

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 1996

OR

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-26802

CHECKFREE CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	31-1013521 (I.R.S. Employer Identification No.)
---	---

4411 EAST JONES BRIDGE ROAD, NORCROSS, GEORGIA 30092
(Address of principal executive offices, including zip code)

(770) 441-3387
(Registrant's telephone number, including area code)

NOT APPLICABLE
(Former name, former address and former fiscal year,
if changed since last report)

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 54,283,237 shares of Common Stock, \$.01 par value, were outstanding at January 28, 1997.

FORM 10-Q
CHECKFREE CORPORATION
TABLE OF CONTENTS

		PAGE NO.
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements.	
	Condensed Consolidated Balance Sheets June 30, 1996 and December 31, 1996	3
	Condensed Consolidated Statements of Operations For the Three Months and Six Months Ended December 31, 1995 and 1996	4
	Condensed Consolidated Statements of Cash Flows For the Three Months and Six Months Ended December 31, 1995 and 1996	5
	Notes to Interim Condensed Consolidated Unaudited Financial Statements For the Three Months and Six Months Ended December 31, 1995 and 1996	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	7-11
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings.	N/A
Item 2.	Changes in Securities.	N/A
Item 3.	Defaults Upon Senior Securities.	N/A
Item 4.	Submission of Matters to a Vote of Security Holders.	N/A
Item 5.	Other Information.	12
Item 6.	Exhibits and Reports on Form 8-K.	13-15
	Signatures	16

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHECKFREE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 1996	December 31, 1996
	-----	-----
ASSETS		(Unaudited)
Current Assets:		
Cash and cash equivalents	\$ 20,987,355	\$ 29,466,280
Investments	18,089,029	10,873,193
Accounts receivable, net	29,591,417	27,183,287
Assets held for sale	20,000,000	--
Prepaid expenses and other	2,205,026	3,561,715
	-----	-----
Total Current Assets	90,872,827	71,084,475
Property and equipment, net	36,567,141	35,675,608
Capitalized software, net	37,107,680	35,742,573
Intangible assets, net	27,507,677	26,124,459
Investments and other assets	4,174,219	3,870,995
	-----	-----
Total	\$ 196,229,544	\$172,498,110
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	5,139,607	4,182,431
Accrued liabilities	16,038,095	15,062,109
Current portion of long-term obligations	1,112,184	1,008,218
Deferred revenues	15,388,797	18,863,165
Deferred income taxes	7,819,505	5,525,460
	-----	-----
Total Current Liabilities	45,498,188	44,641,383
Deferred income taxes	4,732,324	--
Long-term obligations - less current portion	8,324,317	8,222,606
	-----	-----
Total Liabilities	58,554,829	52,863,989
	-----	-----
Stockholders' Equity:		
Preferred stock - 15,000,000 authorized shares, \$.01 par value; no shares issued or outstanding	--	--
Common stock - 150,000,000 authorized shares, \$.01 par value; 42,274,800 and 42,542,913 shares issued	422,748	425,429
Additional paid in capital	276,823,109	277,082,991
Treasury stock - at cost, 757,536 and 1,034,005 shares	(629,481)	(5,882,392)
Accumulated deficit	(138,941,661)	(151,991,907)
	-----	-----
Total Stockholders' Equity	137,674,715	119,634,121
	-----	-----
Total	\$196,229,544	\$172,498,110
	=====	=====

See Notes to Interim Condensed Consolidated Unaudited Financial Statements

CHECKFREE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended December 31,		Six months ended December 31,	
	1995	1996	1995	1996
Revenues:				
Processing and servicing	\$10,818,012	\$17,795,490	\$20,645,280	\$35,731,896
Merchant discount	2,608,108	3,382,568	5,103,394	6,633,023
License	--	8,602,294	--	13,494,148
Maintenance	--	4,766,173	--	8,353,019
Other	--	3,958,501	--	6,954,805
Total revenues	13,426,120	38,505,026	25,748,674	71,166,891
Expenses:				
Cost of processing, servicing and support	8,355,792	23,021,538	15,797,461	44,824,375
Research and development	1,962,730	7,013,834	3,856,956	13,968,225
Sales and marketing	2,442,838	6,849,083	4,182,083	12,409,935
General and administrative	1,203,120	4,559,814	2,218,764	9,605,532
Depreciation and amortization	655,566	5,755,731	1,291,050	11,316,541
Total expenses	14,620,046	47,200,000	27,346,314	92,124,608
Loss from operations	(1,193,926)	(8,694,974)	(1,597,640)	(20,957,717)
Interest, net	1,186,992	511,344	1,285,576	882,375
Loss before income taxes	(6,934)	(8,183,630)	(312,064)	(20,075,342)
Income tax expense (benefit)	115,716	(2,862,996)	(21,592)	(7,025,096)
Net loss	\$ (122,650)	\$ (5,320,634)	\$ (290,472)	\$ (13,050,246)
Net loss per common share	\$ (0.00)	\$ (0.13)	\$ (0.01)	\$ (0.31)
Weighted average common shares outstanding	31,888,510	41,533,981	29,535,719	41,582,074

