumpstart Our Business Startups Act (the JOBS Act), and we are eligible to take advantage of certain exemptions from various reporting and disclosure requirements that are applicable to public companies that are not emerging growth companies. See Risk Factors Risks Related to Our Business As an emerging growth company under the JOBS Act, we are permitted to, and intend to, rely on exemptions from certain reporting and disclosure requirements, which may make our future public filings different than that of other public companies.

Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the Securities Act) for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain new accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period is irrevocable.

We will remain an emerging growth company until the earliest of: (i) the last day of the fiscal year during which we had total annual gross revenues of $1 billion or more, (ii) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement, (iii) the date on which we have, during the previous 3-year period, issued more than $1 billion in non-convertible debt, or (iv) the date on which we are deemed a large accelerated filer as defined under the federal securities laws.

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USE OF PROCEEDS

Assuming an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus, we estimate that we will receive net proceeds from this offering of approximately $ million, after deducting underwriting discounts and other estimated expenses of $ million payable by us. We will not receive any net proceeds from the sale by the selling stockholders of shares in this offering.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated expenses payable by us. An increase (decrease) of 1,000,000 in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering, after deducting the estimated underwriting discounts and estimated expenses payable by us, by approximately $ million, assuming the initial public offering price per share remains the same.

We intend to use the net proceeds that we receive for general corporate purposes.

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DIVIDEND POLICY

We currently intend to retain all future earnings, if any, for use in the operation of our business and to fund future growth. The decision whether to pay dividends will be made by our Board in light of conditions then existing, including factors such as our financial condition, earnings, available cash, business opportunities, legal requirements, restrictions in our debt agreements and other contracts, including requirements under the Stockholder Agreement described elsewhere in this prospectus, and other factors our Board deems relevant. See Certain Relationships and Related Party Transactions Stockholder Agreement.

We are a holding company and have no direct operations. We will only be able to pay dividends from our available cash on hand and funds received from our subsidiaries, Holdings and EVERTEC, LLC, whose ability to make any payments to us will depend upon many factors, including their operating results and cash flows. In addition, the senior secured credit facilities and the indenture governing the notes limit EVERTEC, LLC s ability to pay distributions on its equity interests. See Management s Discussion and Analysis of Financial Condition and Results of Operations Financial Condition, Liquidity and Capital Resources Contractual Obligations and Commitments and Description of Certain Indebtedness.

We paid a special dividend to our stockholders on May 9, 2012 in the aggregate amount of approximately $270.0 million. This dividend was financed with net proceeds from a $170.0 million incremental term loan entered into by EVERTEC, LLC and an offering of $40.0 million of 11% senior notes due 2018, together with cash on hand. In addition, on December 18, 2012 we paid a special dividend to our stockholders and authorized an equitable adjustment to holders of vested options as discussed below in the aggregate amount of approximately $50.3 million. This dividend and equitable adjustment was financed primarily with cash on hand at EVERTEC, LLC. The equitable adjustment was effective on December 18, 2012 and is payable in the form of a one-time cash bonus to holders of vested options for shares of our common stock in the amount of $1.37 per share, which in the case of vested options will be paid on December 21, 2012 and in the case of unvested options will be paid in the future as the options vest, subject to our ability at such time to comply with our debt agreements and applicable law. We have not otherwise paid any dividends on our capital stock since the Merger.

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2012:

(1) On an actual basis, and

(2) On an as adjusted basis giving further effect to our sale of shares of common stock in this offering at an assumed offering price of $, which is the midpoint of the range listed on the cover page of this prospectus.

You should read this table in conjunction with Selected Historical Consolidated and Combined Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical financial statements and the related notes appearing elsewhere in this prospectus, as well as the sections Summary Summary Historical Consolidated and Combined Financial Data and Use of Proceeds included in this prospectus.

	September 30, 2012	
	Actual	As Adjusted (1)
		(unaudited)
(In thousands)		
Cash	$ 50,112	$
Debt:		
Senior secured credit facilities		
Senior secured revolving credit facility (2)	$	$
Senior secured term loan facility (3)	495,023	
11% senior notes (3)	250,500	
Total debt, including current portion	745,523	
Total equity	104,071	
Total capitalization	$ 849,594	$

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) cash and total capitalization by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated expenses payable by us.

(2) We had borrowing availability of $49.3 million under the revolving credit facility (after giving effect to $0.7 million of outstanding letters of credit). See Description of Certain Indebtedness Senior Secured Credit Facilities.

(3) Does not give effect to original issue discount or premium.

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DILUTION

Dilution is the amount by which the offering price paid by the purchasers of the common stock to be sold in this offering exceeds the net tangible book value (deficit) per share of common stock after the offering. Net tangible book value per share is determined at any date by subtracting our total liabilities from the total book value of our tangible assets and dividing the difference by the number of shares of common stock deemed to be outstanding at that date. There will be shares of our common stock reserved for future awards under the Equity Incentive Plan as of the consummation of this offering.

Our net tangible book deficit as of September 30, 2012 was $ million, or $ per share. After giving effect to the receipt of approximately $ million of estimated net proceeds from our sale of shares of common stock in this offering at an assumed offering price of $ per share, which represents the midpoint of the range set forth on the front cover of this prospectus, our as adjusted net tangible book deficit as of September 30, 2012 would have been approximately $ million, or $ per share. This represents an immediate decrease in our net tangible book deficit of $ per share to our existing stockholders and an immediate dilution of $ per share to new investors purchasing shares of common stock in the offering. The following table illustrates this substantial and immediate per share dilution to new investors:

	Per Share
Assumed initial public offering price per share	$
Net tangible book value (deficit) before the offering	
Increase per share attributable to investors in the offering	
As adjusted net tangible book value (deficit) after the offering	
Dilution per share to new investors	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share would decrease (increase) our as adjusted net tangible book value (deficit) by $ million, or $ per share, and increase (decrease) the dilution per share to new investors in this offering by $, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and estimated expenses payable by us.

The following table summarizes on an as adjusted basis as of September 30, 2012, giving effect to:

- the total number of shares of common stock purchased from us;
- the total consideration paid to us, assuming an initial public offering price of $ per share (before deducting the estimated underwriting discounts and offering expenses payable by us in connection with this offering); and
- the average price per share paid by our existing stockholders and by new investors purchasing shares in this offering:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders		%		%	$
Investors in the offering		%		%	
Total		100%		100%	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the range set forth on the cover page of this prospectus) would increase (decrease) total consideration paid by new investors, total consideration paid by all stockholders and the average price per share by $ million, $ million and $, respectively, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same.

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The tables and calculations above also assume no exercise of the underwriters option to purchase additional shares. If the underwriters exercise their option to purchase additional shares in full, then new investors would purchase shares, or approximately % of shares outstanding, the total consideration paid by new investors would increase to $, or % of the total consideration paid (based on the midpoint of the range set forth on the cover page of this prospectus), and the additional dilution per share to new investors would be $.

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SELECTED HISTORICAL CONSOLIDATED AND COMBINED FINANCIAL DATA

The following table sets forth our selected historical consolidated and combined financial data as of the dates and for the periods indicated. The selected historical consolidated financial data as of December 31, 2011 and 2010, and for the year ended December 31, 2011 and the period from June 25, 2010 (inception) to December 31, 2010 have been derived from the audited consolidated financial statements of EVERTEC appearing elsewhere in this prospectus. The selected historical combined financial data as of and for the nine months ended September 30, 2010 have been derived from the audited combined financial statements of EVERTEC Business Group (Predecessor) appearing elsewhere in this prospectus. The selected historical combined financial data as of December 31, 2009, 2008 and 2007 and for the years ended December 31, 2009, 2008 and 2007 have been derived from the unaudited combined financial statements of EVERTEC Business Group (Predecessor), not included in this prospectus.

The summary unaudited historical consolidated financial data as of September 30, 2012 and for the nine month periods ended September 30, 2012 and 2011 have been derived from the unaudited consolidated financial statements of EVERTEC appearing elsewhere in this prospectus, which have been prepared on a basis consistent with the audited consolidated financial statements of EVERTEC Intermediate Holdings, LLC (predecessor company). In the opinion of management, such unaudited financial data reflect all adjustments, consisting only of normal and recurring adjustments, necessary for a fair presentation of the results for such period. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year or any future period.

The results of operations for any period are not necessarily indicative of the results to be expected for any future period and the historical consolidated and combined financial data presented below and elsewhere in this prospectus does not necessarily reflect what our financial position and results of operations would have been had we operated as a separate stand-alone entity during the Predecessor period. The selected historical consolidated and combined financial data set forth below should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated and combined financial statements and related notes thereto appearing elsewhere in this prospectus.

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	Successor				Predecessor			
	Nine months ended September 30,		Year ended December 31,	June 25, 2010 (inception) to December 31,	Nine months ended September 30,	Years ended December 31,		
(Dollar amounts in thousands except per share data)	2012	2011	2011	2010	2010	2009	2008	2007
Statements of Income Data:								
Merchant acquiring, net	$ 51,499	$ 44,043	$ 61,997	$ 14,789	$ 39,761	$ 48,744	$ 47,782	$ 38,533
Payment processing	69,986	63,235	85,691	21,034	56,777	74,728	72,159	68,259
Business solutions	129,214	128,273	173,434	46,586	118,482	152,827	161,171	157,068
Total revenues	250,699	235,551	321,122	82,409	215,020	276,299	281,112	263,860
Cost of revenues, exclusive of depreciation and amortization shown below	$ 118,469	$ 114,832	$ 155,377	$ 41,839	$ 113,246	$ 150,070	$ 164,421	$ 163,035
Selling, general and administrative expenses	24,759	26,005	33,339	8,392	27,000	25,639	27,643	24,419
Depreciation and amortization	53,517	51,977	69,891	17,722	19,425	24,500	30,389	32,112
Total operating costs and expenses	196,745	192,814	258,607	67,953	159,671	200,209	222,453	219,566
Income from operations	53,954	42,737	62,515	14,456	55,349	76,090	58,659	44,294
Interest income	237	667	797	118	360	1,048	1,283	1,239
Interest expense	(39,214)	(39,272)	(50,957)	(13,436)	(70)	(91)	(170)	(376)
Earnings of equity method investments	103	685	833		2,270	3,508	4,229	2,799
Other (expense) income	(9,802)	(16,289)	(18,201)	(36,164)	2,276	7,942	9,449	(36)
Income (loss) before income taxes	5,278	(11,472)	(5,013)	(35,026)	60,185	88,497	73,450	47,920
Income tax expense (benefit)	1,501	(30,845)	(29,227)	(14,450)	23,017	30,659	23,914	17,707
Net income (loss) from continuing operations	3,777	19,373	24,214	(20,576)	37,168	57,838	49,536	30,213
Net income from discontinued operations					117	1,813	3,673	5,452
Net income (loss)	$ 3,777	$ 19,373	$ 24,214	$ (20,576)	$ 37,285	$ 59,651	$ 53,209	$ 35,665
Net income (loss) per common share from continuing operations[1]	$ 0.10	$ 0.53	$ 0.67	$ (0.57)	$ 1.03	$ 1.61	$ 1.37	$ 0.84
Balance Sheet Data (at period end):								
Cash	$ 50,112	$ 59,296	$ 56,200	$ 55,199		$ 11,891	$ 24,734	$ 8,670
Working capital[2]	72,518	68,870	87,267	62,226		82,272	94,220	54,717
Total assets	992,175	1,065,087	1,046,860	1,092,179		243,445	260,906	226,946
Total long term liabilities	819,164	626,073	615,713	673,736		481	1,969	1,791
Total debt	736,197	532,806	523,833	562,173			1,413	1,165
Total net debt [3]	686,085	473,510	467,633	506,974				
Total equity	104,071	360,723	366,176	339,613		211,475	228,469	192,725

(1) For each of the periods presented above, net income per common share from continuing operations represents basic and diluted earnings per common share from continuing operations, respectively, except for the year ended December 31, 2011 in which the diluted earnings per common share from continuing operations amounted to $0.66.

(2) Working capital is defined as the excess of current assets over current liabilities.

(3) Total net debt is defined as total debt less cash.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The following Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) covers: (i) the results of operations of the Successor for the nine months ended September 30, 2012 and 2011 and for the year ended December 31, 2011 and the three months ended December 31, 2010 and of the Predecessor for the nine months ended September 30, 2010; and (ii) the financial condition of the Successor as of September 30, 2012 and December 31, 2011. We define the three months ended December 31, 2010 as the financial results of Holdings for the period from its inception on June 25, 2010 to December 31, 2010, consisting primarily of merger and advisory-related costs incurred prior to the Merger on September 30, 2010, and following the Merger consisting primarily of EVERTEC, LLC results of operations. The discussions that follow pertain to the continuing operations, unless otherwise indicated. See Note 1 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements for additional information about the Company and the basis of presentation of our financial statements. You should read the following discussion and analysis in conjunction with the financial statements and related notes appearing elsewhere herein. This MD&A contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those indicated in the forward-looking statements. See Forward-Looking Statements for a discussion of the risks, uncertainties and assumptions associated with these statements.

Overview

EVERTEC is the leading full-service transaction processing business in Latin America and the Caribbean. We are based in Puerto Rico and provide a broad range of merchant acquiring, payment processing and business process management services across 19 countries in the region. We process over 1.2 billion transactions annually, and manage the electronic payment network for over 4,900 automated teller machines (ATM) and over 107,000 point-of-sale (POS) payment terminals. According to the July 2012 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and the sixth largest in Latin America based on total number of transactions. We own and operate the ATH network, one of the leading ATM and personal identification number (PIN) debit networks in Latin America. In addition, we provide a comprehensive suite of software and services for core bank processing, cash processing and technology outsourcing in the regions we serve. We serve a broad and diversified customer base of leading financial institutions, merchants, corporations and government agencies with mission critical technology solutions that are essential to their operations, enabling them to issue, process and accept transactions securely and we believe that our business is well positioned to continue to expand across the fast growing Latin American region.

We are differentiated, in part, by our diversified business model, which enables us to provide our varied customer base with a broad range of transaction processing services from a single source across numerous channels and geographic markets. We believe this single source capability provides several competitive advantages which will enable us to continue to penetrate our existing customer base with new, complementary services, win new customers, develop new sales channels and enter new markets. We believe these competitive advantages include:

- Our ability to package and provide a range of services across our customers business that often need to be sourced from different vendors;
- Our ability to serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to manage their business as one enterprise; and
- Our ability to capture and analyze data across the transaction processing value chain to provide value-added services that are differentiated from those offered by pure play vendors that only have the technology, capabilities and products to serve one portion of the transaction processing value chain (such as only merchant acquiring or payment processing).

Our broad suite of services span the entire transaction processing value chain and include a range of front-end customer facing solutions as well as back-end support services. These include: (i) merchant acquiring services, which enable POS and e-commerce merchants to accept and process electronic methods of payment such as debit, credit, prepaid and electronic benefits transfer (EBT) cards; (ii) payment processing services, which enable financial institutions and other issuers to manage, support and facilitate the processing for credit, debit, prepaid, ATM and EBT card programs; and (iii) business process

management solutions, which provide mission critical technology solutions such as core bank processing, as well as information technology (IT) outsourcing and cash management services to financial institutions, enterprises and governments. We provide these services through a highly scalable, end-to-end technology platform that we manage and operate in-house. Our end-to-end technology platform includes solutions that encompass the entire transaction processing value chain. This enables us to provide front-end processing services, such as the electronic capture and authorization of transactions at the point-of-sale, and back-end services, such as the clearing and settlement of transactions and account reconciliation for card issuers. Our platform provides us with the broad range of capabilities, flexibility and operating leverage that enable us to innovate and develop new services, differentiate ourselves in the marketplace and generate significant operating efficiencies to continue to maximize profitability.

We sell and distribute our services primarily through a proprietary direct sales force with strong customer relationships. We are also increasingly building a variety of indirect sales channels which enable us to leverage the distribution capabilities of partners in adjacent markets, including value-added resellers, joint ventures and merchant acquiring alliances. Given our breadth across the transaction processing value chain, our customer base is highly diversified by size, type and geographic footprint.

We benefit from an attractive business model, which is characterized by recurring revenue, significant operating margins and low capital expenditure requirements. Our revenue is recurring in nature because of the mission-critical and embedded nature of the services we provide, the high switching costs associated with these services and the multi-year contracts we negotiate with our customers. Our scalable business model creates significant operating efficiencies. In addition, our business model enables us to continue to grow our business organically without significant additional capital expenditures.

Separation from and Key Relationship with Popular

Prior to the Merger on September 30, 2010, EVERTEC, LLC was 100% owned by Popular, the largest financial institution in the Caribbean, and operated substantially as an independent entity within Popular. After the consummation of the merger, Popular retained an approximately 49% indirect ownership interest in EVERTEC, LLC and is our largest customer. In connection with, and upon consummation of, the Merger, EVERTEC, LLC entered into a 15-year Master Services Agreement, as well as several other related agreements, with Popular. Under the terms of the Master Services Agreement, Popular agreed to continue to utilize our services on an ongoing exclusive basis, for the duration of the agreement, on commercial terms consistent with the terms of our historical relationship. Additionally, Popular granted us a right of first refusal on the development of certain new financial technology products and services for the duration of the Master Services Agreement. See Note 22 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements for additional information.

Recent Developments

On April 17, 2012, EVERTEC, LLC was converted from a Puerto Rico corporation to a Puerto Rico limited liability company (the Conversion) for the purpose of improving the consolidated tax efficiency of EVERTEC, LLC and its subsidiaries by taking advantage of recent changes to the Puerto Rico Internal Revenue Code of 2011, as amended (the PR Code), that permit limited liability companies to be treated as partnerships that are pass-through entities for Puerto Rico tax purposes. Through this new structure, EVERTEC, LLC will benefit from at least $30.0 million of net operating losses (NOLs) and certain other tax attributes for Puerto Rico income tax purposes that prior to the Conversion and change in tax law were available to Holdings but not to EVERTEC, LLC. We expect our strong cash flow characteristics to be enhanced through the utilization of these NOLs and tax attributes, which will reduce our cash tax liability in years we generate taxable income. Concurrent with the Conversion, EVERTEC Intermediate Holdings, LLC (formerly known as Carib Holdings, LLC and, prior to the Conversion, Carib Holdings, Inc., Holdings), which is EVERTEC, LLC s direct parent, was also converted from a Puerto Rico corporation to a Puerto Rico limited liability company and we were formed in order to act as the new parent company of Holdings.

In addition, in May 2012, among other things, EVERTEC, LLC (i) issued $40.0 million principal amount of additional 11% senior notes due 2018 (notes), (ii) incurred $170.0 million of secured incremental term loans and (iii) made a distribution of approximately $270.0 million to the stockholders of EVERTEC. For additional information regarding these recent events, see Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Reorganization and Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Tax Payment Agreement and Note 25 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus.

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On October 19, 2012, our subsidiary EVERTEC, LLC was granted a tax exemption under the Economic Incentives Act for the Development of Puerto Rico, Act No. 73 of May 28, 2008 (Act 73). Under this grant, EVERTEC, LLC will benefit from a preferential income tax rate on industrial development income, as well as from tax exemptions with respect to its municipal and property tax obligations for certain activities derived from its data processing operations in Puerto Rico. The grant has a term of 15 years effective as of January 1, 2012 with respect to income tax obligations and January 1, 2013 with respect to municipal and property tax obligations.

The grant establishes a base taxable income amount with respect to EVERTEC, LLC s industrial development income, which amount will continue to be subject to the ordinary income tax rate under existing law. Applicable taxable income in excess of the established base taxable income amount will be subject to a preferential rate of 4%. The base taxable income amount will be ratably reduced over a four year period until such amount equals zero at which point all of EVERTEC, LLC s applicable industrial development income will be taxed at the preferential rate of 4% for the remaining period of the grant. The grant also establishes a 90% exemption on certain real and personal property taxes and a 60% exemption on municipal taxes, in each case imposed on EVERTEC, LLC. In addition, distributions to stockholders by EVERTEC of the industrial development income will not be subject to Puerto Rico tollgate taxes.

The grant contains customary commitments, conditions and representations that EVERTEC, LLC will be required to comply with in order to maintain the grant. The more significant commitments include: (i) maintaining at least 750 employees in EVERTEC, LLC s Puerto Rico data processing operations during 2012 and at least 700 employees for the remaining years of the grant; and (ii) investing at least $200 million in building, machinery, equipment or computer programs to be used in Puerto Rico during the effective term of the grant (to be made in $50 million increments over four year capital investment cycles). Failure to meet the requirements could result, among other things, in reductions in the benefits of the grant or revocation of the grant in its entirety, which could result in EVERTEC, LLC or EVERTEC paying additional taxes or other payments relative to what such parties would be required to pay if the full benefits of the grant are available. In addition, the protection from Puerto Rican tollgate taxes on distributions to stockholders may be lost.

Factors and Trends Impacting the Results of Our Operations

The ongoing migration from cash and paper methods of payment to electronic payments continues to benefit the transaction processing industry globally. The increased penetration of electronic payments has been a driver for many merchants to offer acceptance of such methods in order to increase customer traffic and drive sales. We believe that the penetration of electronic payments in the markets where we principally operate is significantly lower relative to the U.S. market and that this ongoing shift will continue to generate substantial growth opportunities for our business. For example, currently the adoption of banking products, including electronic payments, in the Latin American and Caribbean region is lower relative to the mature U.S. and European markets. We believe that the unbanked and underbanked population in our markets will continue to shrink, and therefore drive incremental penetration and growth of electronic payments in Puerto Rico and other Latin American regions.