See Notes to Interim Condensed Consolidated Unaudited Financial Statements

CHECKFREE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended December 31,	
	1995	1996
Cash flows from operating activities:		
Net loss	\$ (290,472)	\$ (13,050,246)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,291,050	11,316,541
Deferred income taxes	78,628	(7,026,369)
Gain on sale of business	--	(213,132)
Loss on disposal of property and equipment	11,650	262,811
Change in certain assets and liabilities:		
Accounts receivable, net	(1,105,803)	2,408,130
Prepaid expenses and other	(623,262)	(1,249,860)
Accounts payable	535,240	(957,176)
Accrued liabilities	730,729	(975,986)
Deferred revenues	(1,733)	3,474,368
Net cash provided by (used in) operating activities	626,027	(6,010,919)
Cash flows from investing activities:		
Purchase of property and software	(5,205,172)	(7,893,171)
Proceeds from the sale of property and equipment	100	352,999
Proceeds from sale of business	--	19,000,000
Proceeds from maturities and sales of investments	37,725,000	13,231,688
Purchase of investments	(55,409,194)	(4,517,345)
Net cash provided by (used in) investing activities	(22,889,266)	20,174,171
Cash flows from financing activities:		
Proceeds from sales of common stock, net of expenses	82,698,642	--
Repayment of notes payable and other debt extinguishment	(37,500)	(31,250)
Repayment of stockholders' notes	--	(50,000)
Principal payments under capital lease obligations	(524,847)	(612,729)
Proceeds from stock options exercised including related income tax benefits	232,371	262,563
Cash payments in lieu of fractional shares	(398)	--
Purchase of treasury stock	--	(5,252,911)
Payments received on stockholder notes receivable	192,139	--
Net cash provided by (used in) financing activities	82,560,407	(5,684,327)
Net increase in cash and cash equivalents	60,297,168	8,478,925
Cash and cash equivalents at beginning of period	3,542,686	20,987,355
Cash and cash equivalents at end of period	\$ 63,839,854	\$ 29,466,280
Supplemental disclosure of cash flow information:		
Interest paid	\$ 315,101	\$ 323,524
Supplemental disclosure of non-cash investing and financing activities:		
Capital lease additions	\$ 135,769	\$ 488,302

See Notes to Interim Condensed Consolidated Unaudited Financial Statements

CHECKFREE CORPORATION AND SUBSIDIARIES
NOTES TO INTERIM CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED DECEMBER 31, 1995 AND 1996

1. The accompanying condensed consolidated financial statements and notes thereto have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for Form 10-Q and include all of the information and disclosures required by generally accepted accounting principles for interim financial reporting for Checkfree Corporation and subsidiaries (the "Company"). The results of operations for the three months and six months ended December 31, 1995 and 1996 are not necessarily indicative of the results for the full year.

These financial statements should be read in conjunction with the financial statements, accounting policies and financial notes thereto included in the Company's Transition Report filed with the Securities and Exchange Commission on Form 10-K/A No. 1. In the opinion of management, the accompanying condensed consolidated unaudited financial statements reflect all adjustments (consisting only of normal recurring adjustments) which are necessary for a fair presentation of financial results for the interim periods presented.

2. In August 1996, the Company signed a definitive agreement to sell certain software for \$20 million. The sale closed on October 1, 1996 with \$19.0 million received at the closing and \$1.0 million to be received in 18 months. The gain on the sale of \$213,000 was recognized in the fiscal quarter ended December 31, 1996.

On September 15, 1996, the Company entered into a definitive agreement to purchase Intuit Services Corporation ("ISC"), a wholly owned subsidiary of Intuit Inc., in exchange for approximately 12.6 million shares of the Company's common stock. The agreement contains certain provisions that limit the purchase of additional shares of common stock and the disposition of shares of common stock to be obtained by Intuit Inc. The acquisition of ISC closed on January 27, 1997 and will be accounted for under the purchase method of accounting and is expected to include a charge for in-process research and development, currently estimated at \$120 million. ISC provides transaction processing and electronic funds transfer services.

The Company also entered into a Service and License Agreement with Intuit Inc., whereby the Company will obtain a license to connect to and use certain software technology of Intuit Inc. for a payment of \$10 million on the closing of the ISC acquisition and \$10 million on October 1, 1997.

3. In the quarter ended December 31, 1996, the Company accrued \$1.3 million in personnel benefits related to a realignment of certain customer care and programming operations. The charge was included in general and administrative expenses and will affect approximately 60 associates. To date, no associates have been terminated and no benefits have been paid against the liability.

4. Certain amounts in the June 30, 1996 balance sheet have been reclassified to conform with the December 31, 1996 presentation. In addition, certain amounts in the condensed consolidated statements of operations for the three and six months ended December 31, 1995 have been reclassified to conform with the December 31, 1996 presentation.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

OVERVIEW

As used in this report, "Checkfree" is generally used to indicate Checkfree Corporation prior to its acquisition of Servantis Systems Holdings, Inc. on February 21, 1996 (the "Servantis Acquisition"), prior to its acquisition of Security APL, Inc. on May 9, 1996 (the "Security APL Acquisition"), and prior to its acquisition of Intuit Services Corporation on January 27, 1997 (the "ISC Acquisition") (the Servantis Acquisition, the Security APL Acquisition, and the ISC Acquisition are collectively referred to as the "Acquisitions").

"Servantis" is generally used to indicate Servantis Systems Holdings, Inc. prior to its acquisition by Checkfree, "Security APL" is generally used to indicate Security APL, Inc. prior to its acquisition by Checkfree, "ISC" is generally used to indicate Intuit Services Corporation prior to its acquisition by Checkfree, and the term the "Company" is used to indicate the combined company following the Acquisitions. This report contains forward-looking statements which involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Business -- Business Risks" in the Company's Transition Report on Form 10-K/A No. 1.

The Acquisitions further Checkfree's strategy of providing an expanding range of convenient, secure and cost-effective electronic commerce services and related products to financial institutions and businesses and their customers. Servantis' experience as a provider of electronic commerce and financial applications software and services to financial institutions substantially enhances the Company's presence in the financial institutions market of the electronic commerce segment. Security APL's experience as a vendor of portfolio management and software services to institutional investment managers and investment services to consumers enhances the Company's presence in the consumer and financial institutions market of the electronic commerce segment. ISC's base of financial institution customers furthers the Company's home banking and bill payment offering. The integration of Checkfree's electronic transaction processing and remote delivery technology with Servantis' software products and market presence, Security APL's portfolio management and software services, and ISC's financial institution market share has created a single vendor of electronic commerce services and related products to an expanded customer base of financial institutions and businesses and their customers.

The Company expects to incur operating losses for the next several quarters. The acquisition of ISC is expected to increase the operating loss for the quarter ending March 31, 1997. However, with the Company's continued increase in sales and marketing efforts to promote the Company's new electronic commerce offerings, and with the continued acceptance in the marketplace of electronic commerce services, and resulting growth in subscribers, the Company expects revenues to continue to increase with operating results beginning to improve in the quarter ending June 30, 1997. The Company intends to increase research and development costs for new products and services, including the integration of the products and services of Checkfree, Servantis, Security APL, and ISC.

The Company expects that these initiatives will allow it to maintain and enhance its leading position in the rapidly growing electronic commerce market. There can be no assurance, however, that the Company will be able to successfully compete against current or future competitors or that the competitive pressures faced by the Company will not have a material adverse effect on its business, operating results, and financial condition.

RESULTS OF OPERATIONS

The following table sets forth as percentages of total operating revenues certain consolidated statements of operations' data:

	Three months ended December 31,		Six months ended December 31,	
	1995	1996	1995	1996
Total revenues	100.0%	100.0%	100.0%	100.0%
Expenses:				
Cost of processing, servicing and support	62.2%	59.8%	61.4%	63.0%
Research and development	14.6%	18.2%	15.0%	19.6%
Sales and marketing	18.2%	17.8%	16.2%	17.4%
General and administrative	9.0%	11.9%	8.6%	13.5%
Depreciation and amortization	4.9%	14.9%	5.0%	15.9%
Total expenses	108.9%	122.6%	106.2%	129.4%
Loss from operations	(8.9)%	(22.6)%	(6.2)%	(29.4)%
Interest, net	8.8%	1.3%	5.0%	1.2%
Loss before income taxes	(0.1)%	(21.3)%	(1.2)%	(28.2)%
Income tax expense (benefit)	1.0%	(7.5)%	(0.1)%	(9.9)%
Net loss	(0.9)%	(13.8)%	(1.1)%	(18.3)%

Revenues are reduced by purchased profits of \$1.7 million and \$7.6 million for the three months and the six months ended December 31, 1996, respectively. Purchased profits are the estimated profits in deferred revenues at the Servantis Acquisition date, which were eliminated as a purchase accounting adjustment. Excluding the purchased profits adjustment, revenues increased 199% to \$40.2 million and 206% to \$78.8 million for the three months and the six months ended December 31, 1996, respectively. The increases were primarily due to the acquisitions of Servantis and Security APL, and to a lesser extent to the internal growth of the Company.