In addition, our revenue is also impacted by the trend in outsourcing of in-house technology systems and processes. The medium and small size institutions in the Latin American markets in which we operate currently face challenges in updating and renewing their IT legacy computer systems, which we believe will continue the trend to outsource in-house technology systems and processes. We believe that our technology and business outsourcing solutions cater to the evolving needs of the financial institution customer base we target, by providing integrated, open, flexible, customer-centric and efficient IT products and services.

We also expect our results of operations to be impacted by regulatory changes which occur as the payments industry has come under increased scrutiny from lawmakers and regulators. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) signed into law in July 2010 is an example of such scrutiny and of changes in laws and regulations that could impact our operating results and financial condition.

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In addition, our financial condition and results of operations are, in part, dependent on the economic and general conditions of the geographies in which we operate.

Basis of Presentation

Prior to September 30, 2010, we did not operate as a stand-alone business, but instead as separate divisions of Popular. As discussed in Note 1 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements, EVERTEC, LLC was acquired on September 30, 2010. The acquisition was accounted for as a business combination using the purchase method of accounting, which resulted in a new basis of accounting for our assets and liabilities in the Successor period. Additionally, in connection with the Merger, EVERTEC, LLC incurred indebtedness in the amount of $575.0 million. See Liquidity and Capital Resources below for more information. The Predecessor period does not reflect the impact of the Merger.

Our historical financial information included in this prospectus may not necessarily reflect what our financial position, results of operations and cash flows would have been if we had been a separate, stand-alone entity during such periods, or our future results of operations, financial position and cash flows.

For example, our historical combined financial statements in this prospectus include expenses for certain corporate services provided to us by Popular. These expenses are primarily related to corporate functions such as accounting, tax, treasury, payroll and benefits administration, risk management, legal, public relations and compliance. The expenses of the corporate services provided to us by Popular have historically been charged and allocated to us primarily based on a percentage of revenues. Expenses for such corporate services included in our Selling, general and administrative expenses totaled $7.5 million for the nine months ended September 30, 2010. Following the consummation of the Merger, Popular continued to provide some of these services until December 31, 2011, pursuant to a transition services agreement.

Currently, we are obtaining the services historically provided by Popular from our internal operations or third party service providers.

Recent Accounting Pronouncements

For a description of recent accounting standards, see Note 2 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus.

Non-GAAP Financial Measures

Our comparison of Successor and Predecessor periods, EBITDA, Adjusted EBITDA and Adjusted Net Income, as presented in this prospectus, are supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States (GAAP). They are not measurements of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP or as alternatives to cash flows from operating activities, as indicators of cash flows or as measures of our liquidity.

For more information regarding EBITDA, Adjusted EBITDA and Adjusted Net Income, including a quantitative reconciliation of EBITDA, Adjusted EBITDA and Adjusted Net Income to the most directly comparable GAAP financial performance measure, which is net income, see Net Income Reconciliation to EBITDA, Adjusted EBITDA and Adjusted Net Income and Covenant Compliance below.

Overview of Results of Operations

The following briefly describes the components of revenues and expenses as presented in the Consolidated and Combined Statements of Income. Descriptions of the revenue recognition policies are detailed in Note 1 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus.

Merchant acquiring, net. Merchant acquiring revenues consist of revenues from services that allow merchants to accept electronic methods of payment. Our standard merchant contract has an initial term of one or three years, with automatic one-year renewal periods. In the merchant acquiring segment, revenues include a discount fee and membership fees charged to merchants, debit network fees and rental income from POS devices and other equipment, net of credit card interchange and assessment fees charged by credit cards associations (such as VISA or MasterCard) or payment networks. The discount fee is generally a percentage of the sales amount of a credit or debit card transaction value. We also charge merchants for other services that are unrelated to the number of transactions or the transaction value.

Merchant acquiring revenues represented approximately 19% and 21% of total revenues for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively.

Payment processing. Payment processing revenues are comprised of revenues related to providing access to the ATH network and other card networks to financial institutions, including related services such as authorization, processing, management and recording of ATM and POS transactions, and ATM management and monitoring. Payment processing revenues also include revenues from card processing services (such as credit and debit card processing, authorization and settlement and fraud monitoring and control to debit or credit issuers), payment processing services (such as payment and billing products for merchants, businesses and financial institutions) and EBT (which principally consist of services to the Puerto Rico government for the delivery of government benefits to participants).

We generally enter into one to five year contracts with our private payment processing clients and one year contracts with our government payment processing clients. For ATH network and processing services, revenues are primarily driven by the number of transactions processed. Revenues are derived primarily from network fees, transaction switching and processing fees, and the selling and leasing of POS devices. For card issuer processing, revenues are primarily dependent upon the number of cardholder accounts on file, transactions and authorizations processed, the number of cards embossed and other processing services. For EBT services, revenues are primarily derived from the number of beneficiaries on file.

Payment processing revenues represented approximately 27% and 28% of total revenues for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively.

Business solutions. Business solutions revenues consist of revenues from a full suite of business process management solutions including specifically core bank processing, network hosting and management, IT consulting services, business process outsourcing, item and cash processing, and fulfillment. We generally enter into one to five year contracts with our private business solutions clients and one year contracts with our government business solutions clients. Core bank processing and network services revenues are derived in part from a recurrent fee and from fees based on the number of accounts on file (i.e. savings or checking accounts, loans, etc) or computer resources utilized. Revenues from other processing services within the business solutions segment are generally volume-based and depend on factors such as the number of accounts processed.

Business solutions revenues represented approximately 54% and 52% of total revenues for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively.

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Cost of revenues. This caption includes the costs directly associated with providing services to customers and product and software sales, including software licensing and maintenance costs, telecommunications costs, personnel and infrastructure costs to develop and maintain applications, operate computer networks and provide associated customer support, and other operating expenses.

Selling, general and administrative. This caption primarily consists of salaries, wages and related expenses paid to sales personnel, administrative employees and management, advertising and promotional costs, audit and legal fees, and other selling expenses.

Depreciation and amortization. This caption consists of our depreciation and amortization expense. Following the completion of the Merger, our depreciation and amortization expense increased as a result of the purchase price allocation adjustments to reflect the fair market value and revised useful life assigned to property and equipment and intangible assets in connection with the Merger.

Results of Operations

The following tables set forth certain historical consolidated and combined financial information for the nine months ended September 30, 2012 and 2011 and the years ended December 31, 2011 and 2010. The following tables and discussion should be read in conjunction with the information contained in our historical financial statements and the notes thereto appearing elsewhere in this prospectus. However, our historical results of operations set forth below and elsewhere in this prospectus may not necessarily reflect what would have occurred if we had been a separate, stand-alone entity during the periods presented or what will occur in the future.

Comparison of the nine months ended September 30, 2012 to September 30, 2011

The following tables present the components of our unaudited consolidated statements of income and comprehensive income by business segment and the change in those amounts for the nine months ended September 30, 2012 and 2011.

Revenues

	Nine months ended September 30,			
(Dollar amounts in thousands)	**2012**	**2011**	**Variance**	
Merchant acquiring, net	$ 51,499	$ 44,043	$ 7,456	17%
Payment processing	69,986	63,235	6,751	11%
Business solutions	129,214	128,273	941	1%
Total revenues	$ 250,699	$ 235,551	$ 15,148	6%

Revenue growth in the Merchant Acquiring segment was primarily related to higher income of $5.8 million due to the decrease in interchange fees charged by cards associations as a result of the Durbin Amendment. The increase in the Payment Processing segment revenue was driven by a $2.0 million increase in volume of ATH network and processing transactions and a $3.9 million increase in accounts on file within our payment services business. The increase in Business Solutions segment revenue was driven primarily by higher demand for certain network and core banking services of $4.3 million, partially offset by lower demand for certain IT consulting and item processing services of $3.9 million.

Operating costs and expenses

	Nine months ended September 30,			
(Dollar amounts in thousands)	**2012**	**2011**	**Variance**	
Cost of revenues, exclusive of depreciation and amortization shown below	$ 118,469	$ 114,832	$ 3,637	3%
Selling, general and administrative expenses	24,759	26,005	(1,246)	-5%
Depreciation and amortization	53,517	51,977	1,540	3%
Total operating costs and expenses	$ 196,745	$ 192,814	$ 3,931	2%

Cost of revenues increased by $3.6 million, or 3%, when compared to the same period in 2011. The results for 2012 were driven by increases in professional fees of $2.2 million, equipment expenses of $1.0 million and costs of sales of $2.1 million, partially offset by a decrease of $1.6 million in personnel expenses from cost control initiatives implemented in late 2011. Gross margin percentage for the nine months ended September 30, 2012 improved to 52.7% from 51.3% for the corresponding 2011 period. The improvement in our gross margin was mainly driven by our ability to support incremental business volume with lower incremental costs due to our highly scalable technology platform and cost control initiatives.

Selling, general and administrative expenses for the nine months ended September 30, 2012 decreased by $1.2 million, or 5%, when compared to the corresponding 2011 period as a result of continuous cost control initiatives, principally focused on personnel costs, which decreased by $1.2 million.

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Depreciation and amortization expense for the nine months ended September 30, 2012 increased by $1.5 million, or 3%, as a result of higher electronic equipment and amortization of software packages associated with certain new projects, which increased by $0.6 million and $1.0 million, respectively.

Income from operations

The following table presents income from operations by reportable segments.

(Dollar amounts in thousands)	**Nine months ended September 30, 2012**	**2011**	**Variance**	
Segment income from operations				
Merchant acquiring	$ 24,736	$ 20,663	$ 4,073	20%
Payment processing	38,652	34,019	4,633	14%
Business solutions	25,751	26,267	(516)	-2%
Total segment income from operations	89,139	80,949	8,190	10%
Merger related depreciation and amortization and other unallocated expenses(1)	(35,185)	(38,212)	3,027	-8%
Income from operations	$ 53,954	$ 42,737	$ 11,217	26%

(1) Primarily represents certain incremental depreciation and amortization expenses generated as a result of the merger, non-recurring compensation and benefits expenses, professional fees and other miscellaneous expenses and adjustments.

Income from operations in our Merchant Acquiring and Payment Processing segments increased when compared to the corresponding 2011 period, due to higher revenues partially offset by incremental costs related to business growth. The increase in revenues was driven by higher realized net margin in our Merchant Acquiring segment, and an increase in volume and accounts on file within our Payment Processing business. The results in our Business Solutions segment were driven by lower demand for IT consulting services and higher realized sales of products.

See Note 14 of the Notes to Unaudited Consolidated Financial Statements for additional information on the Company s reportable segments and for a reconciliation of the income from operations of the segments to the unaudited consolidated net income.

Non-operating (expenses) income

(Dollar amounts in thousands)	**Nine months ended September 30, 2012**	**2011**	**Variance**	
Non-operating (expenses) income				
Interest income	$ 237	$ 667	$ (430)	-64%
Interest expense	(39,214)	(39,272)	58	0%
Earnings of equity method investments	103	685	(582)	85%
Other expense	(9,802)	(16,289)	6,487	-40%
Total non-operating (expenses) income	$ (48,676)	$ (54,209)	$ (5,533)	-10%

The decrease in non-operating expenses was driven by lower other expenses of $6.5 million. Other expenses for the nine months ended September 30, 2012 were primarily comprised of debt issuance costs of $8.8 million and personnel related charges of $2.2 million, partially offset by an unrealized gain of $0.3 million related to the fair value adjustment of certain assets and $0.5 million of a foreign currency translation gain. For the corresponding 2011 period, other expenses were primarily comprised of a $14.2 million charge related to the voluntary retirement program (VRP), debt issuance costs of $2.2 million and $1.2 million from the settlement of a derivative related to our acquisition of an equity interest in CONTADO from Popular, partially offset by an unrealized gain of $0.9 million related to the fair value adjustment of certain assets.

Income tax expense (benefit)

Income tax expense for the nine months ended September 30, 2012 amounted to $1.5 million compared to a $30.8 million benefit for the corresponding 2011 period. The results in 2012 were driven by income before taxes of $5.3 million, a tax expense related to a change in estimates of $0.3 million, $0.3 million in tax expense due to differences in tax rates across multiple jurisdictions and $0.3 million in fair value adjustments of indemnification assets, partially offset by $0.6 million related to the reversal of a tax uncertainties reserve in Costa Rica. The income tax benefit for the corresponding 2011 period was mainly due to a reduction in the marginal corporate income tax rate from 39% to 30%, as a result of the tax reform enacted in Puerto Rico on January 31, 2011, which caused a reduction in the Company s deferred tax liability of $23.8 million. See Note 10 of the Notes to Unaudited Consolidated Financial Statements appearing elsewhere in this prospectus for additional information regarding income taxes.

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Net Income

Net income for the nine months ended September 30, 2012 was $3.8 million, compared to net income of $19.4 million for the corresponding 2011 period. Net income for the 2011 period was impacted by the $30.8 million tax benefit explained above. Income before income taxes for the nine months ended September 30, 2012 was $5.3 million compared to a loss before income taxes of $11.5 million for the corresponding 2011 period.

Comparison of the year ended December 31, 2011 to the three months ended December 31, 2010

The following tables present the components of our consolidated and combined statements of income for the year ended December 31, 2011, the three months ended December 31, 2010 and the nine months ended September 30, 2010.

Revenues

	Successor		Predecessor
(Dollar amounts in thousands)	Year Ended December 31, 2011	Three months ended December 31, 2010	Nine months ended September 30, 2010
Merchant acquiring, net	$ 61,997	$ 14,789	$ 39,761
Payment processing	85,691	21,034	56,777
Business solutions	173,434	46,586	118,482
Total revenues	$ 321,122	$ 82,409	$ 215,020

Total revenues were $321.1 million for the year ended December 31, 2011 as compared to $82.4 million for the three months ended December 31, 2010. The increase of $238.7 million was primarily attributable to the inclusion of a full year of revenues in 2011 compared to three months of revenues for the period ended December 31, 2010.

Operating costs and expenses

	Successor		Predecessor
(Dollar amounts in thousands)	Year Ended December 31, 2011	Three months ended December 31, 2010	Nine months ended September 30, 2010
Cost of revenues, exclusive of depreciation and amortization shown below	$ 155,377	$ 41,839	$ 113,246
Selling, general and administrative expenses	33,339	8,392	27,000
Depreciation and amortization	69,891	17,722	19,425
Total operating costs and expenses	$ 258,607	$ 67,953	$ 159,671

Total operating costs and expenses were $258.6 million for the year ended December 31, 2011 as compared to $68.0 million for the three months ended December 31, 2010. The increase of $190.7 million was primarily attributable to the inclusion of a full year of operating expenses in 2011 compared to three months ended December 31, 2010.

Income from operations

The following table presents income from operations by reportable segments.

	Successor		Predecessor
(Dollar amounts in thousands)	Year Ended December 31, 2011	Three months ended December 31, 2010	Nine months ended September 30, 2010
Segment income from operations			
Merchant acquiring	$ 30,258	$ 5,959	$ 17,647
Payment processing	45,031	12,088	28,086
Business solutions	36,690	9,561	18,337
Total segment income from operations	111,979	27,608	64,070
Merger related depreciation and amortization and other unallocated expenses [1]	(49,464)	(13,152)	(8,721)
Income from operations	$ 62,515	$ 14,456	$ 55,349

(1) For the Successor periods primarily represents certain incremental depreciation and amortization expenses generated as a result of the merger, non-recurring compensation and benefits expenses and professional fees. For the Predecessor period primarily represents the elimination of miscellaneous intersegment revenues for services provided by the Payment Processing segment.

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Income from operations for the year ended December 31, 2011, excluding Merger related costs of $49.5 million in 2011 (non-recurring transaction and transitions costs, and depreciation and amortization) was $112.0 million as compared to $27.6 million for the three months ended December 31, 2010. The increase of $84.4 million was primarily attributable to the inclusion of a full year of operations in 2011 compared to three months ended December 31, 2010.

See Note 24 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements for additional information on our reportable segments and for a reconciliation of the income from operations of the segments to the consolidated and combined net income from continuing operations.

Non-operating (expenses) income

(Dollar amounts in thousands)	Successor Year Ended December 31, 2011	Successor Three months ended December 31, 2010	Predecessor Nine months ended September 30, 2010
Non-operating (expenses) income			
Interest income	$ 797	$ 118	$ 360
Interest expense	(50,957)	(13,436)	(70)
Earnings of equity method investments	833		2,270
Other (expense) income	(18,201)	(36,164)	2,276
Total non-operating (expenses) income	$ (67,528)	$ (49,482)	$ 4,836

Non-operating expenses for the year ended December 31, 2011 amounted to $67.5 million, compared to $49.5 million for the three months ended December 31, 2010. The $18.0 million increase was primarily attributable to the inclusion of a full year of interest expense in 2011 compared to three months ended December 31, 2010. Other expenses during 2011 were primarily $14.5 million related to one-time costs of the VRP, $2.2 million related to the refinancing of the senior secured credit facilities in the first quarter of 2011 and a non-recurring, non-cash loss of $1.2 million from the settlement of the derivative related to our acquisition of a 19.99% equity interest in CONTADO in 2011. For the three months ended December 31, 2010 other expenses were one-time costs amounting to $34.8 million associated to the Merger transaction.

Income tax (benefit) expense

(Dollar amounts in thousands)	Successor Year Ended December 31, 2011	Successor Three months ended December 31, 2010	Predecessor Nine months ended September 30, 2010
Income tax (benefit) expense	$ (29,227)	$ (14,450)	$ 23,017

Income tax benefit for the year ended December 31, 2011 was mainly due to a reduction in the marginal corporate income tax rate from 39% to 30%, as a result of the tax reform enacted in Puerto Rico on January 31, 2011, which caused a reduction in the Company s deferred tax liability of $23.8 million. Also, we had a taxable loss of $5.0 million for the year ended December 31, 2011, compared to a taxable loss of $0.2 million for the three months ended December 31, 2010. The increase in the taxable loss was primarily attributable to the inclusion of a full year of interest expense and the cost related to the VRP, while 2010 includes only three months of operations and interest expenses.

Comparison of the year ended December 31, 2011 to the nine months ended September 30, 2010 (Predecessor)

Revenues

Total revenues were $321.1 million for the year ended December 31, 2011 as compared to $215.0 million for the nine months ended September 30, 2010. The increase of $106.1 million was primarily attributable to the inclusion of a full year of revenues in 2011 compared to nine months of revenues for the period ended September 30, 2010. Approximately $23.7 million of the remaining growth was attributable to higher sales volume and transactions, higher demand for our outsourcing and banking services and new clients and projects.

The Merchant Acquiring segment net revenue increase of $22.2 million was primarily attributable to the inclusion of a full year of revenues in 2011 compared to nine months of revenues for the period ended September 30, 2010. The remaining growth was attributable to higher sales volume of $7.4 million.

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The Payment Processing segment revenue increase of $28.9 million was primarily attributable to the inclusion of a full year of revenues in 2011 compared to nine months of revenues for the period ended September 30, 2010. The remaining growth was primarily attributable to increases driven by higher volume of transactions in the ATH network and processing business of $2.8 million, an increase of accounts on file within the payment services of $2.1 million, and an increase in card products services of $2.8 million from both existing and new customers in Latin America and the Caribbean.

The Business Solutions segment revenue increase of $55.0 million was primarily attributable to the inclusion of a full year of revenues in 2011 compared to nine months of revenues for the period ended September 30, 2010. The remaining increase was principally driven by higher volumes of services in our core bank processing and network solutions businesses of $4.4 million and $3.6 million, respectively.

Operating costs and expenses

Total operating costs and expenses for the year ended December 31, 2011 as compared to the nine months ended September 30, 2010 increased by $98.6 million primarily attributable to the inclusion of a full year of operating expenses in 2011 compared to nine months for the period ended December 31, 2010. The remaining increase of $31.0 million was primarily attributable to an increase in depreciation and amortization expenses of $32.7 million. The additional depreciation and amortization was the result of purchase price allocation adjustments in connection with the Merger to reflect the fair market value assigned to property and equipment and intangible assets in accordance with purchase accounting.

Income from operations

Income from operations for the year ended December 31, 2011, excluding Merger related costs of $49.5 million in 2011 (non-recurring transaction and transitions costs, and depreciation and amortization) was $112.0 million as compared to $64.0 million for the nine months ended September 30, 2010. The increase of $48.0 million was primarily attributable to the inclusion of a full year of operations in 2011 compared to nine months for the period ended December 31, 2010.

The Merchant Acquiring segment income from operations was $30.3 million for the year ended December 31, 2011, compared to $17.6 million for the nine months ended September 30, 2010. The increase was primarily attributable to the inclusion of a full year of operations in 2011 compared to nine months for the period ended December 31, 2010. The remaining of the growth was attributable to an increase in net revenues resulting from higher sales volume, partially offset by incremental costs.

The Payment Processing segment income from operations was $45.0 million for the year ended December 31, 2011, compared to $28.1 million for the nine months ended September 30, 2010. The increase was primarily attributable to the inclusion of a full year of operations in 2011 compared to nine months for the period ended September 30, 2010. The remaining growth was primarily the result of higher revenues driven by transaction volume growth and new services provided, partially offset by incremental costs to support business growth.

The Business Solutions segment income from operations was $36.7 million for the year ended December 31, 2011, compared to $18.3 million for the nine months ended September 30, 2010. The increase was primarily attributable to the inclusion of a full year of operations in 2011 compared to nine month for the period ended September 30, 2010. The remaining increase was mostly the result of the increase in revenues primarily driven by higher volumes of services as well as the effect of certain cost control initiatives.

Non-operating (expenses) income

Non-operating expenses for the year ended December 31, 2011 amounted to $67.5 million compared a non-operating income of $4.8 million for the nine months ended September 30, 2010. The increase in non-operating expenses for the year ended December 31, 2011 was primarily attributable to the inclusion of a full year of interest expense in 2011 related to the debt issue in connection with the Merger transaction. In addition, other expenses during 2011 were primarily $14.5 million related to one-time costs of the VRP, $2.2 million relating to the refinancing of the senior secured credit facilities in the first quarter of 2011 and a non-recurring, non-cash loss of $1.2 million from the settlement of the derivative related to our acquisition of a 19.99% equity interest in CONTADO in 2011. For the nine months ended September 31, 2010 other income was primarily comprised of a $2.3 million non-recurring gain on the sale of an equity investment.

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Income tax (benefit) expense

(Dollar amounts in thousands)	Successor Year Ended December 31, 2011	Predecessor Nine months ended September 30, 2010
Income tax (benefit) expense	$ (29,227)	$ 23,017

Income tax benefit for the year ended December 31, 2011 was mainly due to a reduction in the marginal corporate income tax rate from 39% to 30%, as a result of the tax reform enacted in Puerto Rico on January 31, 2011, which caused a reduction in the Company s deferred tax liability of $23.8 million. Also, we had a taxable loss of $5.0 million for the year ended December 31, 2011, compared to a taxable income of $60.2 million for the nine months ended September 30, 2010. The taxable loss in 2011 was primarily attributable to the inclusion of full year of interest expense and the costs related to the VRP, while the nine months ended September 30, 2010 does not reflect interest expenses. The interest expense was related to the debt issue in connection with the Merger.

Liquidity and Capital Resources

Liquidity

Our principal source of liquidity is cash generated from operations, while our primary liquidity requirements are the funding of capital expenditures and working capital needs. We also have available a revolving credit facility of $49.3 million as of September 30, 2012, after giving effect to a $0.7 million letter of credit on behalf of ATH Costa Rica, S.A. (ATH CR). In addition, our international operations have credit facilities available of approximately $3.9 million in aggregate.

At September 30, 2012, we have cash of $50.1 million of which $11.6 million is in possession of our subsidiaries located outside of Puerto Rico for purposes of (i) funding the respective subsidiary business current operations and (ii) funding potential future investment outside of Puerto Rico. It is currently the Company s intention to reinvest these funds outside Puerto Rico and the Company s current liquidity requirements would not require the repatriation of these funds for purposes of funding the Company s Puerto Rico operations or debt service obligations. However, if in the future the Company determines that there is no longer a need to maintain such cash within its foreign subsidiaries, it may elect to distribute such cash to the Company in Puerto Rico. Distributions from the Company s foreign subsidiaries to Puerto Rico may be subject to tax withholdings and other tax consequences.

Our primary use of cash is for operating expenses, working capital requirements, capital expenditures and debt service obligations as they become due. Interest expense may increase as a result of the additional debt issued during the second quarter of 2012. Also, we may pay dividends to our stockholders if approved by our Board at its sole discretion and in compliance with EVERTEC, LLC s debt covenants. On May 9, 2012, we made a cash distribution of $269.8 million to our stockholders. For additional information, see Note 6 of the Notes to Unaudited Consolidated Financial Statements.

Under our senior secured credit facilities, EVERTEC, LLC is required to make prepayments from a portion of excess cash flow as a result of increases in the senior secured leverage ratio. We expect that EVERTEC, LLC s senior secured leverage ratio at December 31, 2012 will require EVERTEC, LLC to make a prepayment, which prepayment will be required to be made five business days after the filing of EVERTEC, LLC s audited financial statements for the year ended December 31, 2012. We will not know the final amount of the prepayment required until the completion of EVERTEC, LLC s financial statements for the year ended December 31, 2012. For additional information, see Senior Secured Credit Facilities below.

Based on our current level of operations, we believe our cash flows from operations and available senior secured revolving credit facility will be adequate to meet our liquidity needs for the next twelve months. However, our ability to fund future operating expenses and capital expenditures and our ability to make scheduled payments of interest, to pay principal on or refinance our indebtedness and to satisfy any other of our present or future debt obligations will depend on our future operating performance, which will be affected by general economic, financial and other factors beyond our control.

Comparison of the nine months ended September 30, 2012 and 2011

The following table presents our cash flows from operations for the nine months ended September 30, 2012 and 2011.

(Dollar amounts in thousands)	**Nine months ended September 30, 2012**	**2011**
Cash provided by operating activities	$ 69,103	$ 59,854
Cash used in investing activities	(12,308)	(29,308)
Cash used in financing activities	(62,883)	(26,449)
(Decrease) increase in cash	$ (6,088)	$ 4,907

Cash provided by operating activities for the nine months ended September 30, 2012 increased by $9.2 million when compared to the corresponding period in 2011. Higher cash provided by operating activities in 2012 resulted from an increase in income from operations of $11.2 million and $2.0 million from a premium received from the issuance of additional debt. Cash provided by operating activities for 2011 included a $3.4 million prepayment penalty related to the Company s debt refinancing.

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Cash used in investing activities for the nine months ended September 30, 2012 decreased by $17.0 million when compared to the corresponding 2011 period. In the prior period we acquired an equity interest in CONTADO for $9.2 million and had higher acquisition of intangibles amounting to $6.8 million when compared to the corresponding 2012 period.

Cash used in financing activities for the nine months ended September 30, 2012 consisted of $208.7 million in proceeds from the issuance of additional debt, offset by $2.2 million in debt issuance cost associated with the additional debt and a $269.8 million distribution made to our stockholders. Cash used in financing activities for the nine months ended September 30, 2011 consisted of a repayment of $29.1 million of the senior secured term loan and other liabilities.

Comparison of the year ended December 31, 2011 to the three months ended December 31, 2010 and the nine months ended September 30, 2010 (Predecessor)

The following table presents our cash flows from operations for the year ended December 31, 2011, for the three months ended December 31, 2010 and the nine months ended September 30, 2010.

	Successor		Predecessor
(Dollar amounts in thousands)	Year Ended December 31, 2011	Three months ended December 31, 2010	Nine months ended September 30, 2010
Cash flows from continuing operations			
Cash provided by (used in) operating activities	$ 69,371	$ (16,752)	$ 63,701
Cash (used in) provided by investing activities	(31,747)	(496,598)	16,153
Cash (used in) provided by financing activities	(36,623	539,990	(65,796)
Net increase in cash from continuing operations	1,001	26,640	14,058
Cash provided by discontinued operations			2,478
Increase in cash	$ 1,001	$ 26,640	$ 16,536

Cash provided by operating activities increased during 2011 primarily due to the net effect of increases in collections and prepaid expenses offset by an increase in payments to suppliers and employees.

For the year ended December 31, 2011, cash used in investing activities consisted of $23.4 million driven by the acquisition of intangibles (software), property and equipment and $9.2 million related to our acquisition of a 19.99% equity interest in CONTADO during the first quarter of 2011. Cash used in investing activities for the three months ended December 31, 2010 was the result of the purchase price for EVERTEC, LLC and related intangibles, and the amount used for payment of transaction costs in connection with the Merger.

Cash used in financing activities for the year ended December 31, 2011 consisted primarily of repayments of $29.1 million of the senior secured credit facility, mainly as a result of a voluntary prepayment of $24.7 million made during the second quarter of 2011, and a repurchase of $9.5 million of the notes made during the fourth quarter of 2011. Cash provided by financing activities for the three months ended December 31, 2010 primarily consists of $557.4 million of proceeds from the issuance of new debt related to the Merger, partly offset by $16.5 million of capitalized debt issuance costs, each related to the Merger. Cash used in financing activities for the nine months ended September 30, 2010 primarily consists of dividends paid to Popular in the amount of $55.7 million.

Capital Resources

Our principal capital expenditures are for computer software (purchased and internally developed) and additions to property and equipment. We invested approximately $13.0 million and $18.6 million for the nine months ended September 30, 2012 and 2011, respectively, and $23.4 million and $41.0 million for the years ended December 31, 2011 and 2010, respectively. Capital expenditures are expected to be funded by cash flows from operations and, if necessary, borrowings under the revolving credit facility.

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Financial Obligations

Senior Secured Credit Facilities

In connection with the Merger, on September 30, 2010 EVERTEC, LLC entered into senior secured credit facilities consisting of (1) a $355.0 million six-year term loan facility and (2) a $50.0 million five-year revolving credit facility. The term loan facility was subject to quarterly amortization payments totaling 1% per annum of the original principal amount of the facility, with the balance payable on the final maturity date. As a result of a voluntary repayment made on May 4, 2011, EVERTEC, LLC has no scheduled quarterly amortization payment obligation until the final lump-sum payment at the maturity date. However, the senior secured credit agreement contains certain provisions that may require prepayments as a result of increases in the senior secured leverage ratio. At September 30, 2012, the senior secured leverage ratio was 2.82. If the senior secured leverage ratio at year end is equal to or greater than 2.50x, a 50% prepayment of the excess cash flow generated must be made. If the senior secured leverage ratio is less than or equal to 2.50x and greater than 2.00x, a 25% prepayment of the excess cash flow is required. If the senior secured leverage ratio is less than or equal to 2.00x no prepayments are necessary.

The senior secured credit facilities allow EVERTEC, LLC to obtain, on an uncommitted basis at the sole discretion of participating lenders, an incremental amount of term loan and/or revolving credit facility commitments not to exceed the maximum principal amount of debt that would not cause EVERTEC, LLC s senior secured leverage ratio to exceed 3.25 to 1.00.

The senior secured revolving credit facility is available for general corporate purposes and includes borrowing capacity available for letters of credit and for short-term borrowings referred to as swing line borrowings. All obligations under the senior secured credit facilities are unconditionally guaranteed by Holdings and, subject to certain exceptions, each of EVERTEC, LLC s existing and future wholly-owned subsidiaries. All obligations under the senior secured credit facilities, and the guarantees of those obligations, are secured by substantially all of EVERTEC, LLC s assets and the assets of the guarantors, subject to certain exceptions. Borrowings under the senior secured term loan facility and the revolving credit facility bear interest, at our option, at a rate equal to a margin over either (a) a base rate as defined in the credit agreement or (b) a LIBOR rate.

On March 3, 2011, these senior secured credit facilities were amended to, among other things, reduce the interest rate margins payable on the term loan and revolving loan borrowings, decrease the applicable LIBOR and alternate base rate floors, and increase the amount available for future borrowings under the uncommitted incremental facility. The amendment also modified certain restrictive covenants to provide us generally with additional flexibility. The amendment did not modify the term or the size of the existing credit facilities.

On April 7, 2011, EVERTEC, LLC repaid $1.7 million of borrowings under the term loan using the cash received from Popular in connection with the acquisition of CONTADO as required under the terms of the senior secured credit facilities. In addition, on May 4, 2011, EVERTEC, LLC made a voluntary prepayment of $24.7 million on the term loan. There was no penalty associated with these prepayments.

On May 9, 2012, EVERTEC, LLC entered into an amendment to the agreement governing the senior secured credit facilities to allow, among other things, a restricted payment in an amount not to exceed $270.0 million and certain adjustments to the financial covenant therein. In addition, we borrowed an additional $170.0 million under a secured incremental term loan. As of September 30, 2012, the outstanding balance under the senior secured credit facilities amounted to $483.2 million.

Senior Notes

In connection with the Merger on September 30, 2010, EVERTEC, LLC issued $220.0 million of unsecured 11% senior notes due 2018. EVERTEC, LLC s existing wholly-owned subsidiaries that guarantee its obligations under the senior secured credit facilities also guarantee the notes. The notes bear interest at a fixed rate of 11.0% per annum and mature on October 1, 2018. The notes are not subject to any mandatory or sinking fund payments. However, under certain circumstances related to change of control or asset sales (each as defined in the indenture governing the notes), EVERTEC, LLC may be required to offer to purchase notes.

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On May 7, 2012, EVERTEC, LLC and EVERTEC Finance Corp., as co-issuers, issued $40.0 million aggregate principal amount of 11% senior notes due 2018. These notes constituted Additional Notes under the indenture pursuant to which the notes were originally issued on September 30, 2010. In addition, we obtained a consent from the holders of the notes as of the record date of April 27, 2012 to amend the limitation on restricted payments covenant in the indenture in order to allow additional dividend or distribution payments by EVERTEC, LLC in an aggregate amount not to exceed $270.0 million. See Note 25 of the Notes to Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements for additional information. As of September 30, 2012, the principal outstanding balance of the notes was $250.5 million.

Covenant Compliance

The senior secured credit facilities and the indenture governing the notes contain various restrictive covenants. The senior secured credit facilities require EVERTEC, LLC to maintain on a quarterly basis a specified maximum senior secured leverage ratio. The senior secured leverage ratio as defined in its credit facility (total first lien senior secured debt minus available cash, up to a maximum of $50.0 million, as defined, to Adjusted EBITDA) must be less than 3.85 to 1.0 at September 30, 2012. In addition, the senior secured credit facilities, among other things, restrict EVERTEC, LLC s ability to incur indebtedness or liens, make investments, declare or pay any dividends to our parent and prepay indebtedness that is junior to such debt. The indenture, among other things: (a) limits EVERTEC, LLC s ability and the ability of its subsidiaries to incur additional indebtedness, issue certain preferred shares, incur liens, pay dividends or make certain other restricted payments and enter into certain transactions with affiliates; (b) limits EVERTEC, LLC s ability to enter into agreements that would restrict the ability of its subsidiaries to pay dividends or make certain payments to its parent company; and (c) places restrictions on EVERTEC, LLC s ability and the ability of its subsidiaries to merge or consolidate with any other person or sell, assign, transfer, convey or otherwise dispose of all or substantially all of our assets. However, all of the covenants in these agreements are subject to significant exceptions. As of September 30, 2012, the senior secured leverage ratio was 2.82 to 1.0.

EVERTEC, LLC has the ability to incur additional debt, subject to limitations imposed by the senior secured credit facilities and the indenture governing the notes. Under the indenture, in addition to specified permitted indebtedness, we will be able to incur additional indebtedness as long as on a pro forma basis our fixed charge coverage ratio (the ratio of Adjusted EBITDA to fixed charges, as defined) is at least 2.0 to 1.0. In this prospectus, we refer to the term Adjusted EBITDA to mean EBITDA as so defined and calculated for purposes of determining compliance with the senior secured leverage ratio based on the financial information for the last twelve months at the end of each quarter.

Net Income Reconciliation to EBITDA, Adjusted EBITDA and Adjusted Net Income

We define EBITDA as earnings before interest, taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA as further adjusted to exclude unusual items and other adjustments described below. We define Adjusted Net Income as net income as adjusted to exclude unusual items and other adjustments described below.

We present EBITDA and Adjusted EBITDA because we consider them important supplemental measures of our performance and believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. In addition, our presentation of Adjusted EBITDA is consistent with the equivalent measurements that are contained in the senior secured credit facilities and the indenture governing the notes in testing EVERTEC, LLC s compliance with covenants therein such as the senior secured leverage ratio and the fixed charge coverage ratio. We use Adjusted Net Income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash taxes paid rather than our tax expense as calculated under GAAP and excludes the impact of the non-cash amortization and depreciation that was created as a result of the Merger. In addition, in evaluating EBITDA, Adjusted EBITDA and Adjusted Net Income, you should be aware that in the future we may incur expenses such as those excluded in calculating them. Further, our presentation of these measures should not be construed as an inference that our future operating results will not be affected by unusual or nonrecurring items.

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Some of the limitations of EBITDA, Adjusted EBITDA and Adjusted Net Income are as follows:

- they do not reflect cash outlays for capital expenditures or future contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements;
- in the case of EBITDA and Adjusted EBITDA, they do not reflect interest expense, or the cash requirements necessary to service interest, or principal payments, on indebtedness;
- in the case of EBITDA and Adjusted EBITDA, they do not reflect income tax expense or the cash necessary to pay income taxes; and
- other companies, including other companies in our industry, may not use EBITDA, Adjusted EBITDA and Adjusted Net Income or may calculate EBITDA, Adjusted EBITDA and Adjusted Net Income differently than as presented in this prospectus, limiting their usefulness as a comparative measure.

EBITDA, Adjusted EBITDA and Adjusted Net Income are not measurements of liquidity or financial performance under GAAP. You should not consider EBITDA, Adjusted EBITDA and Adjusted Net Income as alternatives to cash flows from operating activities or any other performance measures determined in accordance with GAAP, as an indicator of cash flows, as a measure of liquidity or as an alternative to operating or net income determined in accordance with GAAP.

A reconciliation of net income to EBITDA Adjusted EBITDA and Adjusted Net Income is provided below.

(Dollar amounts in thousands)	**Year ended December 31, 2011**	**Nine months ended September 30, 2011**	**Nine months ended September 30, 2012**	**Twelve months ended September 30, 2012**
Net income from continuing operations	$ 24,214	$ 19,373	$ 3,777	$ 8,618
Income tax (benefit) expense	(29,227)	(30,845)	1,501	3,119
Interest expense, net	50,160	38,605	38,977	50,532
Depreciation and amortization	69,891	51,977	53,517	71,431
EBITDA	115,038	79,110	97,772	133,700
Stand-alone cost savings (a)	2,570	1,850	1,922	2,642
Equity income (b)	635	53	625	1,207
Compensation and benefits (c)	15,970	15,362	3,480	4,088
Pro forma VRP benefits (d)	4,751	4,751		
Transition fees (e)	3,957	3,625	2,525	2,857
Refinancing and new debt issuance costs (f)	2,422	2,209	8,758	8,971
Management fees (g)	2,532	1,896	2,237	2,873
Purchase accounting (h)	(393)	(1,413)	(652)	368
Other (i)	1,636	1,466	788	958

Adjusted EBITDA	$ 149,118	$ 108,909	$ 117,455	$ 157,664
Pro forma EBITDA adjustments (j)	(4,755)	(4,741)		(14)
Operating depreciation and amortization (k)	(28,935)	(21,274)	(23,386)	(31,047)
Cash interest income (expense) (l)	(42,165)	(32,136)	(35,236)	(45,265)
Cash income taxes (m)	(1,638)	(1,556)	(2,130)	(2,212)
Adjusted Net Income	$ 71,625	$ 49,202	$ 56,703	$ 79,126

(a) For the year ended December 31, 2011, the nine months ended September 30, 2011 and 2012, and the twelve months ended September 30, 2012, primarily represents reimbursements received for certain software maintenance expenses as part of the Merger.

(b) Represents CONTADO s non-cash equity income and cash dividends. See Certain Relationships and Related Party Transactions Related Party Transactions after the Closing of the Merger CONTADO and Serfinsa. Includes cash dividends from CONTADO of $1.5 million and $0.7 million for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively, offset by CONTADO s non-cash equity income of $0.8 million and $0.1 million for the year ended December 31, 2011 and the nine months ended September 30, 2012, respectively.

(c) For the nine months ended September 30, 2012 mainly represents a one-time payment of $2.2 million as a result of the former CEO s employment modification agreement. For the twelve months ended September 30, 2012 and 2011 periods mainly represents one-time costs related to the VRP and other adjustments related to non-cash equity based compensation.

(d) Adjustment represents the pro forma effect of the expected net savings in compensation and benefits related to employees that participated in the VRP offered by EVERTEC, LLC during the third quarter of 2011. The pro forma was calculated using the actual payroll, benefit and bonus details of the employees participating in the VRP for the 12 month period prior to their termination.

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(e) Primarily relates to professional fees to support additional requirements of a stand-alone entity.
(f) Represents costs relating to the refinancing of the senior secured credit facilities, the issuance of additional notes in the second quarter of 2012 and costs associated with the distribution made to our stockholders also in the second quarter of 2012.
(g) Represents the management fee payable to the equity sponsors. See Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger Consulting Agreements.
(h) Primarily represents the elimination of the effects of purchase accounting in connection with certain customer service and software related arrangements where EVERTEC, LLC receives reimbursements from Popular.
(i) Primarily relates to salaries and benefits cost savings on positions vacated in 2009 and not replaced, non-recurring additional property taxes assessed by the government in 2010 and certain non-cash and other adjustments permitted under the senior secured credit facilities and the indenture governing the notes.
(j) Represents the elimination of EBITDA adjustments to reflect the pro forma benefit related to headcount reductions in 2010, post merger stand-alone cost savings and the VRP described in notes (a), (d) and (e) above.
(k) Represents operating depreciation and amortization expense which excludes amounts generated as a result of the Merger.
(l) Represents interest expense adjusted to exclude non-cash amortization of the debt issue cost and accretion of discount and premium.
(m) Represents cash taxes paid for each period presented.

Contractual Obligations

The Company s contractual obligations as of December 31, 2011 are as follows:

		Payment due by periods			
(Dollar amounts in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Long term debt[(1)(2)]	$ 779,504	$ 40,546	$ 80,812	$ 401,336	$ 256,810
Operating Leases[(3)]	15,166	4,851	8,678	1,544	93
Total	$ 794,670	$ 45,397	$ 89,490	$ 402,880	$ 256,903

(1) Long-term debt includes the payments of cash interest (based on interest rates as of December 31, 2011 for variable rate debt) and aggregate principal amount of the senior secured term loan facility and the notes, as well as commitments fees related to the unused portion of the senior secured revolving credit facility, as required under the terms of the long-term debt agreements.
(2) On March 3, 2011, EVERTEC, LLC entered into a credit agreement amendment concerning the senior secured credit facilities to, among other things, reduce the interest rate payable on loans under the senior secured credit facilities. On April 7, 2011, EVERTEC, LLC repaid $1.7 million of the senior secured term loan using the cash received from Popular in connection with the acquisition of CONTADO as required under the terms of the senior secured credit facilities. In addition, on May 4, 2011, EVERTEC, LLC made a voluntary prepayment of $24.7 million on the senior secured term loan. There was no prepayment penalty. See Note 11 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements for additional information.
(3) Includes certain facilities and equipment under operating leases. See Note 23 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements for additional information regarding operating lease obligations.

Except as described under Financial Obligations above, our contractual obligations have not changed materially from those at December 31, 2011.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP. In connection with the preparation of our financial statements, we are required to make estimates and assumptions about future events, and apply judgments that affect the reported amounts of certain assets and liabilities, and in some instances, the reported amounts of revenues and expenses during the period.

We base our assumptions, estimates, and judgments on historical experience, current events and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. However, because future events are inherently uncertain and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. A summary of significant accounting policies is included in Note 1 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus. We believe that the following accounting estimates are the most critical and they require our most difficult, subjective or complex judgments, resulting for the need to make estimates about this effect of matters that are inherently uncertain.

Revenue and expense recognition

The majority of our revenues are comprised of transaction-based fees. Typically transaction-based fees consist of a fee per transaction processed, a percentage of dollar volume processed or a fee per account on file, or some combination thereof.

Revenues from merchant contracts are primarily comprised of fees charged to the merchants based on transaction volumes. Merchant acquiring revenues are presented net of interchange and assessments charged by the credit and debit card associations and recognized at the time of the sale.

Revenues in our payment processing segment are primarily comprised of fees per transaction processed or per account on file, or a combination of both, and are recognized at the time services are rendered.

In our business solutions segment, rental and maintenance service revenue is recognized monthly over the corresponding contractual periods. Revenue is allocated to separate units of accounting in a multiple element transaction based on relative selling price, provided each element has stand-alone value to the customer and delivery of any undelivered items is probable and within the Company s control. In addition, we are a reseller of hardware and software and these are generally one time transactions. Revenues from sales of hardware or software are recognized once the following four criteria are met: (i) evidence of an agreement exists, (ii) delivery and acceptance has occurred or services have been rendered, (iii) the selling price is fixed or determinable, and (iv) collection of the selling price is reasonably assured.

Revenue from contracts to create data processing centers or software that requires significant modifications or customization and the related costs are recognized as project phases are completed and accepted. Project expenses are deferred and recognized when the related income is earned.

Software and maintenance contracts

Software and maintenance contracts are recorded at cost. Amortization of software and maintenance contracts is computed using the straight-line method and expensed over their estimated useful lives which range from one to five years. Amortization of software packages is included in depreciation and amortization in the consolidated and combined statements of income.

The Company develops software that is used in providing processing services to customers. Capitalized software includes purchased software and capitalized application of internally-developed software. Capitalization of internally developed software occurs only after the preliminary project stage is complete and management estimation that the likelihood of successful development and implementation reaches a provable level. Tasks that are generally capitalized are as follows: (a) system design of a chosen path including software configuration and software interfaces; (b) employee costs directly associated with the internal-use computer software project; (c) software development (coding) and software and system testing and verification; (d) system installation; and (e) enhancements that add function and are considered permanent.

Goodwill and other intangible assets

Goodwill represents the excess of the purchase price and related costs over the value assigned to net assets acquired. Goodwill is not amortized, but is tested for impairment at least annually using a two-step process at each reporting unit level. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered impaired and the second step of the impairment test is unnecessary. If needed, the second step consists of comparing the implied fair value of the reporting unit with the carrying amount of that goodwill. In determining the fair value of a reporting unit, which is based on the nature of the business and reporting unit s current and expected financial performance, we use a combination of methods, including the income and the market approach. We evaluate the results obtained under each valuation methodology to identify and understand the key value drivers in order to ascertain that the results obtained are reasonable and appropriate under the circumstances.

The income approach is predicated upon the value of the future cash flows that an asset will generate. The process involves a projection of the cash flows that the assets is expected to generate. This requires an analysis of financial information and discussions with marketing, operations, and financial personnel to develop the future income stream attributable to the asset. The next step involves converting these cash flows into a present value equivalent through discounting, using a rate of return, which incorporates for the relevant risk associated with the asset and the time value of money. Under the income approach, we relied on the Discounted Cash Flow method.

Under the market approach, the fair value of an asset reflects the price at which comparable assets are purchased under similar circumstances. Use of the market approach requires that comparable transactions be available, which may include:

the recent sales price of the same or similar asset in an arm s-length transaction; or

the market price for the license of the same or similar asset to an independent third party.

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A major attraction of the market approach is its simple application when a truly comparable transaction is available. This situation is most commonly found when the acquired asset is widely marketed to third parties. Under these circumstances, the market approach represents the most appropriate approach for determining the fair value of the asset. The primary limitation associated with the market approach is the availability of comparable transactions occurring within a time frame close to the valuation date. Under the market approach, we relied on the Guideline Public Company method.

The computations require management to make estimates and assumptions. Critical assumptions that are used as part of these evaluations include:

- a selection of comparable publicly traded companies, operating in the same industry, location and size;
- the discount rate applied to future earnings, based on an estimate weighted average cost of capital;
- the projected financials for each of the reporting units; and
- the market growth and new business assumptions.

Trademarks which existed prior to the Merger were deemed to have an indefinite life and were not amortized but tested for impairment using a one-step process which compares the fair value with the carrying amount of the asset. The valuation of the trademarks was performed using a valuation approach called the relief-from-royalty method. The basis of the relief-from-royalty method is that, by virtue of having ownership of the trademarks and trade names, the entity is relieved from having to pay a royalty, usually expressed as a percentage of revenue for the use of trademark and trade names. The main estimates involved in the valuation of this intangible asset include the determination of an appropriate royalty rate; the revenue projections that are attributable to the use of the intangible, and the discount rate applied to the projected revenues to arrive at the present value of the intangible. In determining that trademarks have an indefinite life, certain variables were considered, including expected cash inflows and legal, regulatory, contractual, competitive, economic, and other factors, which could limit the intangible asset s useful life.

Other identifiable intangible assets with a definitive useful life are amortized using the straight-line method. These intangibles are evaluated periodically for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Allowance for doubtful accounts

An allowance for doubtful accounts is provided based on the estimated uncollectible amounts of the receivables. The estimate is primarily based on a review of the current status of specific accounts receivable. Receivables are considered past due if full payment is not received by the contractual date. Past due accounts are generally written off against the allowance for doubtful accounts only after all collection attempts have been exhausted.

Share-based compensation

On September 30, 2010, the Holdings board of directors adopted the Carib Holdings, Inc. 2010 Equity Incentive Plan (the Equity Incentive Plan) to grant stock options, rights to purchase shares, restricted stock units and other stock-based rights to employees, directors, consultants and advisors of the Company. The Company expenses employee stock-based payments under the fair value method. ASC 718, Compensation-Stock Compensation, which requires compensation cost for the fair value of stock-based payments at the date they are granted to be recognized over the requisite service period. The Company estimates the fair value of stock-based awards, on a contemporaneous basis, at the date they are granted using the Black-Sholes-Merton option pricing model for Tranche A options and the Monte Carlo simulation analysis for Tranche B and Tranche C options using the following assumptions: (1) stock price; (2) risk-free rate; (3) expected volatility; (4) expected annual dividend yield and (5) expected term. The risk-free rate is based on the U.S. Constant Maturities Treasury Interest Rate as of the grant date. The expected volatility is based on a combination of historical volatility and implied volatility from publicly traded companies in our industry. The expected annual dividend yield is based on management s expectations of future dividends as of the grant date. The expected term is based on the vesting time of the options.

The fair value of the common stock underlying stock-based awards is determined by the Company s board of directors using an internal valuation. The board of directors intends all awards to be exercisable at a price per share equal to the per share fair value of the Company s common stock on the date of the grant. In the absence of a public trading market, management estimates the fair value of the Company s common stock based on the financial performance of the Company measured using Adjusted EBITDA, calculated using the most recent quarterly information, and an acquisition multiple that management believes is representative of the implied market value for the Company.

See Note 16 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus for details regarding the Company s share-based compensation.

Income tax

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of earnings in the period that includes the enactment date. We recognize the effect of income tax positions only if those positions are more likely than not to be sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. A deferred tax valuation allowance is established if it is considered more likely than not that all or a portion of the deferred tax asset will not be realized.

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All companies within EVERTEC are legal entities which file separate income tax returns. Notwithstanding, a proportionate share of Banco Popular s income tax expense based upon reportable taxable income using the statutory tax rates in Puerto Rico related to the merchant acquiring business and Ticketpop business has been recorded in the EVERTEC Business Group s combined financial statements that include the nine months ended September 30, 2010 as required under the separate return method to allocate the intercorporate tax for a carve-out. That allocation is not included in the Company s income tax returns. No temporary differences that give rise to any deferred tax asset or liability resulted as part of this allocation.

JOBS Act

We qualify as an emerging growth company, as such term is defined in the JOBS Act, which was signed into law on April 5, 2012. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies. However, we are choosing to opt out of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Our decision to opt out of the extended transition period is irrevocable.

The JOBS Act also contains provisions that, among other things, reduce certain reporting requirements for emerging growth companies. We are in the process of evaluating the benefits of relying on these reduced reporting requirements.

Off Balance Sheet Arrangements

Currently, we do not have any off balance sheet arrangements.

Debt Repurchases

We have in the past purchased and we or our affiliates in the future may, from time to time, purchase the notes. Any such future purchase may be made through open market or privately negotiated transactions with third parties (who may be our affiliates) or pursuant to one or more tender or exchange offers or otherwise, upon such terms and at such prices as we or any such affiliates may determine. See Note 11 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements and Note 6 of the Notes to Unaudited Consolidated Financial Statements appearing elsewhere in this prospectus for additional information regarding our past purchases of notes.

Seasonality

EVERTEC s business generally experiences increased activity during the traditional holiday shopping periods and around other nationally recognized holidays.

Effect of Inflation

While inflationary increases in certain inputs costs, such as occupancy, labor and benefits, and general administrative costs, have an impact on our operating results, inflation has had minimal net impact on our operating results during the last three years, except for our operation in Venezuela which was not acquired as part of the Merger, as overall inflation has been offset by increased selling process and cost reduction actions. We cannot assure you, however, that we will not be affected by general inflation in the future.

Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks arising from our normal business activities. These market risks principally involve the possibility of change in interest rates that will adversely affect the value of our financial assets and liabilities or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

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Interest rate risk

We issued fixed and floating-rate debt which is subject to the fluctuations in interest rates in respect of our floating-rate debt. Borrowings under the senior secured credit facilities accrue interest at variable rates but are subject to floors or minimum rates. A 100 basis points increase in the applicable margins over our floor(s) on our debt balances outstanding as of September 30, 2012, under the senior secured credit facilities would increase our annual interest expense by approximately $5.0 million.

Foreign exchange risk

We conduct business in certain countries in Latin America. Some of this business is conducted in the countries local currencies. The resulting foreign currency translation adjustments, from operations for which the functional currency is other than the U.S. dollar, are reported in accumulated other comprehensive income (loss) in the consolidated balance sheet, except for highly inflationary environments in which the effects would be included in other operating income in the consolidated statements of income and comprehensive income. At September 30, 2012, the Company had $1.2 million in a favorable foreign currency translation adjustment as part of accumulated other comprehensive income compared to an unfavorable foreign currency translation adjustment of $1.3 million at December 31, 2011.

BUSINESS

Company Overview

EVERTEC is the leading full-service transaction processing business in Latin America and the Caribbean. We are based in Puerto Rico and provide a broad range of merchant acquiring, payment processing and business process management services across 19 countries in the region. We process over 1.2 billion transactions annually, and manage the electronic payment network for over 4,900 automated teller machines (ATM) and over 107,000 point-of-sale (POS) payment terminals. According to the July 2012 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and the sixth largest in Latin America based on total number of transactions. We own and operate the ATH network, one of the leading ATM and personal identification number (PIN) debit networks in Latin America. In addition, we provide a comprehensive suite of software and services for core bank processing, cash processing and technology outsourcing in the regions we serve. We serve a broad and diversified customer base of leading financial institutions, merchants, corporations and government agencies with mission critical technology solutions that are essential to their operations, enabling them to issue, process and accept transactions securely, and we believe that our business is well positioned to continue to expand across the fast growing Latin American region.

We are differentiated, in part, by our diversified business model, which enables us to provide our varied customer base with a broad range of transaction processing services from a single source across numerous channels and geographic markets. We believe this single source capability provides several competitive advantages which will enable us to continue to penetrate our existing customer base with new, complementary services, win new customers, develop new sales channels and enter new markets. We believe these competitive advantages include:

- Our ability to package and provide a range of services across our customers business that often need to be sourced from different vendors;
- Our ability to serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to manage their business as one enterprise; and
- Our ability to capture and analyze data across the transaction processing value chain to provide value-added services that are differentiated from those offered by pure play vendors that only have the technology, capabilities and products to serve one portion of the transaction processing value chain (such as only merchant acquiring or payment processing).

Our broad suite of services span the entire transaction processing value chain and include a range of front-end customer facing solutions as well as back-end support services. These include: (i) merchant acquiring services, which enable POS and e-commerce merchants to accept and process electronic methods of payment such as debit, credit, prepaid and electronic benefits transfer (EBT) cards; (ii) payment processing services, which enable financial institutions and other issuers to manage, support and facilitate the processing for credit, debit, prepaid, ATM and EBT card programs; and (iii) business process management solutions, which provide mission critical technology solutions such as core bank processing, as well as information technology (IT) outsourcing and cash management services to financial institutions, enterprises and governments. We provide these services through a highly scalable, end-to-end technology platform that we manage and operate in-house. Our end-to-end technology platform includes solutions that encompass the entire transaction processing value chain. This enables us to provide front-end processing services, such as the electronic capture and authorization of transactions at the point-of-sale, and back-end services, such as the clearing and settlement of transactions and account reconciliation for card issuers. Our platform provides us with the broad range of capabilities, flexibility and operating leverage that enable us to innovate and develop new services, differentiate ourselves in the marketplace and generate significant operating efficiencies to continue to maximize profitability.

We sell and distribute our services primarily through a proprietary direct sales force with strong customer relationships. We are also increasingly building a variety of indirect sales channels which enable us to leverage the distribution capabilities of partners in adjacent markets, including value-added resellers, joint ventures and merchant acquiring alliances. Given our breadth across the transaction processing value chain, our customer base is highly diversified by size, type and geographic footprint.

We benefit from an attractive business model, which is characterized by recurring revenue, significant operating margins and low capital expenditure requirements. Our revenue is recurring in nature because of the mission-critical and embedded nature of the services we provide, the high switching costs associated with these services and the multi-year contracts we negotiate with our customers. Our scalable business model creates significant operating efficiencies. In addition, our business model enables us to continue to grow our business organically without significant additional capital expenditures.

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We generate revenues based primarily on transaction fees paid by our merchants and financial institutions in our Merchant Acquiring and Payment Processing segments and on transaction fees or fees based on number of accounts on file in our Business Solutions segment. Our total revenues increased from $276.3 million for the year ended December 31, 2009 to $321.1 million for the year ended December 31, 2011, representing a compound annual growth rate (CAGR) of 7.8%. Our Adjusted EBITDA (as defined in Note 2 to Summary Summary Historical Consolidated and Combined Financial Data) increased from $117.6 million for the year ended December 31, 2009 to $149.1 million for the year ended December 31, 2011, representing a CAGR of 12.6%. Our Adjusted Net Income (as defined in Note 2 to Summary Summary Historical Consolidated and Combined Financial Data) increased from $58.2 million for the year ended December 31, 2009 to $71.6 million for the year ended December 31, 2011, representing a CAGR of 10.9%.

History and Separation from Popular

We have a 25 year operating history in the transaction processing industry. Prior to the Merger on September 30, 2010, EVERTEC, LLC was 100% owned by Popular, Inc. (Popular), the largest financial institution in the Caribbean, and operated substantially as an independent entity within Popular. In September 2010, Apollo Global Management, LLC, a leading private equity investor, acquired a 51% interest in EVERTEC and shortly thereafter, we began the transition to a separate, stand-alone entity. As a stand-alone company, we have made substantial investments in our technology and infrastructure, recruited various senior executives with significant transaction processing experience in Latin America, enhanced our profitability through targeted productivity and cost savings actions and broadened our footprint beyond the markets historically served.

We continue to benefit from our relationship with Popular. Popular is our largest customer, acts as one of our largest merchant referral partners and sponsors us with the card associations (such as Visa or MasterCard), enabling merchants to accept these card associations credit card transactions. Popular also provides merchant sponsorship as one of the participants of the ATH network, enabling merchants to connect to the ATH network and accept ATH debit card transactions. We provide a number of critical products and services to Popular, which are governed by a 15-year Amended and Restated Master Services Agreement (the Master Services Agreement) that runs through 2025. For more information on the Master Services Agreement and other related party agreements, see Certain Relationships and Related Party Transactions Related Party Transactions in Connection with the Closing of the Merger.

Industry Trends

Shift to Electronic Payments

The ongoing migration from cash, check and other paper methods of payment to electronic payments continues to benefit the transaction processing industry globally. This migration is driven by factors including customer convenience, marketing efforts by financial institutions, card issuer rewards and the development of new forms of payment. We believe that the penetration of electronic payments in the markets where we principally operate is significantly lower relative to more mature U.S. and European markets and that this ongoing shift will continue to generate substantial growth opportunities for our business.

Fast Growing Latin American and Caribbean Financial Services and Payments Markets

Currently, the adoption of banking products, including electronic payments, in the Latin American and Caribbean region is lower relative to the mature U.S. and European markets. As these markets continue to evolve and grow, the emergence of a larger and more sophisticated consumer base will influence and drive an increase in card and electronic payments usage. According to the November 2011 and May 2012 Nilson Reports, the Latin American payments market is projected to continue to grow at a CAGR of 23.0% through 2015 (as illustrated in the chart below) and represents the second fastest growing market in the world.

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We believe that the attractive characteristics of our markets and our leadership positions across multiple services and sectors will continue to drive growth and profitability in our businesses.

Ongoing Technology Outsourcing Trends

Financial institutions globally are facing significant challenges including the entrance of non-traditional competitors, the compression of margins on traditional products, significant channel proliferation and increasing regulation that could potentially curb profitability. Many of these institutions have traditionally fulfilled their IT needs through legacy computer systems, operated by the institution itself. Legacy systems are generally highly proprietary, inflexible and costly to operate and maintain and we believe the trend to outsource in-house technology systems and processes by financial institutions will continue. According to estimates published by Gartner Dataquest Market Statistics in January 2013, the banking and securities sector in Latin America is forecasted to have $29 billion of annual IT expenditures by 2016. We believe our ability to provide integrated, open, flexible, customer-centric and efficient IT products and services cater to the evolving needs of our customers, particularly for small- and mid-sized financial institutions in the Latin American markets in which we operate.

Industry Innovation

The electronic payments industry experiences ongoing technology innovation. Emerging payment technologies such as prepaid cards, contactless payments, payroll cards, mobile commerce, online wallets and innovative POS devices facilitate the continued shift away from cash, check and other paper methods of payment. According to the 2012 World Payments Report, the number of online payments for e-commerce activities and number of payments using mobile devices are projected to grow at compound annual growth rates of 20.0% and 52.7%, respectively from 2009 to 2013. The increasing demand for new and flexible payment options catering to a wider range of consumer segments is driving growth in the electronic payment processing sector.

Our Competitive Strengths

Market Leadership in Latin America and the Caribbean

We believe we have an inherent competitive advantage relative to U.S. competitors based on our ability to locally leverage our infrastructure, as well as our first-hand knowledge of the Latin American and Caribbean markets, language and culture. We have built leadership positions across the transaction processing value chain in the geographic markets that we serve, which we believe will enable us to continue to penetrate our core markets and provide advantages to enter new markets. According to the July 2012 Nilson Report, we are the sixth largest merchant acquirer in Latin America and the largest in the Caribbean and Central America based on total number of transactions. We own and operate the ATH network, one of the leading ATM and PIN debit networks in Latin America. The ATH network processed over 625 million transactions in 2011, which according to management estimates, makes ATH branded products the most frequently used electronic method of payment in Puerto Rico, exceeding the total transaction volume of Visa, MasterCard, American Express and Discover, combined. Given our scale and customer base of top tier financial institutions and government entities, we believe we are the leading card issuer and core bank processor in the Caribbean and the only non-bank provider of cash processing services to the U.S. Federal Reserve in the Caribbean. We believe our competitive position and strong brand recognition increases card acceptance, driving usage of our proprietary network, and presents opportunities for future strategic relationships.

Diversified Business Model Across the Transaction Processing Value Chain

Our leadership position in the region is driven in part by our diversified business model which provides the full range of merchant acquiring, payment processing and business solutions services to financial institutions, merchants, corporations and government agencies across different geographies. We offer end-to-end technology solutions through a single provider and we have the ability to tailor and customize the features and functionality of all our products and services to the specific requirements of our customers in various industries and across geographic markets. We believe the breadth of our offerings enables us to penetrate our customer base from a variety of perspectives and positions us favorably to cross-sell our other offerings over time. For example, we may host a client s electronic cash register software (part of the Business Solutions segment), acquire transactions that originate at that electronic cash register (part of the Merchant Acquiring segment), route the transaction through the ATH network (part of the Payment Processing segment), and finally settle the transaction between the client and the issuer bank (part of the Payment Processing segment). In addition, we can serve customers with disparate operations in several geographies with a single integrated technology solution that enables them to access one processing platform and manage their business as one enterprise. We believe these services are becoming increasingly complementary and integrated as our customers seek to capture, analyze and monetize the vast amounts of data that they process across their enterprises. As a result, we are able to capture significant value across the transaction processing value chain and believe that this combination of attributes represents a differentiated value proposition vis-à-vis our competitors who have a limited product and service offering.

Broad and Deep Customer Relationships and Recurring Revenue Business Model

We have built a strong and long-standing portfolio of top tier financial institution, merchant, corporate and government customers across Latin America and the Caribbean, which provide us with a reliable, recurring revenue base and powerful references that have helped us expand into new channels and geographic markets. Customers representing approximately 99% of our 2010 revenue continued to be customers in 2011, due to the mission-critical and embedded nature of the services provided and the high switching costs associated with these services. Our Payment Processing and Merchant Acquiring segments, as well as certain business lines representing the majority of our Business Solutions segment, generate recurring revenues that collectively accounted for approximately 85% of our total revenues in 2011. We receive recurring revenues from services based on our customers on-going daily commercial activity such as processing loans, hosting accounts and information on our servers, and processing everyday payments at grocery stores, gas stations and similar establishments. We generally provide these services under one to five year contracts, often with automatic renewals. We also provide a few project-based services that generate non-recurring revenues in our Business Solutions segment such as IT consulting for a specific project or integration. Additionally, we entered into an exclusive 15-year Master Services Agreement with Popular on September 30, 2010. We provide a number of critical payment processing and business solutions products and services to Popular and benefit from the bank s distribution network and continued support. Through our long-standing and diverse customer relationships, we are able to gain valuable insight into trends in the marketplace that allows us to identify new market opportunities. In addition, we believe the recurring nature of our business model provides us with significant revenue and earnings stability.

Highly Scalable, End-to-End Technology Platform

Our diversified business model is supported by our highly scalable, end-to-end technology platform which allows us to provide a full range of transaction processing services and develop and deploy a broad suite of technology solutions to our customers at low incremental costs and increasing operating efficiencies. We have spent over $135 million over the last five years on technology investments to continue to build the capacity and functionality of our platform and we have been able to achieve attractive economies of scale with flexible product development capabilities. We have a proven ability to seamlessly leverage our existing platforms to develop new products and services and expand in new markets. We believe that our platform will increasingly allow us to provide differentiated services to our customers and facilitate further expansion into new sales channels and geographic markets.

Experienced Management Team with a Strong Track Record of Execution

We have grown our revenue organically by introducing new products and services and expanding our geographic footprint throughout Latin America. We have a proven track record of creating value from operational and technology improvements and capitalizing on cross-selling opportunities. We have combined new leadership at EVERTEC, bringing many years of industry experience, with long-standing leadership at the operating business level. In 2012, Peter Harrington, former President of Latin America and Canada for First Data Corporation, joined our management team as our President and Chief Executive Officer. Also, in 2012, Philip Steurer, former Senior Vice President of Latin America for First Data Corporation, joined our management team as our Chief Operating Officer. Mr. Harrington and Mr. Steurer both have extensive experience managing and growing transaction

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processing businesses in Latin America as well as North America, Asia and Europe. In addition, we successfully executed our separation from Popular, transitioning EVERTEC from a division of a larger company to a stand-alone entity with public company best practices. Instrumental to this transition was our Chief Financial Officer Juan J. Roman, former CFO of Triple-S Management, a publicly listed insurance company. Collectively our management team benefits from an average of over 20 years of industry experience and we believe they are well positioned to continue to drive growth across business lines and regions.

Our Growth Strategy

We intend to grow our business by continuing to execute on the following business strategies:

Continue Cross-Sales to Existing Customers

We seek to grow revenue by continuing to sell additional products and services to our existing merchant, financial institution, corporate and government customers. We intend to broaden and deepen our customer relationships by leveraging our full suite of end-to-end technology solutions. For example, we believe that there is significant opportunity to cross-sell our network services, ATM point-of-sale processing and card issuer processing services to our over 180 existing financial institution customers, particularly in markets outside of Puerto Rico. We will also seek to continue to cross-sell value added services into our existing merchant base of over 27,000 locations.

Leverage Our Franchise to Attract New Customers in the Markets We Currently Serve

We intend to attract new customers by leveraging our comprehensive product and services offering, the strength of our brand and our leading end-to-end technology platform. Furthermore, we believe we are uniquely positioned to develop new products and services to take advantage of our access to and position in markets we currently serve. For example, in markets we serve outside of Puerto Rico, we believe there is a significant opportunity to penetrate small to medium financial institutions with our products and services, as well as to penetrate governments with offerings such as EBT.

Expand in the Latin American Region

We believe there is substantial opportunity to expand our businesses in the Latin American region. We believe that we have a competitive advantage relative to U.S. competitors based on our ability to locally leverage our infrastructure, breadth of products and services as well as our first-hand knowledge of Latin American markets, language and culture. Significant growth opportunities exist in a number of large markets such as Colombia, México, Chile and Argentina. We also believe that there is an opportunity to provide our services to existing financial institution customers in other regions where they operate. Additionally, we continually evaluate our strategic plans for geographic expansion, which can be achieved through joint ventures, partnerships, alliances or strategic acquisitions.

Develop New Products and Services

Our experience with our customers provides us with insight into their needs and enables us to continuously develop new transaction processing services. We plan to continue growing our merchant, financial institution, corporate and government customer base by developing and offering additional value-added products and services to cross-sell along with our core offerings. We intend to continue to focus on these and other new product opportunities in order to take advantage of our leadership position in the transaction processing industry in the Latin American and Caribbean region.

Pursue Acquisitions

We intend to evaluate select acquisition opportunities to expand geographically as well as broaden our product and services offerings.

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Our Business

We offer our customers full end-to-end products and solutions across the transaction processing value chain from a single source across numerous channels and geographic markets. The diagram below illustrates the complementary and integrated nature of the services we provide across our three reportable business segments, which are collectively supported by our processing technology platform, proprietary network and direct sales force. Our segments are described in greater detail following the diagram.

Merchant Acquiring

According to the July 2012 Nilson Report, we are the largest merchant acquirer in the Caribbean and Central America and the sixth largest in Latin America based on total number of transactions. Our Merchant Acquiring business provides services to merchants at over 27,000 locations that allow them to accept electronic methods of payment such as debit, credit, prepaid and EBT cards carrying the ATH, Visa, MasterCard, Discover and American Express brands. Our full suite of merchant acquiring services includes, but is not limited to, the underwriting of each merchant s contract, the deployment of POS devices and other equipment necessary to capture merchant transactions, the processing of transactions at the point-of-sale, the settlement of funds with the participating financial institution, detailed sales reports and customer support. In 2011, our Merchant Acquiring business processed over 280 million transactions.

Our Merchant Acquiring business generated $62.0 million, or 19.3%, of total revenues and $30.3 million, or 27.0%, of total segment income from operations for the year ended December 31, 2011.

Payment Processing

We are the largest card processor and network services provider in the Caribbean. We provide an innovative and diversified suite of payment processing products and services to blue chip regional and global corporate customers, government agencies, and financial institutions across Latin American and the Caribbean. These services provide the infrastructure technology necessary to facilitate the processing and routing of payments across the transaction processing value chain.

At the point-of-sale, we sell transaction processing technology, similar to the services in our Merchant Acquiring business, to other merchant acquirers to enable them to service their own merchant customers. We also offer terminal driving solutions to merchants, merchant acquirers (including our Merchant Acquiring business) and financial institutions, which provide the technology to securely operate, manage and monitor POS terminals and ATMs. We also sell and rent POS devices to financial institution customers who seek to deploy them across their own businesses. We currently provide technology services for over 4,900 ATMs and over 107,000 POS terminals in the region and are continuously certifying new machines and devices to expand this reach.

To connect the POS terminals to card issuers, we own and operate the ATH network, one of the leading ATM and PIN debit networks in Latin America. The ATH network connects the merchant or merchant acquirer to the card issuer and enables transactions to be routed or switched across the transaction processing value chain. The ATH network offers the technology, communications standards, rules and procedures, security and encryption, funds settlement and common branding that allow consumers, merchants, merchant acquirers, ATMs, card issuer processors and card issuers to conduct commerce seamlessly, across a variety of channels, similar to the services provided by Visa and MasterCard. The ATH network processed over 625 million transactions in 2011. Over 70% of all ATM transactions and over 80% of all debit transactions in Puerto Rico are processed over the ATH network.

To enable financial institutions, governments and other businesses to issue and operate a range of payment products and services, we offer an array of card processing and other payment technology services, such as internet and mobile banking software services, bill payment systems and EBT solutions.

Financial institutions and certain retailers outsource to us certain card processing services such as card issuance, processing card applications, cardholder account maintenance, transaction authorization and posting, fraud and risk management services, and settlement. Our payment products include electronic check processing, automated clearing house (ACH), lockbox, online, interactive voice response and web-based payments through personalized websites, among others.

We have been the only provider of EBT services to the Puerto Rican government since 1998, processing approximately $2.5 billion in volume annually. Our EBT application allows certain agencies to deliver government benefits to participants through a magnetic card system and serves over 850,000 active participants.

Our Payment Processing business accounted for $85.7 million, or 26.7%, of total revenues and $45.0 million, or 40.2%, of total segment income from operations for the year ended December 31, 2011.

Business Solutions

We provide our financial institution, corporate and government customers with a full suite of business process management solutions including specifically core bank processing, network hosting and management, IT consulting services, business process outsourcing, item and cash processing, and fulfillment. In addition, we believe we are the only non-bank provider of cash processing services to the U.S. Federal Reserve in the Caribbean.

Our Business Solutions business accounted for $173.4 million, or 54.0%, of total revenues and $36.7 million, or 32.8%, of total segment income from operations for the year ended December 31, 2011.

Competition

Competitive factors impacting the success of our services include the quality of the technology-based application or service, application features and functions, ease of delivery and integration, ability of the provider to maintain, enhance, and support the applications or services, and price. We believe that we compete favorably in each of these categories. In addition, we believe that our relationship with Banco Popular, large market share and financial institution industry expertise, combined with our ability to offer multiple applications, services and integrated solutions to individual customers, enhances our competitiveness against companies with more limited offerings.

In Merchant Acquiring, we compete with several other service providers and financial institutions, including Vantiv, Inc., First Data Corporation, Global Payment Inc., Elavon, Inc., Sage Payment Solutions and some local banks. Also, the card associations and payment networks are increasingly offering products and services that compete with ours. The main competitive factors are price, brand awareness, strength of the relationship with financial institutions, system functionality, service capabilities and innovation. Our business is also impacted by the expansion of new payment methods and devices, card association business model expansion, and bank consolidation.

In Payment Processing, we compete with several other third party card processors and debit networks, including First Data Corporation, Fidelity National Information Services, Inc., Fiserv, Inc., Total System Services, Inc., Vantiv, Inc. and Global Payment Inc. Also, the card associations and payment networks are increasingly offering products and services that compete with our products and services. The main competitive factors are price, system performance and reliability, system functionality, security, service capabilities and disaster recovery and business continuity capabilities.

In Business Solutions, our main competition includes internal technology departments within financial institutions, retailers, data processing or software development departments of large companies and/or large computer manufacturers. Main competitive factors are price, system performance and reliability, system functionality, security, service capabilities, and disaster recovery and business continuity capabilities.

Intellectual Property

We own numerous registrations for several trademarks in different jurisdictions and own or have licenses to use certain software and technology, which are critical to our business and future success. For example, we own the

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ATH and EVERTEC trademarks, which are associated by the public, financial institutions and merchants with high quality and reliable electronic commerce, payments, and debit network solutions and services. Such goodwill allows us to be competitive, retain our customers, and expand our business. Further, we also use a combination of proprietary software, including software that we own and technology and software licensed from Popular and other third parties to operate our business and deliver secure and reliable products and services to our customers.

We protect our intellectual property rights by securing trademark and copyright registrations as well as applying for patents in the relevant jurisdictions. We also protect proprietary know-how and trade secrets through company confidentiality policies, licenses, programs, and contractual agreements.

For a description of our arrangements with Popular regarding intellectual property, see Certain Relationships and Related Party Transactions.

Employees

As of September 30, 2012, we employed 1,529 persons in 6 countries throughout Latin America and the Caribbean. Of the total number of employees, 1,184 were employed in Puerto Rico and 345 in Latin America and the Caribbean. None of our employees are subject to collective bargaining agreements, and we consider our relationships with our employees to be good. We have not experienced any work stoppages.

Government Regulation and Payment Network Rules

Oversight by the Federal Reserve

Popular is a bank holding company that has elected to be treated as a financial holding company under the provisions of the Graham-Leach-Bliley Act of 1999. Because of Popular s ownership interest in us, we are subject to oversight by the Board of Governors of the Federal Reserve System (the Federal Reserve Board) and our activities are subject to several related significant restrictions.

Transactions with Affiliates

There are various restrictions on our ability to borrow from, and engage in certain other transactions with, Popular s bank subsidiaries, Banco Popular and Banco Popular North America (BPNA). In general, Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board s Regulation W require that any covered transaction that we enter into with Banco Popular or BPNA (or any of their respective subsidiaries), as the case may be, must be secured by designated amounts of specified collateral and must be limited to 10% of Banco Popular s or BPNA s, as the case may be, capital stock and surplus. In addition, all covered transactions between Banco Popular or BPNA, on the one hand, and Popular and all of its subsidiaries and affiliates (which for these purposes includes EVERTEC, LLC) on the other hand, must be limited to 20% of Banco Popular s or BPNA s, as the case may be, capital stock and surplus. Covered transactions are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve Board) from the affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate.

In addition, Section 23B and Regulation W require all transactions between us and either Banco Popular or BPNA be on terms and conditions, including credit standards, that are substantially the same or at least as favorable to Banco Popular or BPNA, as the case may be, as those prevailing at the time for comparable transactions involving other non-affiliated companies or, in the absence of comparable transactions, on terms and conditions, including credit standards, that in good faith would be offered by Banco Popular or BPNA to, or would apply to, non-affiliated companies.

Permissible Activities

As a result of Popular s ownership interest in us, we are considered to be a foreign subsidiary of a bank holding company under the Federal Reserve Board s regulations. Consequently, we rely on the authority granted

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under the Federal Reserve Board s Regulation K to conduct our data processing, management consulting and related activities outside the United States. Furthermore, before our predecessor was acquired by Popular, it was engaged in certain activities that are not otherwise permissible for a foreign subsidiary under the banking regulations. We continue to engage in such activities pursuant to authority under the Federal Reserve Board s Regulation K, which allows a bank holding company to retain, in the context of an acquisition of a going concern, such otherwise impermissible activities if they account for not more than 5% of either the consolidated assets or consolidated revenues of the acquired organization.

Regulatory Reform and Other Legislative Initiatives

The payment card industry has come under increased scrutiny from lawmakers and regulators. In July 2010, the Dodd-Frank Act was signed into law in the United States. The Dodd-Frank Act sets forth significant structural and other changes to the regulation of the financial services industry and establishes a new agency, the Bureau of Consumer Financial Protection, to regulate consumer financial products and services (including many offered by us and by our customers). In addition, the Durbin Amendment imposes new restrictions on card networks and debit card issuers. More specifically, the Durbin Amendment provides that interchange transaction fees that a card issuer may receive or charge for an electronic debit transaction must be reasonable and proportional to the cost incurred by the card issuer in processing the transaction.

The Federal Reserve Board adopted the final regulations on June 22, 2011. The final regulations (a) set a cap on debit transaction interchange fees to $.21 + 5 bps + $.01 (as a fraud adjustment for issuers that have in place policies and measures to address fraud); (b) require that issuers must enable two unaffiliated payment card networks on their debit cards without regard to authentication method; and (c) prohibit card issuers and payment card networks from entering into exclusivity arrangements for debit card processing and restricts card issuers and payment networks from inhibiting the ability of merchants to direct the routing of debit card transactions over networks of their choice. The final regulations also allows merchants to set minimum dollar amounts (currently, not to exceed $10) for the use of a credit card and provide discounts to consumers who pay with various payment methods, such as cash (which two practices previously violated applicable payment card network rules).

We are currently analyzing the Federal Reserve Board s final regulations described above. To date, the Durbin Amendment has had mixed implications for our business, but the overall net impact has been positive. However, we cannot be certain that this trend will continue, and we believe that any future impact (positive or negative) resulting from the Durbin Amendment is uncertain due to the competitive landscape in which we operate. In addition to the Dodd-Frank Act, from time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to diminish the powers of bank holding companies and their affiliates. Such legislation could change banking statutes and our operating environment in substantial and unpredictable ways. If enacted, such legislation could increase the cost of doing business or limit permissible activities. We cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on our financial condition or results of operations.

Other Government Regulations

In addition to oversight by the Federal Reserve Board, our services are subject to a broad range of complex federal, state, Puerto Rico and foreign regulation, including privacy laws, international trade regulations, the Bank Secrecy Act, anti-money laundering laws, the U.S. Internal Revenue Code, the PR Code, the Employee Retirement Income Security Act, the Health Insurance Portability and Accountability Act and other Puerto Rico laws and regulations. Failure of our services to comply with applicable laws and regulations could result in restrictions on our ability to provide them, as well as the imposition of civil fines and/or criminal penalties. The principal areas of regulation (in addition to oversight by the Federal Reserve Board) that impact our business are described below.

Privacy

We and our financial institution clients are required to comply with various state, federal and foreign privacy laws and regulations, including those imposed under the Gramm-Leach-Bliley Act and the Health Insurance Portability and Accountability Act. These regulations place restrictions on the use of non-public personal information. All financial institutions must disclose detailed privacy policies to their customers and offer them the opportunity to direct the financial institution not to share information with third parties. The regulations, however, permit financial institutions to share information with non-affiliated parties who perform services for the financial institutions. These laws also impose requirements for safeguarding personal information through the issuance of data security standards or guidelines. Certain state laws impose similar privacy obligations, as well as, in certain circumstances, obligations to provide notification to affected individuals, states officers and consumer reporting agencies, as well as businesses and governmental agencies that own data, of security breaches of computer databases that contain personal information. In addition, State and Federal government agencies have been contemplating or developing new initiatives to safeguard privacy and enhance data security. As a provider of services to financial institutions, we are required to comply with the privacy regulations and are bound by the same limitations on disclosure of the information received from our customers as apply to the financial institutions themselves. See Risk Factors Risks Related to Our Business Security breaches or our own failure to comply with privacy regulations and industry security requirements imposed on providers of services to financial institutions and card processing services could harm our business by disrupting our delivery of services and damaging our reputation.

Anti-Money Laundering and Office of Foreign Assets Control Regulation

Because of Popular s ownership interest in EVERTEC and because we provide data processing services to both foreign and domestic financial institutions, we are required to comply with certain anti-money laundering and terrorist financing laws and economic sanctions imposed on designated foreign countries, nationals and others. Specifically, we must adhere to the requirements of the Bank Secrecy Act regarding processing and facilitation of financial transactions. Furthermore, as a data processing company that provides services to foreign parties and facilitates financial transactions between foreign parties, we are obligated to screen all transactions for compliance with the sanctions programs administered by OFAC. These regulations prohibit us from entering into or facilitating a transaction that involves persons, governments, or countries designated by the U.S. Government under one or more sanctions regimes.

A major focus of governmental policy in recent years has been aimed at combating money laundering and terrorist financing. Preventing and detecting money laundering, and other related suspicious activities at their earliest stages warrants careful monitoring. The Bank Secrecy Act, along with a number of other anti-money laundering laws, imposes various reporting and record-keeping requirements concerning currency and other types of monetary instruments. Actions, such as structuring transactions to avoid Bank Secrecy Act and anti-money laundering law reporting requirements, failing to prepare or file required reports, preparing inaccurate reports, money laundering, attempted money laundering, and advising customers in any of these activities are violations or potential violations of law. These laws and regulations impose obligations to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for us.

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (1) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports of goods or services from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (2) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

FCPA and Other

As a data processing company that services both foreign and domestic clients, our business activities in foreign countries, and in particular our transactions with foreign governmental entities, subject us to the anti-bribery provisions of the FCPA. Pursuant to applicable anti-bribery laws, our transactions with foreign government officials and political candidates are restricted. Finally, in the course of business with foreign clients and subsidiaries, we

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export certain software and hardware that is controlled by the Export Administration Regulations from the United States to the foreign parties. Together, these regulations place restrictions on who we can transact with, what transactions may be facilitated, how we may operate in foreign jurisdictions, and what we may export to foreign countries.

Association and Network Rules

We and certain of our subsidiaries are members of or certified processors for several card associations and payment networks, including the ATH network, MasterCard, Visa, American Express, Discover and numerous debit and EBT networks in connection with the services we provide to our customers. As such, we are subject to applicable card association and network rules, which could subject us to a variety of fines or penalties that may be levied by the card associations or networks for certain acts and/or omissions by us, our acquirer customers, processing customers and/or merchants. We are also subject to network operating rules promulgated by the National Automated Clearing House Association relating to payment transactions processed by us using the Automated Clearing House Network and to various government laws regarding such operations, including laws pertaining to EBT.

Geographic Concentration

Our revenue composition by geographical area is based on two categories: Latin America and the Caribbean. Latin America includes, among others, Costa Rica, México, Guatemala and Panamá. The Caribbean includes Puerto Rico, the Dominican Republic and Virgin Islands, among others. See Note 24 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus for additional information.

Legal Proceedings

We are defendants in various lawsuits or arbitration proceedings arising in the ordinary course of business. Management believes, based on the opinion of legal counsel and other factors, that the aggregated liabilities, if any, arising from such actions will not have a material adverse effect on the financial condition or results of operations of the Company.

Property

Our principal operations are conducted in Puerto Rico. Our principal executive offices are located at Cupey Center Building, Road 176, Kilometer 1.3, San Juan, Puerto Rico 00926.

We own one property in Costa Rica, in the province of San Jose, which is used by our Costa Rican subsidiaries for their Payment Processing businesses. We also lease space in 12 other locations across Latin America and the Caribbean, including our headquarters in San Juan, Puerto Rico and various data centers and office facilities to meet our sales and operating needs. We believe that our properties are in good operating condition and adequately serve our current business operations. We also anticipate that suitable additional or alternative space, including those under lease options, will be available at commercially reasonable terms for future expansion.

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MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding the individuals who currently serve as our executive officers and members of our Board as of January 1, 2013.

Name	Age	Title
Peter Harrington	52	President and Chief Executive Officer
Juan J. Román	47	Executive Vice President and Chief Financial Officer
Philip E. Steurer	43	Executive Vice President and Chief Operating Officer
Carlos J. Ramírez	51	Executive Vice President, Head of Business Solutions & Transaction Processing Sales
Miguel Vizcarrondo	39	Executive Vice President, Head of Merchant Acquiring Business & ATH Network
Luis G. Alvarado	49	Senior Vice President, Head of Sales for Latin America
Jorge R. Hernández	47	Senior Vice President, Head of ATH Network
Marc E. Becker	40	Chairman of the Board and Director
Félix M. Villamil	50	Vice Chairman of the Board and Director
Jorge Junquera	64	Director
Nathaniel J. Lipman	48	Director
Matthew H. Nord	33	Director
Richard L. Carrión Rexach	60	Director
Néstor O. Rivera	66	Director
Scott I. Ross	32	Director
Thomas M. White	55	Director

Peter Harrington has been our President and Chief Executive Officer (CEO) since April 17, 2012 and EVERTEC, LLC s President and Chief Executive Officer since February 22, 2012. Prior to joining EVERTEC, Mr. Harrington served as President of Latin America and Canada for First Data Corporation, a merchant acquiring and payment processing company (First Data), from 2002 to 2008. Prior to that role, Mr. Harrington served as President of PaySys International, Inc., a wholly owned subsidiary of First Data. Mr. Harrington joined First Data in 1998 as the Director of European Operations. Prior to joining First Data, he was a Managing Director responsible for the card processing business of EDS Africa, a subsidiary of Electronic Data Systems. Mr. Harrington also managed lending and credit card operations at The Massachusetts Company (a subsidiary of Travelers Insurance Company) and Fleet National Bank. In 2009, Mr. Harrington founded a consulting business focused on the payments industry where he consulted for major international payment companies and leading private equity firms operating in Canada and Latin America.

Juan J. Román has been our Executive Vice President and Chief Financial Officer (CFO) since April 17, 2012 and EVERTEC, LLC s Executive Vice President and Chief Financial Officer since August 1, 2011. Prior to joining EVERTEC, Mr. Román served as Vice President of Finance and Chief Financial Officer of Triple-S Management Corporation, a provider of managed care and related products, since 2002. From 1996 to 2002, Mr. Román held numerous positions with Triple-S Management Corporation or its subsidiaries. From 1987 to 1995, Mr. Román worked at KPMG, LLP. Mr. Román has been a Certified Public Accountant and a member of the Puerto Rico Society of Certified Public Accountants as well as the American Institute of Certified Public Accountants since 1989.

Philip E. Steurer has been our and EVERTEC, LLC s Executive Vice President and Chief Operating Officer since August 1, 2012. Previously, Mr. Steurer served as Senior Vice President of Latin America for First Data from 2001 to 2012. Prior to that role, Mr. Steurer served as Unit Manager, Credit Services for Sears, Roebuck and Co. from 1999 to 2001.

Carlos J. Ramírez has been our Executive Vice President, Head of Business Solutions & Transaction Processing Sales since April 17, 2012 and EVERTEC, LLC s Executive Vice President, Head of Business

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Development since 2004. From 1997 to 2004, Mr. Ramírez served as Senior Executive Vice President of Business Development for GM Group, Inc. Puerto Rico. From 1990 to 1997, Mr. Ramírez served as Senior Executive Vice President for GM Group, Inc. International Division. From 1984 to 1990, Mr. Ramírez served as Sales Manager for Multiple Computer Services and as Systems Engineer from 1983 to 1984.

Miguel Vizcarrondo has been our Executive Vice President, Head of Merchant Acquiring Business & ATH Network since April 17, 2012 and Executive Vice President, Head of Merchant Acquiring Business since February 22, 2012. Prior to that, Mr. Vizcarrondo served as EVERTEC, LLC s Senior Vice President, Head of the Merchant Acquiring Business since the consummation of the Merger. Prior to the Merger, Mr. Vizcarrondo has served in that capacity for Banco Popular since 2006. From 2000 to 2006, Mr. Vizcarrondo served as Vice President Corporate Banking for Banco Popular. From 1996 to 2000, Mr. Vizcarrondo served as Portfolio Manager Treasury Division for Banco Popular. Mr. Vizcarrondo is the nephew of Mr. Carrión, who has been a member of EVERTEC, LLC s Board of Managers (the EVERTEC, LLC Board) since the consummation of the Merger.

Luis G. Alvarado has been has been our Senior Vice President, Head of the Sales for Latin America since April 17, 2012 and EVERTEC, LLC s Senior Vice President, Head of Sales for Latin America since 2006. Mr. Alvarado also serves as President of Serfinsa S.A. de C.V., a position he has held since 2008. Mr. Alvarado served as General Manager of ATH Costa Rica, S.A. from 2000 to 2006 and served as Operations Manager from 1997 to 2000. Prior to joining ATH Costa Rica, S.A., Mr. Alvarado served as Regional Analysis and Programming Chief for Credomatic Costa Rica from 1989 to 1997. Prior to that, he served as 4GL s Support for UNISYS, CA from 1988 to 1989. From 1987 to 1988, Mr. Alvarado was Development Manager for GB/SYS, S.A. and from 1987 to 1987 he was Assistant of the Operation Department at Instituto Tecnológico of Costa Rica. Mr. Alvarado began his career as a Programmer for Cooperativa Victoria R. L. CR from 1986 to 1987.

Jorge R. Hernández has been our Senior Vice President, Head of the ATH Network since April 17, 2012 and EVERTEC, LLC s Senior Vice President, Head of the ATH Network since 2004. Prior to joining EVERTEC, Mr. Hernández served as Senior Executive Vice President and Manager ATH/EBT Division of the GM Group, Inc. From 1988 to 2000, Mr. Hernández was employed by Banco Popular. Mr. Hernández first joined Banco Popular as a part of the Branch Management Associates Program in 1988. From 1988 to 1992 he served as Project Manager Marketing Division. From 1992 to 1994, Mr. Hernández served as Project Manager Telepago Popular. From 1994 to 1998, Mr. Hernández was Assistant Vice President and Manager Projects Administration Department, Electronic Banking Division. Mr. Hernández served as Vice President and Manager ATH Network & Operations Department, Electronic Banking Division from 1988 to 1999. Mr. Hernández served as Vice President and Manager Electronic Banking Division from 1999 to 2000. Mr. Hernández began his career as an Account Executive Direct Marketing Group at Badillo Saatchi & Saatchi from 1987 to 1988.

Marc E. Becker has been our Chairman of the Board since April 17, 2012 and EVERTEC, LLC s Chairman of the Board since the consummation of the Merger. Mr. Becker is a partner of Apollo Management. He has been employed with affiliates of Apollo Management since 1996 and has served as an officer of certain affiliates of Apollo Management since 1999. Prior to that time, Mr. Becker was employed by Smith Barney Inc. within its Investment Banking division. Mr. Becker serves on several boards of directors, including Affinion Group, Inc., Apollo Residential Mortgage, Inc., Vantium Capital, Realogy Holdings Corp. and SourceHOV, Inc. During the past five years, Mr. Becker also served as a director of Quality Distribution, Inc. (from June 1998 to May 2011), Countrywide plc (from May 2007 to February 2009), National Financial Partners (from January 1999 to May 2007), SourceCORP (from January 2006 to April 2011) and Metals USA Holdings Corp. (from May 2005 to December 2007), and prior thereto, Mr. Becker also served as a director of UAP Holding Corp. (from November 2003 to November 2006). Mr. Becker has significant experience in making and managing private equity investments on behalf of Apollo Management and over 19 years experience in financing, analyzing and investing in public and private companies.

Félix M. Villamil has been Vice Chairman of our Board since April 17, 2012 and has served as EVERTEC, LLC s Vice Chairman of the Board since February 22, 2012. Prior to that, Mr. Villamil served as member of the EVERTEC, LLC Board and President and Chief Executive Officer of EVERTEC, LLC from 2004 until February 22, 2012. Prior to joining EVERTEC, Mr. Villamil served as Executive Vice President of Popular (NASDAQ: BPOP) from 2002 to 2004. From 1990 to 2004, Mr. Villamil was employed by Banco Popular where he

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served as Vice President Assistant General Auditor from 1990 to 1995, as Senior Vice President and General Auditor from 1995 to 1997, as Senior Vice President Credit Risk Management Division from 1997 to 2001 and as Senior Vice President Retail Banking Group from 2001 to 2002. Before his employment with Banco Popular, Mr. Villamil served as Vice President General Auditor for Banco de Ponce from 1989 to 1990. Mr. Villamil began his career as Audit Manager, primarily in the financial institutions segment, for KPMG LLP from 1984 to 1989. Mr. Villamil has been a Certified Public Accountant since 1985. Mr. Villamil has significant experience in the banking and processing business.

Jorge Junquera has been a member of our Board since April 17, 2012 and a member of the EVERTEC, LLC Board since the consummation of the Merger. Mr. Junquera has been Senior Executive Vice President of Popular since 1997. Mr. Junquera has been Chief Financial Officer of Popular and Banco Popular and Supervisor of the Financial Management Group of Popular since 1996. Mr. Junquera has also served as President and Director of Popular International Bank, Inc., a direct wholly-owned subsidiary of Popular, since 1996. As of March 15, 2013, Mr. Junquera is expected to assume the role of Vice Chairman and Special Assistant to the CEO of Popular, and will no longer serve as Chief Financial Officer of Popular. Mr. Junquera served as Director of Banco Popular until 2000. He again undertook the role of Director from 2001 to the present. Mr. Junquera has also served as a Director of Popular North America, Inc. since 1996 and of other indirect wholly-owned subsidiaries of Popular. Mr. Junquera has significant experience managing financial institutions and serving on boards of directors.

Nathaniel J. Lipman has been a member of our Board since April 17, 2012 and a member of the EVERTEC, LLC Board since the consummation of the Merger. Mr. Lipman has served as the executive Chairman of the Board of Directors of Affinion Group Holdings, Inc. and Affinion Group, Inc. since October 17, 2005. Previously, he also served as the Chief Executive Officer of Affinion Group Holdings, Inc. and Affinion Group, Inc. from October 17, 2005 to September 20, 2012. Mr. Lipman served as the President of Affinion Group Holdings, Inc. from October 17, 2005 to January 14, 2011, and as the President of Affinion Group, Inc. from October 17, 2005 to January 13, 2010. Mr. Lipman was formerly the President and Chief Executive Officer of Trilegiant, Inc. starting in August 2002 and President and Chief Executive Officer of Cendant Marketing Group starting in January 2004. From September 2001 until August 2002, he was Senior Executive Vice President of Business Development and Marketing of Trilegiant. Mr. Lipman served as Executive Vice President of Business Development for Cendant Membership Services from March 2000 to August 2001. He joined the Alliance Marketing Division of Cendant in June 1999 as Senior Vice President, Business Development and Strategic Planning. Mr. Lipman was previously Senior Executive Vice President, Corporate Development and Strategic Planning, for Planet Hollywood International, Inc., from 1996 until April 1999. Prior to his tenure at Planet Hollywood, Mr. Lipman was Senior Vice President and General Counsel of House of Blues Entertainment, Inc. and Senior Corporate Counsel at The Walt Disney Company. Mr. Lipman has over 15 years of experience managing and serving on the boards of various corporations.

Matthew H. Nord has been a member of our Board since April 17, 2012 and a member of the EVERTEC, LLC Board since the consummation of the Merger. Mr. Nord is a partner of Apollo Management and has been employed with affiliates of Apollo Management since 2003. Prior to that time, Mr. Nord was a member of the Investment Banking division of Salomon Smith Barney Inc. Mr. Nord serves on several boards of directors, including Affinion Group, Inc., SourceHOV LLC, the holding company for Constellium and Noranda Aluminum Holding Corporation. During the past five years, Mr. Nord has also served as a director of Mobile Satellite Ventures, a subsidiary of Skyterra Communications, Inc. (from September 2006 to April 2008) and Hughes Telematics, Inc. (from December 2006 to July 2012). Mr. Nord also serves on the Board of Overseers of the University of Pennsylvania s School of Design. Mr. Nord has significant experience in making and managing private equity investments on behalf of Apollo Management and over ten years experience in financing, analyzing and investing in public and private companies.

Richard L. Carrión Rexach has been a member of our Board since April 17, 2012 and a member of the EVERTEC, LLC Board since the consummation of the Merger. Mr. Carrión has been Chairman of the Board of Popular since 1993, Chief Executive Officer since 1994 and President from 1991 to January 2009 and from May 2010 to the present. Mr. Carrión has been Chairman of Banco Popular since 1993 and Chief Executive Officer since 1989. Mr. Carrión has been President of Banco Popular from May 2010 to present and from 1985 to 2004. Mr. Carrión is also Chairman and Chief Executive Officer of Popular North America, Inc. and other direct and indirect wholly-owned subsidiaries of Popular. Mr. Carrión has also been a director of the Federal Reserve Bank of New York since January 2008; Chairman of the Board of Trustees of Fundación Banco Popular, Inc. since 1982;

and Chairman and Director of Banco Popular Foundation, Inc. since 2005. Mr. Carrión has also been a Member of the Board of Directors of Verizon Communications, Inc. since 1995; and former member of the Board of Directors of Wyeth from 2000 to 2006. Mr. Carrión s 36 years of banking experience and 27 years at the head of Popular has given him a significant level of knowledge of the Puerto Rico financial system. Mr. Carrión is the uncle of Mr. Vizcarrondo, who serves as our Executive Vice President.

Néstor O. Rivera has been a member of our Board since April 17, 2012 and a member of the EVERTEC, LLC Board since the consummation of the Merger. Mr. Rivera has been Executive Vice President of Banco Popular, in charge of the Retail Banking and Operations Group since April 2004. Before assuming this position, Mr. Rivera served as Senior Vice-President in charge of the Retail Banking Division from 1988 to 2004. Mr. Rivera has significant experience managing financial institutions.

Scott I. Ross has been a member of our Board since April 17, 2012 and a member of the EVERTEC, LLC Board since the consummation of the Merger. Mr. Ross is a partner of Apollo Management. Mr. Ross joined Apollo Management and has been employed with affiliates of Apollo Management since 2004 (except for the period from August 2008 until September 2009 when he was employed by Shumway Capital Partners). Prior to 2004, Mr. Ross was a member of the Fixed Income, Currencies and Commodities Division and then a member of the Merchant Banking Division of Goldman, Sachs & Co. Mr. Ross also serves on the board of directors of Great Wolf Resorts, Inc. Mr. Ross has significant experience in making and managing private equity investments on behalf of Apollo Management and over ten years experience in financing, analyzing and investing in public and private companies.

Thomas M. White has been a member of our Board since April 17, 2012 and a member of the EVERTEC, LLC Board since March 2011. Mr. White joined Apollo Management in May 2007 as an Operating Partner in the distribution and transportation industries. From November 2011 to September 2012, Mr. White served as Chief Financial Officer of Constellium Holdco B.V., an aluminum products manufacturer affiliated with Apollo and based in France. From November 2009 to November 2010, Mr. White served as interim Chief Financial Officer of SkyLink Aviation, Inc., a transportation and logistics entity affiliated with Apollo and based in Toronto. From April 2009 to July 2009, Mr. White served as interim Chief Financial Officer of CEVA Group, plc, a global logistics and supply chain company affiliated with Apollo and based in the Netherlands. From 2002 to 2007, Mr. White was the Senior Vice President, Chief Financial Officer and Treasurer of Hub Group, Inc., a NASDAQ listed company providing transportation management, intermodal, truck brokerage and logistics services. Prior to joining Hub Group, Mr. White was a senior audit partner with Arthur Andersen, which he joined in 1979. Mr. White currently serves on the board of directors of Quality Distribution Inc., SkyLink Aviation Inc., CEVA Group plc, and Landauer, Inc. Mr. White served on the board of directors of FTD, Inc. Mr. White is a CPA. With his experience as a Chief Financial Officer, as a senior audit partner at Arthur Andersen, and service on other audit committees, including that of a public company, as well as his educational background, Mr. White brings an understanding of financial statements, financial reporting and internal controls, to our Board.

Board Composition

Our Board will be comprised of directors as of the consummation of this offering, all of whom are named in this prospectus. Upon the closing of this offering, Apollo and Popular as a group will continue to control a majority of our voting common stock. As a result, we will be a controlled company within the meaning of the rules, which state that a company of which more than 50% of the voting power is held by an individual, group or another company is a controlled company . We intend to avail ourselves of the controlled company exception, which eliminates the requirements that we have a majority of independent directors on our Board and that we have compensation and nominating committees composed entirely of independent directors. We will be required, however, to have an audit committee with one independent director during the 90-day period beginning on the date of effectiveness of the registration statement filed with the SEC in connection with this offering and of which this prospectus is part. After such 90-day period and until one year from the date of effectiveness of the registration statement, we will be required to have a majority of independent directors on our audit committee. Thereafter, we will be required to have an audit committee comprised entirely of independent directors.

If at any time we cease to be a controlled company under applicable stock exchange rules, our Board will take all action necessary to comply with the applicable stock exchange rules, including appointing a majority of independent directors to our Board and establishing certain committees composed entirely of independent directors, subject to a permitted phase-in period. We will cease to qualify as a controlled company once the group consisting of Apollo and Popular ceases to control a majority of our voting stock.

Subject to certain exceptions set forth in the Stockholder Agreement described elsewhere in this prospectus, so long as Apollo owns at least 25% of our outstanding voting common stock, Apollo will generally have the right to nominate five directors, and so long as Popular, together with its affiliates, owns at least 25% of our outstanding voting common stock, Popular will generally have the right to nominate three directors, subject to certain adjustments if Popular and its affiliates own at least 10% more of our voting common stock than the amount of our voting common stock owned by Apollo at such time. Apollo will own approximately % and Popular will own approximately % of our common stock after this offering, assuming the underwriters do not exercise their option to purchase up to additional shares. Accordingly, immediately after this offering, Apollo and Popular will have the power to control the election of directors at our annual meetings. Our executive officers and key employees serve at the discretion of our Board. Except for certain exceptions described in the Stockholder Agreement, a director only may be removed and replaced by the stockholder having the right to nominate such director. See Certain Relationships and Related Party Transactions Related Party Transactions After the Closing of the Merger Stockholder Agreement.

Pursuant to the Stockholder Agreement, Messrs. Becker, Lipman, Nord, Ross and White, who currently serve as directors, were nominated by Apollo, and Messrs. Carrión, Junquera and Rivera, who currently serve as directors, were nominated by Popular. Pursuant to the Stockholder Agreement, Mr. Villamil currently serves as a management director.

Audit Committee

Immediately prior to the consummation of this offering, our Audit Committee consisted of for Apollo, Messrs. Ross, chairperson, and Nord and, for Popular, Mr. Junquera. Following the consummation of this offering, our Audit Committee will consist of for Apollo, Messrs. , chairperson, and and, for Popular, Mr. . Our Board has determined that qualifies as an audit committee financial expert as such term is defined in Item 407(d)(5) of Regulation S-K and that is independent as independence is defined in Rule 10A-3 of the Exchange Act and under applicable stock exchange listing standards. We intend to avail ourselves of the controlled company exception under applicable stock exchange listing rules which means we will be required to have an audit committee with one independent director during the 90-day period beginning on the date of effectiveness of the registration statement filed with the SEC in connection with this offering and of which this prospectus is part. After such 90-day period and until one year from the date of effectiveness of the registration statement, we will be required to have a majority of independent directors on our audit committee. Thereafter, we will be required to have an audit committee comprised entirely of independent directors. Our Audit Committee will consist of at least three board members which must meet at least four times a year, including once every fiscal quarter. The responsibilities of our Audit Committee will include overseeing the following: the integrity of our financial statements; its independent auditor s qualifications, independence and performance; the performance of our internal audit function; and our compliance with laws and regulations.

Compensation Committee

Following the consummation of this offering, our Compensation Committee (the Company Committee) will consist of for Apollo, Messrs. Becker, chairperson, and Ross and, for Popular, Mr. Rivera. We intend to avail ourselves of the controlled company exception under applicable stock exchange listing rules which eliminates the requirement that we have a compensation committee composed entirely of independent directors. The Company Committee must meet at least once a year and will make decisions related to the equity-based compensation of EVERTEC employees and managers. The responsibilities of the Company Committee will include: reviewing the CEO s equity based compensation; administering all equity based compensation plans; in consultation with the EVERTEC, LLC Compensation Committee (the EVERTEC, LLC Committee), approving all equity-based compensation for other officers and managers; and, in consultation with the EVERTEC, LLC Committee, adopting, modifying, or terminating the equity-based compensation plans.

Nominating Committee

Following the consummation of this offering, we do not anticipate that our Board will have a nominating committee. Instead, the members of our Board will continue to be nominated in accordance with the terms of the Stockholder Agreement. The Stockholder Agreement provides, among other things, that for so long as each of

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Apollo and Popular, together with its affiliates, owns at least 25% of our outstanding voting common stock, eight members of our Board will be nominees of either Apollo or Popular. However, if there are any vacancies on our Board as a result of the aggregate number of our directors that Apollo and Popular have the right to nominate pursuant to the Stockholder Agreement being less than eight, then a committee consisting of our entire Board (other than our independent directors and any directors who are to be replaced because either Apollo or Popular has lost the right to nominate such director) shall nominate the individuals to fill such vacancies, which nominees must be reasonably acceptable to each of Apollo and Popular for so long as it, together with its affiliates, owns at least 5% of our outstanding voting common stock.

As a controlled company under applicable stock exchange rules, we are not required to have a nominating committee. In light of the terms of the Stockholder Agreement and the current composition of the Board, our Board does not believe that a separately-designated nominating committee is necessary to discuss and determine the nominees for election to the Board. If at any time we cease to be a controlled company under applicable stock exchange rules, our Board will take all action necessary to comply with the applicable stock exchange rules, including establishing a nominating committee composed entirely of independent directors, subject to a permitted phase-in period.

Other Committees

Our bylaws will provide that our Board may establish one or more additional committees.

Code of Ethics

We have adopted a Code of Ethics that applies to all our managers, officers and employees, including our Chief Executive Officer and Chief Financial Officer. Our Code of Ethics is posted on our website at *www.evertecinc.com* in the Investor Relations section under Governance Documents. We intend to include on our website any amendments to, or waivers from, a provision of the Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, or controller that relates to any element of the code of ethics as defined by the SEC.

Executive Compensation

The information in this Executive Compensation section reflects the compensation structure and policies of EVERTEC as of December 31, 2011, unless otherwise noted.

Overview of Compensation Committees

The Company Committee is responsible for the decisions related to the equity-based compensation of our CEO and other executive officers as well as the administration of our equity-based compensation plans, in which our named executive officers may participate.

The EVERTEC, LLC Committee is responsible for recommending to the EVERTEC, LLC Board our general compensation philosophy and objectives, making decisions relating to the compensation of our CEO, approving the compensation of our other executive officers, and making recommendations to the Company Committee with respect to the equity-based compensation for our executive officers and directors. The EVERTEC, LLC Committee is also charged with overseeing the risk assessment of our compensation arrangements applicable to our executive officers and other employees, and reviewing and considering the relationship between risk management policies and practices, and compensation.

Both compensation committees meet jointly and as often as necessary, but at least once each year. Although, the Company Committee and the EVERTEC, LLC Committee are primarily responsible for analyzing the compensation programs and making recommendations to our Board, both committees have the authority to hire a compensation consultant to assist them in fulfilling their duties.

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The Compensation Discussion and Analysis below describes our compensation objectives, practices and philosophy with respect to our NEOs for the fiscal year ended December 31, 2011.

Compensation Discussion and Analysis

Our named executive officers (each, an NEO, and collectively, the NEOs) at December 31, 2011 are listed in the table below. All of our NEOs are (or were) primarily employed by EVERTEC, LLC, which is our principal operating subsidiary, but also serve in similar functions at each of EVERTEC and Holdings.

Named executive officers	**Title**
Félix M. Villamil[1]	Former President and Chief Executive Officer
Juan J. Román[2]	Executive Vice President and Chief Financial Officer
Carlos J. Ramírez	Executive Vice President, Head of Business Solutions & Transaction Processing Sales
Luis G. Alvarado	Senior Vice President, Head of Sales for Latin America
Miguel Vizcarrondo[3]	Executive Vice President, Head of Merchant Acquiring Business & ATH Network
Former Officer	
Luis O. Abreu[4]	Former Senior Vice President and Chief Financial Officer

(1) Effective February 22, 2012, Mr. Villamil no longer serves as EVERTEC, LLC s President and Chief Executive Officer. Mr. Villamil has assumed the role of Vice Chairman of the EVERTEC, LLC Board and continues to serve as a member of our Board and the board of Holdings.
(2) Mr. Román was appointed as CFO of EVERTEC, LLC on August 1, 2011.
(3) Mr. Vizcarrondo served as Senior Vice President of EVERTEC, LLC until February 22, 2012 when he was promoted to Executive Vice President.
(4) Mr. Abreu served as CFO of EVERTEC, LLC until July 31, 2011.

On February 22, 2012, the EVERTEC, LLC Board appointed Peter Harrington as EVERTEC, LLC s President and Chief Executive Officer.

Compensation Philosophy and Objectives

As mentioned above, the EVERTEC, LLC Committee is responsible for establishing, implementing and continually monitoring adherence with our compensation philosophy. Its intent is to ensure that the total compensation paid to our executive officers is fair, reasonable and competitive.

The philosophy behind our compensation program is to:

- Support an environment that rewards performance with respect to established goals;
- Integrate our incentive compensation program with our short and long-term success; and
- Align the interest of executives with the long-term interests of stockholders through equity based awards that can result in ownership of stock.

Compensation for our NEOs is designed to provide rewards commensurate with each NEO s contribution. Our executive compensation strategy is designed to achieve the following objectives:

Attract and retain highly qualified executives;

Provide executives with compensation that is competitive within the industry in which we operate;

Establish compensation packages that take into consideration the executive s role, qualifications, experience, responsibilities, leadership potential, individual goals and performance; and

Align executive compensation to support our objectives.

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The EVERTEC, LLC Committee believes the executive compensation packages provided by us to our executives, including to our NEOs, should include both cash and equity-based compensation that rewards performance as measured against established goals and that ensure management is not encouraged to take unnecessary and/or excessive risks that may harm the Company.

Role of Executive Officers in Compensation Decisions

Our CEO annually reviews the performance of each of our other NEOs. The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual incentive awards target and actual payout amounts, are presented to the EVERTEC, LLC Committee, which has the discretion to modify any recommended adjustments or awards to executives.

The EVERTEC, LLC Committee has final approval over all compensation decisions for our NEOs and approves recommendations regarding cash and equity awards to all of our NEOs.

Our CEO is not permitted to attend any meetings of the EVERTEC, LLC Committee or the Company Committee where the CEO s performance or compensation is discussed, unless specifically invited by the committee.

Executive Compensation Program

On an annual basis, the EVERTEC, LLC and Company Committees may conduct a comprehensive review of the executive compensation philosophy and objectives, and could make changes they consider appropriate following, as applicable, the general compensation practices in the processing industry and the prevailing economic scenarios in the countries in which we do business. However, during 2011, the review of the executive compensation philosophy and objectives was not performed as we entered into new employment agreements with our NEOs on October 1, 2010 (except for Mr. Román s employment agreement which was entered into on June 30, 2011).

Our compensation program for our NEOs consists of the following key elements:

- Base salary;
- Short-term cash incentives based on performance;
- Long-term equity incentives also based on performance; and
- Other benefits and perquisites.

Elements of Compensation

Base Salary

We provide our NEOs and other employees with base salary to compensate them for services rendered during each fiscal year. Base salary ranges for NEOs are determined for each executive based on his or her position and scope of responsibility. The initial base salary for our NEOs is established in their employment agreements.

Annual base salary for our NEOs is subject to annual review by the EVERTEC, LLC Committee for possible increase at the EVERTEC, LLC Board s sole discretion. In reviewing base salaries, the EVERTEC, LLC Committee may consider (i) changes in individual responsibility; (ii) internal analysis of the executive s compensation, both individually and relative to other officers; and (iii) the individual performance of the executive. However, during 2011 the annual base salary review was not performed as we entered into new employment agreements with our NEOs on October 1, 2010 (except for Mr. Román s employment agreement which was entered into on June 30, 2011).

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Performance-Based Incentive Compensation

Annual Bonus

The annual bonus incentive payments made to our NEOs are determined based on performance against measurable annual financial goals. This annual incentive payment is contingent upon attainment of EVERTEC, LLC s budgeted Adjusted EBITDA as established for each fiscal year and the achievement of qualitative and quantitative performance goals as established by the EVERTEC, LLC Board.

The annual cash incentive is intended to focus the entire organization on meeting or exceeding the budgeted Adjusted EBITDA set during the early part of each year and approved by the EVERTEC, LLC Board. The EVERTEC, LLC Committee uses Adjusted EBITDA as the performance goal because it is a critical metric used by management to direct and measure our business performance. We believe that this measure (Adjusted EBITDA) is clearly understood by both our employees and stockholders, and that achievement of the stated goals is a key component in the creation of long-term value for our stockholders. For 2011, the EVERTEC, LLC Board established an Adjusted EBITDA performance goal of $145.2 million. Reported actual Adjusted EBITDA was $149.1 million for the year ended December 31, 2011.

The annual incentive, as mentioned above, is divided into two elements, a performance-based element and a discretionary element, neither of which are payable unless approved by the EVERTEC, LLC Board. The performance-based element is based on achieving or exceeding the budgeted Adjusted EBITDA and the discretionary element is based on the EVERTEC, LLC Committee s assessment of the individual employee s performance. In assessing the individual performance of our NEOs, the EVERTEC, LLC Committee, in its discretion, considers recommendations of our CEO (except in determining the CEO s own bonus) and the following list of factors (this list is not exclusive) and makes its determinations as of the date the bonus is payable: (i) achievement of internal financial and operating targets, (ii) improvement of management and (iii) organizational capabilities and implementation of long-term strategic plans.

The target bonus percentage (which is segregated between the percentage applied to the performance-based element and to the discretionary element) for our NEOs is established in their employment agreements which are summarized below under Employment Agreements following the Summary Compensation Table.

The target annual cash bonus, and the performance-based and discretionary elements, for each NEO as a percentage of salary were as follows:

Named executive officers	Target bonus percentage	Performance-based	Discretionary
Félix M. Villamil(1)			
Juan J. Román	75%	50%	25%
Carlos J. Ramírez	75%	30%	45%
Luis G. Alvarado	70%	30%	40%
Miguel Vizcarrondo	70%	30%	40%
Former Officer			
Luis O. Abreu(2)	n/a	n/a	n/a

(1) In connection with Mr. Villamil s transition from President and Chief Executive Officer of EVERTEC, LLC to Vice Chairman of the EVERTEC, LLC Board, EVERTEC, LLC and Mr. Villamil entered into a modification agreement which is summarized below under CEO Compensation . In accordance with the modification agreement, Mr. Villamil is not eligible to receive an annual bonus payment.

(2) On June 30, 2011, EVERTEC, LLC and Mr. Abreu entered into an amendment to Mr. Abreu s employment agreement. Pursuant to this amendment, Mr. Abreu was not eligible to receive an annual bonus payment.

2010 Equity Incentive Plan

On September 30, 2010, the board of directors of Holdings adopted the Carib Holdings, Inc. 2010 Equity Incentive Plan (as amended and restated, as described below, the Equity Incentive Plan or the Plan). The purpose of the Equity Incentive Plan is to provide a means through which Holdings and its subsidiaries may attract and retain key personnel and whereby its directors, officers, employees, consultants and advisors can acquire and

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maintain an equity interest in Holdings or be paid incentive compensation, thereby strengthening their commitment to the welfare of Holdings and its subsidiaries and aligning their interests with those of Holdings stockholders. Holdings reserved 2,921,604 shares of its Class B Non-Voting Common Stock for issuance upon exercise and grants of stock options, restricted stock and other equity awards under the Equity Incentive Plan. The board of directors of Holdings was in charge of administering the Equity Incentive Plan until February 2, 2011 when it delegated this responsibility to the Holdings Committee. In connection with the Reorganization, on April 17, 2012 (i) the Equity Incentive Plan was amended and assumed by the Company, (ii) each of the then outstanding stock options to purchase shares of Holdings Class B Non-Voting Common Stock (including, without limitation, those described in this section) became a stock option to purchase the same number and class of shares of the Company s Class B Non-Voting Common Stock, in each case on the same terms (including exercise price) as the original stock option and (iii) each of the then outstanding shares of restricted stock of Holdings (including, without limitation, those described in this section) was converted into the same number of shares of restricted stock of Company. Our Board was in charge of administering the Equity Incentive Plan until May 31, 2012 when it delegated this responsibility to the Company Committee.

On February 11, 2011, pursuant to a December 8, 2010 authorization by the board of directors of Holdings, Holdings entered into stock option agreements with the NEOs and other senior executives. As to Mr. Abreu, on June 30, 2011, the EVERTEC, LLC Board and board of directors of Holdings accepted Mr. Abreu s resignation as CFO and in connection therewith, approved an amendment to his employment agreement, which among other provisions, includes the cancellation of the 175,296 stock options Holdings granted to him on February 11, 2011 and the repurchase of his 16,500 shares of Class B Non-Voting Common Stock. As to Mr. Román, also on June 30, 2011, the EVERTEC, LLC Board approved Mr. Román s employment agreement, which included, among other provisions, the grant of 195,000 stock options and the subscription and sale of 15,000 shares of Class B Non-Voting Common Stock. The stock option agreement with Mr. Román was signed on June 30, 2011. See the Grants of Plan Based Awards and Outstanding Equity Awards at Fiscal Year End tables, as well as Note 16 of the Notes to Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus for additional information related to share-based compensation.

Subject to the terms and conditions set forth in the respective stock option agreement and the Equity Incentive Plan, Holdings granted Plan participants the right to purchase shares of Holdings Class B Non-Voting Common Stock in three vesting tranches as follows: (i) Tranche A options will vest in five equal installments, the first of which vested, in the case of Messrs. Villamil, Ramírez, Alvarado and Vizcarrondo on September 30, 2011 and thereafter on September 30 of each year for the next four years until September 30, 2015, and in the case of Mr. Román on June 30, 2011 and thereafter on June 30 of each year for the next five years until June 30, 2016; (ii) Tranche B options will vest at such time as the Investor Internal Rate of Return (IRR) equals or exceeds 25% based on cash proceeds received by the Investor; and (iii) Tranche C options will vest at such time as the IRR equals or exceeds 30%; provided, that, the participant is then employed by us or an affiliate.

For purposes of these vesting provisions, the Investor is Apollo Investment Fund VII, L.P., and the IRR is the rate of return measured in cash and any securities received by the Investor as a return on its investment in the common stock of Holdings.

The stock options granted to our NEOs are as follows:

Named executive officers	Total Stock Options	Tranche A	Tranche B	Tranche C
Félix M. Villamil(1)	584,320	194,774	194,773	194,773
Juan J. Román	195,000	65,000	65,000	65,000
Carlos J. Ramírez	233,728	77,910	77,909	77,909
Luis G. Alvarado	175,296	58,432	58,432	58,432
Miguel Vizcarrondo(2)	175,296	58,432	58,432	58,432
Former Officer				
Luis O. Abreu(3)				

(1) On February 24, 2012, Holdings and Mr. Villamil entered into an amendment to his existing stock option agreement pursuant to which all unvested stock options (545,365) granted under his stock option agreement have expired. As of that date, 38,955 Tranche A options have vested. Also, pursuant to this amendment agreement Mr. Villamil was given the opportunity to vest in an additional 38,955 of Tranche A options as described below under CEO Compensation. Pursuant to his employment agreement, Mr. Villamil was granted restricted shares of common stock of EVERTEC, Inc. with a value of $800,000 as of the date of grant.

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(2) Excludes 10,000 options granted to Mr. Vizcarrondo on February 22, 2012.
(3) Stock options granted to Mr. Abreu during 2011 were forfeited at year end.

Other Compensation

Statutory Cash Bonus Payment

Each NEO received in 2011 the payment of a Christmas bonus. As a general rule, Puerto Rico law requires that employers pay employees that worked more than 700 hours in a year, an amount which cannot be less than $600.00 as a Christmas bonus, which must be paid on or before December 15. In 2011, our policy was to pay a Christmas bonus to employees in Puerto Rico in an amount equivalent to half a month s payment of the employee s base salary. In Costa Rica, where Mr. Alvarado works, the law requires an amount equivalent to one month of total earnings to be paid as a Christmas bonus.

Benefits and Perquisites

Our NEOs participate in the same benefit programs as the rest of our general employee population. These benefits include health insurance coverage, short-term and long-term disability insurance, and life insurance, among others. In addition, our senior executives, including our NEOs, are eligible for certain perquisites, which do not constitute a significant portion of their total compensation package. During 2011, these additional perquisites included the use of Company-owned automobiles, periodic comprehensive medical examinations and a limited number of personal tickets to events sponsored by EVERTEC, LLC. For 2012, we anticipate that we will maintain the same perquisites and benefits for senior executives, including our NEOs. Such benefits could be periodically reviewed based on market trends and regulatory developments.

Also, our NEOs, as all of our other employees, are eligible to participate in the EVERTEC, LLC Savings and Investment Plan. This plan is a tax-qualified retirement savings plan to which all Puerto Rico employees are able to contribute up to $10,000 pre-tax and up to 10% after-tax of their total annual compensation. We match 50% of the employee contributions up to 3% of base salary. All matching contributions to the EVERTEC, LLC Savings and Investment Plan vest 20% each year for a five-year period.

Voluntary Retirement Program

EVERTEC, LLC offered a Voluntary Retirement Program (VRP) for all employees who were at least 50 years of age and with a minimum of 15 years of service by December 31, 2011. Approximately 140 employees, including Mr. Abreu, elected to participate in the VRP and a one-time separation charge of $14.5 million was reflected for the year ended December 31, 2011.

CEO Compensation

EVERTEC, LLC entered into an employment agreement with Mr. Villamil on October 1, 2010 with a term ending on October 1, 2015, as described below in the narrative under Employment Agreements following the Summary Compensation and Grants of Plan-Based Awards tables. In addition, EVERTEC, LLC signed with Mr. Villamil a Promissory Note and Forgivable Loan, and Stock Pledge Agreement on September 29, 2010 pursuant to which we made a loan for $340,000 to Mr. Villamil. EVERTEC, LLC forgave the principal and interest under the Promissory Note in twelve substantially equal bi-weekly installments on each payroll date commencing on October 29, 2010, pursuant to the terms of this agreement. Of this amount, $170,000 was forgiven during 2010, which was included as part of his compensation for the year, and the remainder was forgiven by March 7, 2011.

On February 24, 2012, EVERTEC, LLC announced that Mr. Villamil was promoted to Vice Chairman of the EVERTEC, LLC Board and will no longer serve as EVERTEC, LLC s President and CEO. In connection with Mr. Villamil s transition from President and CEO to Vice Chairman of the EVERTEC, LLC Board, EVERTEC, LLC and Mr. Villamil entered into a modification agreement and general release (the Villamil Modification

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Agreement). The Villamil Modification Agreement provides for, among other things, a payment by EVERTEC, LLC to Mr. Villamil of $2,216,170, less applicable withholding taxes. In addition, the Villamil Modification Agreement sets forth the terms of Mr. Villamil s service with EVERTEC, LLC for the two year period following February 22, 2012, for which he will be paid $150,000 per year. Mr. Villamil will serve as an officer of EVERTEC, LLC and executive Vice Chairman of the EVERTEC, LLC Board until June 1, 2013 (the Retirement Date), at which time he will voluntarily retire from employment with EVERTEC, LLC, but will continue to serve as the non-executive Vice Chairman of the EVERTEC, LLC Board.

In connection with the Villamil Modification Agreement, the restricted shares of Class B Non-Voting Common Stock of Holdings granted to Mr. Villamil pursuant to his restricted stock agreement will continue to vest pursuant to the terms and conditions set forth in his restricted stock agreement until the Retirement Date, at which time such restricted shares shall become fully vested and non-forfeitable, subject to Mr. Villamil s continued employment until the Retirement Date.

The stock options granted to Mr. Villamil under his stock option agreement which had vested as of February 24, 2012 remain outstanding, however, all stock options that had not vested as of that date have expired. On February 24, 2012, Holdings and Mr. Villamil entered into an amendment to Mr. Villamil s stock option agreement which provides that Mr. Villamil will become vested in an additional 38,955 Tranche A options in two substantially equal installments on each of the first two anniversaries of the date on which he commences service as Vice Chairman of the EVERTEC, LLC Board.

On February 22, 2012, the EVERTEC, LLC Board appointed Peter Harrington as EVERTEC, LLC s President and Chief Executive Officer. In connection with Mr. Harrington s appointment as EVERTEC, LLC s President and Chief Executive Officer, Mr. Harrington and EVERTEC, LLC entered into an employment agreement, dated as of February 22, 2012 (the Harrington Employment Agreement). The Harrington Employment Agreement provides for, among other things: (1) an annual base salary of $500,000 (which will be pro-rated for any partial calendar year), subject to annual review by our Board; and (2) an annual bonus opportunity of up to 100% of base salary contingent upon the achievement of qualitative and quantitative performance goals established by the EVERTEC, LLC Board (provided that Mr. Harrington s maximum bonus opportunity for 2012 will be 50% of base salary). Mr. Harrington is eligible to participate in EVERTEC, LLC s retirement and other employee benefit plans and policies that are generally available to other executives, except severance plans or policies. EVERTEC, LLC will also reimburse Mr. Harrington for reasonable costs associated with his relocation to Puerto Rico, temporary lodging and other incidental expenses.

In addition Mr. Harrington and Holdings entered into a stock option agreement (the Harrington Option Agreement), dated as of February 22, 2012, in accordance with the Equity Incentive Plan. The Harrington Option Agreement provides for a grant of 116,667 Tranche A options, 116,667 Tranche B options and 116,666 Tranche C options to purchase Class B Non-Voting Common Stock of Holdings, each with an exercise price of $17.07 per share. In addition, Mr. Harrington and Holdings also entered into a restricted stock agreement, dated as of February 22, 2012, pursuant to which Mr. Harrington was granted 14,646 restricted shares of Class B Non-Voting Common Stock of Holdings, which vest on the earlier to occur of (i) the date that Mr. Harrington receives a bonus in respect of 2012 from EVERTEC, LLC and (ii) May 1, 2013, subject to Mr. Harrington s continuous service on the applicable vesting date. The restricted shares were granted to Mr. Harrington outside the Plan but will be subject to the terms and conditions of the Plan.

Mr. Harrington and Holdings also entered into a Subscription Agreement, dated as of February 22, 2012, pursuant to which Mr. Harrington purchased 14,646 shares of Class B Non-Voting Common Stock of Holdings at a price of $17.07 per share.

Tax Deductibility of Executive Compensation

The EVERTEC, LLC Committee and Company Committee intend that all applicable compensation payable for NEOs residing in Puerto Rico be deductible for Puerto Rican income tax purposes, unless there are valid compensatory reasons for paying non-deductible amounts in order to ensure competitive levels of total compensation.

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Compensation Risk Assessment

At this time, no compensation risk assessment has been performed. Existing employment and compensation arrangements were put in place in the context of the Merger without giving consideration to risk.

Summary Compensation Table

The following table summarizes the total compensation of each of our NEOs for services rendered during 2011 and for the post-Merger period from October 1 through December 31, 2010.

Name and principal position	Year	Salary	Bonus[(1)]	Stock awards[(2)]	Option awards[(3)(4)]	Non-equity incentive plan compensation[(4)]	Change in pension value and nonqualified deferred compensation earnings	All other compensation[(5)]	Total
Felix M. Villamil	2011	$ 500,000	$ 320,833	$ 800,000	$ 1,786,072	$	$	$ 186,949	$ 3,593,854
Former President and CEO	2010	125,000	17,375			196,875		185,920	525,170
Juan J. Román Executive Vice President and CFO	2011	151,442	6,250		534,300	109,375		495	801,862
Carlos J. Ramírez	2011	235,000	9,792		714,429	150,400		7,875	1,117,496
Executive Vice President, Head of Business Solutions & Transaction Processing Sales	2010	58,750	830,621			92,689		2,354	984,414
Luis G. Alvarado	2011	190,000	15,833		535,821	101,650		3,873	847,177
Senior Vice President, Head of Sales for Latin America	2010	47,500	783,737			57,000		10,774	899,011
Miguel Vizcarrondo	2011	190,000	7,917		535,821	121,600		8,813	864,151
Executive Vice President, Head of Merchant Acquiring Business & ATH Network	2010	48,885	450,719			275,588		1,800	776,992
Former Officer									
Luis O. Abreu	2011	159,389	6,875					338,312	504,576
Former CFO	2010	41,250	545,692			46,761		2,294	635,997

(1) Includes Christmas bonus equivalent to half a month payment of the employee s base salary in accordance with general practice applicable to EVERTEC, LLC employees working in Puerto Rico, which was paid on December 3, 2011. For Mr. Alvarado, who works in Costa Rica, the Christmas bonus equals one month of total earnings. For 2010, also includes a Merger bonus awarded in connection with the completion of the Merger (except for Mr. Villamil). For Mr. Villamil also includes quarterly retention bonuses of $75,000 as per his employment agreement.

(2) Aggregate grant date fair value computed in accordance with FASB ASC Topic 718. For a discussion of assumptions made in the valuation of awards, refer to Note 16 of the Audited Consolidated (Successor) and Combined (Predecessor) Financial Statements appearing elsewhere in this prospectus.

(3)

Aggregate grant date fair value computed in accordance with FASB ASC Topic 718 related to Tranche A options. As previously described, NEO s have the right to purchase shares of Holdings Class B Non-Voting Common Stock in three tranches. EVERTEC, LLC recognizes share-based compensation related to Tranche A, but not to Tranche B and C options as vesting is not considered probable.

(4) Includes annual performance bonus.

(5) Other annual compensation consists of the following:

Name and principal position	Year	Car(6)	Contributions to defined contribution plans(7)	Other(8)	Total
Felix M. Villamil	2011	$ 15,920	$ 1,029	$ 170,000	$ 186,949
Former President and CEO	2010	15,920		170,000	185,920
Juan J. Román	2011		495		495
Executive Vice President and CFO					
Carlos J. Ramírez	2011	7,875			7,875
Executive Vice President,	2010	2,354			2,354
Head of Business Solutions & Transaction Processing Sales					
Luis G. Alvarado	2011	3,873			3,873
Senior Vice President,	2010	10,774			10,774
Head of Sales for Latin America					

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Name and principal position	Year	Car[6]	Contributions to defined contribution plans[7]	Other[8]	Total
Miguel Vizcarrondo	2011	8,813			8,813
Executive Vice President,	2010	1,800			1,800
Merchant Acquiring Business & ATH Network					
Former Officer					
Luis O. Abreu	2011	7,940	2,910	327,462	338,312
Former CFO	2010	2,294			2,294

(6) Annual car-value depreciation as recognized in the financial statements for each of the years listed.

(7) Matching contributions made by EVERTEC, LLC as part of 401(k)/1165(e) plan benefits.

(8) Mr. Villamil s other compensation relates to $340,000 in principal and interest under a forgivable loan of which $170,000 was forgiven in the fourth quarter of 2010 and $170,000 during 2011(pursuant to Mr. Villamil s employment agreement). Mr. Abreu s other compensation includes the payment related to the VRP.

Grants of Plan-Based Awards

The following table sets forth certain information for plan-based awards granted to each of our NEO s for the year ended December 31, 2011.

Named executive officers	Grant date	Estimated future payouts under equity incentive Target (#)	All other stock awards: number of shares of stock or units(#)	All other option awards: number of securities underlying options(#)	Exercise or base price of option awards ($/Sh)	Grant date fair value of stock and option awards
Felix M. Villamil	February 11, 2011					
Restricted shares			80,000		$ 10.00	$ 800,000
Tranche A				194,774	10.00	642,754
Tranche B		194,773			10.00	584,319
Tranche C		194,773			10.00	558,999
Juan J. Román	June 30, 2011					
Tranche A				65,000	10.00	196,300
Tranche B		65,000			10.00	172,900
Tranche C		65,000			10.00	165,100
Carlos J. Ramírez	February 11, 2011					
Tranche A				77,910	10.00	257,103
Tranche B		77,909			10.00	233,727
Tranche C		77,909			10.00	223,599
Luis G. Alvarado	February 11, 2011					
Restricted shares				58,432	10.00	192,825
Tranche A		58,432			10.00	175,296
Tranche B		58,432			10.00	167,700
Tranche C						
Miguel Vizcarrondo	February 11, 2011					
Tranche A				58,432	10.00	192,825
Tranche B		58,432			10.00	175,296

Tranche C		58,432		10.00	167,700
Former Officer					
Luis O. Abreu[(1)]	February 11, 2011				
Tranche A			58,432	10.00	192,825
Tranche B		58,432		10.00	175,296
Tranche C		58,432		10.00	167,700

(1) Stock options granted to Mr. Abreu during 2011 were forfeited at year end.

Employment Agreements

We entered into employment agreements with Messrs. Villamil, Ramírez, Alvarado and Vizcarrondo on October 1, 2010, each with a term ending on October 1, 2015. We entered into an employment agreement with Mr. Román on June 30, 2011 with a term ending on June 30, 2016.

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Félix M. Villamil. The terms of Mr. Villamil s employment agreement as in effect as of December 31, 2011 provided for, among other things, (1) an annual base salary of $500,000; (2) an annual bonus with a target of up to 100% of Mr. Villamil s annual base salary with 50% contingent on EVERTEC s attainment of the annual budget as established by the EVERTEC, LLC Board and 50% contingent on the achievement of qualitative and quantitative performance goals established by the EVERTEC, LLC Board; and (3) quarterly retention bonuses of $75,000 for each of the 12 quarters from October 1, 2010 until October 1, 2013, contingent on Mr. Villamil s continuing employment with us. Mr. Villamil is eligible to participate in our retirement and other employee benefit plans and policies that we make generally available to our other executives, except severance plans or policies, and is entitled to directors and officers insurance coverage. In connection with Mr. Villamil s transition from President and Chief Executive Officer to Vice Chairman of the EVERTEC, LLC Board, EVERTEC, LLC and Mr. Villamil entered into the Villamil Modification Agreement, which is summarized above under CEO Compensation.

Juan J. Román. The terms of Mr. Román s employment agreement provide for, among other things, (1) an annual base salary of $375,000; and (2) an annual bonus with a target of up to 75% of Mr. Román s annual base salary, consisting of a bonus of 50% of base salary contingent on EVERTEC, LLC s attainment of the annual budget as established by the EVERTEC, LLC Board and a bonus of 25% of base salary contingent on the achievement of qualitative and quantitative performance goals established by the EVERTEC, LLC Board. Mr. Román is eligible to participate in our retirement and other employee benefit plans and policies that we make generally available to our other executives, except severance plans or policies, and is entitled to directors and officers insurance coverage.

Carlos J. Ramírez. The terms of Mr. Ramírez s employment agreement provide for, among other things, (1) an annual base salary of $235,000; and (2) an annual bonus with a target of up to 75% of Mr. Ramírez s annual base salary, consisting of a bonus of 30% of base salary contingent on EVERTEC, LLC s attainment of the annual budget as established by the EVERTEC, LLC Board, a bonus of 25% of base salary contingent on the achievement of certain financial performance goals for the business lines over which he is responsible and a bonus of 20% of base salary contingent on the achievement of qualitative and quantitative performance goals established by the EVERTEC, LLC Board. Mr. Ramírez is eligible to participate in our retirement and other employee benefit plans and policies that we make generally available to our other executives, except severance plans or policies, and is entitled to directors and officers insurance coverage.

Luis G. Alvarado. The terms of Mr. Alvarado s employment agreement provide for, among other things, (1) an annual base salary of $190,000; and (2) an annual bonus with a target of up to 70% of Mr. Alvarado s annual base salary, consisting of a bonus of 30% of base salary contingent on EVERTEC, LLC s attainment of the annual budget as established by the EVERTEC, LLC Board, a bonus of 20% of base salary contingent on the achievement of certain financial performance goals for the business line over which he is responsible and a bonus of 20% of base salary contingent on the achievement of qualitative and quantitative performance goals established by the EVERTEC, LLC Board. Mr. Alvarado is eligible to participate in our retirement and other employee benefit plans and policies that we make generally available to our other executives, except severance plans or policies, and is entitled to directors and officers insurance coverage.

Miguel Vizcarrondo. The terms of Mr. Vizcarrondo s employment agreement provide for, among other things, (1) an annual base salary of $190,000; and (2) an annual bonus with a target of up to 70% of Mr. Vizcarrondo s annual base salary, consisting of a bonus of 30% of base salary contingent on EVERTEC, LLC s attainment of the annual budget as established by the EVERTEC, LLC Board and a bonus of 40% of base salary contingent on the achievement of qualitative and quantitative performance goals established by the EVERTEC, LLC Board. Mr. Vizcarrondo is eligible to participate in our retirement and other employee benefit plans and policies that we make generally available to our other executives, except severance plans or policies, and is entitled to directors and officers insurance coverage.

On February 22, 2012, the Company and Mr. Vizcarrondo entered into an amendment to his employment agreement pursuant to which (i) Mr. Vizcarrondo was promoted to Executive Vice President of EVERTEC, LLC, (ii) his annual base salary was increased to $235,000, and (iii) his annual bonus target increased to up to 75% of Mr. Vizcarrondo s annual base salary, consisting of a bonus of 30% of base salary contingent on EVERTEC, LLC s attainment of the annual budget as established by the EVERTEC, LLC Board and a bonus of 45% of base salary contingent on the achievement of qualitative and quantitative performance goals established by the EVERTEC, LLC Board.

Luis O. Abreu. In connection with Mr. Abreu s retirement from the position of CFO, effective August 1, 2011, Mr. Abreu and EVERTEC, LLC entered into an amendment to his existing Employment Agreement to (i) define the termination date as December 1, 2011, (ii) clarify that the appointment of a successor to the position of Chief Financial Officer does not constitute Good Reason under the Abreu Employment Agreement, (iii) clarify Mr. Abreu s transition role, (iv) terminate that certain Option Agreement, dated as of February 11, 2011, between Mr. Abreu and Holdings and (v) set forth the terms pursuant to which Mr. Abreu surrendered his 16,500 shares of non-voting common stock of Holdings back to Holdings. In connection with his retirement on December 1, 2011, and subject to his execution of a release of claims at that time, Mr. Abreu received a severance payment from EVERTEC, LLC equal to $327,462 less applicable withholding taxes.

2010 Equity Incentive Plan

We maintain the Equity Incentive Plan which became effective on September 30, 2010. The purpose of the Plan is to provide a means for us to attract and retain key personnel and for our directors, officers, employees, consultants and advisors to acquire and maintain an equity interest in our company, thereby strengthening their commitment to our welfare and aligning their interests with those of our shareholders.

The Plan will terminate automatically on September 30, 2020. No awards will be granted under the Plan after that date, but awards granted prior to that date may extend beyond that date. Our Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time.

Awards. Under the Plan, awards of stock options, including both incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units, stock bonus awards and performance compensation awards may be granted.

Eligibility. Our employees, consultants and directors and those of our affiliated companies, as well as those whom we reasonably expect to become our employees, consultants and directors or those of our affiliated companies are eligible for awards, provided that incentive stock options may be granted only to employees. A written agreement between us and each participant will evidence the terms of each award granted under the Plan.

Shares Subject to the Plan. The shares that may be issued pursuant to awards will be our Class B Non-Voting Common Stock, $0.01 par value per share, and subject to adjustment for certain corporate events, the maximum aggregate number of shares available for issuance under the Plan is 2,921,604 shares.

If any award under the Plan expires or otherwise terminates, in whole or in part, without having been exercised in full, the common stock withheld from issuance under that award will become available for future issuance under the Plan. If shares issued under the Plan are reacquired by us pursuant to the terms of any forfeiture provision, those shares will become available for future awards under the Plan.

Administration. Our Board, or a committee of members of our Board appointed by our Board, may administer the Plan (such administrator, the administrator.) Among other responsibilities, the administrator selects participants from among the eligible individuals, determines the number of common stock that will be subject to each award and determines the terms and conditions of each award, including exercise price, methods of payment and vesting schedules.

Stock Options. Incentive and nonqualified stock options may be granted under the Plan. Employees, directors, consultants and those whom the administrator reasonably expects to become employees, directors and consultants may be granted nonqualified stock options, but only employees may be granted incentive stock options. The administrator determines the exercise price of stock options granted under the Plan. The exercise price of an incentive or nonqualified stock option will be at least 100% (and in the case of an incentive stock option granted to a more than 10% shareholder, 110%) of the fair market value of the common stock subject to that option on the date that option is granted.

Stock Appreciation Rights. The administrator may, in its discretion, grant stock appreciation rights to participants. Generally, stock appreciation rights permit a participant to exercise the right and receive a payment equal to the value of the appreciation of our common stock over a span of time in excess of the fair market value of the common stock on the date of grant of the stock appreciation right. Stock appreciation rights may be settled in shares, cash or a combination thereof. The strike price per common share for each stock appreciation right will not be less than 100% of the fair market value per share as of the date of grant. The administrator determines the rate at which stock appreciation rights vest and any other conditions with respect to exercise of stock appreciation rights granted under the Plan.

Restricted Awards. The administrator may grant restricted awards, including both restricted stock and restricted stock units (a hypothetical account that is paid in the form of common stock or cash). The administrator will determine, in its sole discretion, the terms of each award. Subject to the terms of the award, the participant generally shall have the rights and privileges of a shareholder with respect to the restricted stock, including the right to vote the shares and the right to receive dividends. A restricted award may, but need not, provide that the restricted award may not be sold, assigned, pledged or transferred during the restricted period. The administrator may also require recipients of restricted stock to execute escrow agreements whereby the company would hold the restricted stock pending the release of any applicable restrictions.

Stock Bonus Awards. The administrator may issue unrestricted common stock, or other awards denominated in common stock, under the Plan to eligible persons, either alone or in tandem with other awards, in such amounts as the administrator shall from time to time in its sole discretion determine. Each stock bonus award granted under the Plan will be subject to such conditions not inconsistent with the Plan as may be reflected in the applicable award agreement.

Performance Compensation Awards. The administrator has the authority, at the time of grant of any award, to designate such award as a performance compensation award that is subject to the achievement of one or more performance goals.

Adjustments in Capitalization. Subject to the terms of an award agreement, in the event of certain corporate events, such as a dividend or distribution, recapitalization, stock split, reverse stock split, reorganization, merger, amalgamation, consolidation, combination, exchange or other relevant changes in capitalization, appropriate equitable adjustments or substitutions will be made to the number of common stock under, and the share terms of, the Plan and the awards granted thereunder, including the maximum number of common stock reserved for issuance under the Plan, and the number, price or kind of shares other consideration subject to awards to the extent necessary to preserve the economic intent of the award. In addition, subject to the terms of an award agreement, upon the occurrence of such events, the administrator may cancel outstanding awards and cause participants to receive, in cash, shares or a combination thereof, the value of the awards.

Change in Control. In the event of a change in control (as defined in the Plan), the administrator may provide that all options and stock appreciation rights granted under the Plan will become fully vested and immediately exercisable and any restricted period imposed upon restricted awards will expire immediately (including a waiver of applicable performance goals). Accelerated exercisability and lapse of restricted periods will, to the extent practicable, occur at a time which allows participants to participate in the change in control. In the event of a change in control, all incomplete performance periods will end, the administrator will determine the extent to which performance goals have been met, and such awards will be paid based upon the degree to which performance goals were achieved.

Termination of Employment or Service. Unless otherwise provided by the administrator in an award agreement: (i) the unvested portion of an option or stock appreciation right shall expire upon termination of employment or service of the participant granted the option or stock appreciation right, and the vested portion of such option or stock appreciation right shall remain exercisable for (A) one year following termination of employment or service by reason of such participant s death or disability, but not later than the expiration of the exercise period or (B) 90 days following termination of employment or service for any reason other than such participant s death or disability, and other than such participant s termination of employment or service for cause (as defined in the Plan), but not later than the expiration of the exercise period and (ii) both the unvested and the vested portion of an option or stock appreciation right shall expire upon the termination of the participant s employment or service for cause. With respect to restricted stock and restricted stock units, unless otherwise provided by the administrator in an award agreement, the unvested portion of restricted stock and restricted stock units shall terminate and be forfeited upon termination of employment or service of the participant.

Nontransferability. In general, each award granted under the Plan may be exercisable only by a participant during the participant s lifetime or, if permissible under applicable law, by the participant s legal guardian or representative. Except in very limited circumstances, no award may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a participant other than by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against us. However, the designation of a beneficiary will not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth the outstanding equity awards for our NEOs as of December 31, 2011.

		Option awards	Stock awards
Named executive officers	**Number of securities underlying unexercised options (#) exercisable**		