Costs of processing, servicing and support as a percentage of servicing revenue (all revenue except licensing fees) and excluding the purchased profits adjustment were 62.2% and 72.8% for the three months ended December 31, 1995 and 1996, respectively, and 61.4% and 68.7% for the six months ended December 31, 1995 and 1996, respectively. Processing, servicing and support costs increased as a percentage of servicing revenue for the quarter and year-to-date, due primarily to an approximate 15% decrease in the average revenue per customer for the Company's home banking and bill payment services. The decrease in the average revenue per customer is a result of the Company's change in marketing strategy in mid-1996 to distribute its bill payment services on a wholesale basis through financial institutions.

Additionally, the Company has increased its implementation staff to service the increasing number of financial institutions which have contracted for the Company's home banking and bill payment offerings. During the implementation period, the margin on the implementation revenue is lower than the margin on the processing revenue.

Research and development expenses as a percentage of revenues excluding the purchased profits adjustment were 14.6% and 17.4% for the three months ended December 31, 1995 and 1996, respectively, and 15.0% and 17.7% for the six months ended December 31, 1995 and 1996, respectively. The increases as a percentage of revenue were due to increased product and business development for new and existing services and related products, including electronic bill presentment and expanded business and home banking and bill payment offerings, such as Web-based bill payment.

Sales and marketing expenses as a percentage of revenues excluding the purchased profits adjustment were 18.2% and 17.0% for the three months ended December 31, 1995 and 1996, respectively, and 16.2% and 15.8% for the six months ended December 31, 1995 and 1996, respectively. The decreases as a percentage of revenue were primarily due to the increase in revenues and efficiencies gained from combining the entities.

General and administrative expenses as a percentage of revenues excluding the purchased profits adjustment were 9.0% and 11.3% for the three months ended December 31, 1995 and 1996, respectively, and 8.6% and 12.2% for the six months ended December 31, 1995 and 1996, respectively. The increases as a percentage of revenue were due to higher general and administrative cost from the acquired companies, charges for certain disputed accounts receivable, and costs of personnel benefits associated with the realignment of certain customer care and programming operations in the three months ended December 31, 1996.

Depreciation and amortization expenses as a percentage of revenues excluding the purchased profits adjustment were 4.9% and 14.3% for the three months ended December 31, 1995 and 1996, respectively, and 5.0% and 14.4% for the six months ended December 31, 1995 and 1996, respectively. The increases as a percentage of revenue were primarily due to depreciation and amortization from the acquired companies for the three and six months ended December 31, 1995 and 1996. Included in depreciation and amortization expense is purchased software amortization of \$2.0 million and \$4.0 million for the three month and six month periods ended December 31, 1996, respectively, which relates solely to license fee revenue.

Net interest income decreased by \$676,000 and \$403,000 for the three months and the six months ended December 31, 1996, respectively, compared to the same periods in 1995, due to lower cash, cash equivalent and investment balances in 1996 compared to 1995. Such cash was used for acquisitions and to fund operating activities.

For the three months and six months ended December 31, 1995, the Company recognized a \$116,000 income tax expense, on a pre-tax loss of \$7,000 and a (6.9%) benefit, respectively. For the three months and six months ended December 31, 1996, the effective income tax rate (benefit) was (35.0%). The three month and six month period effective tax rates vary from the statutory tax rate due to non-deductible items such as meals and entertainment and amortization.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended December 31, 1996, the Company's operating activities used cash of \$6.0 million. During the six month period, the Company invested \$7.9 million in property and software additions, primarily for computer related equipment and software and facilities and paid \$5.2 million to purchase treasury stock in conjunction with a put option granted to certain stockholders in an acquisition. The Company used cash on hand, the net proceeds from the sale of investments of \$8.7 million, as well as the \$19.0 million proceeds from the sale of certain software to finance these operating and investing activities.

At December 31, 1996, the Company's cash and cash equivalents and investments were \$41.7 million, a decrease of \$200,000 from June 30, 1996. As of December 31, 1996 the Company's current ratio was 1.6 to 1, compared to a current ratio of 2.0 to 1 as of June 30, 1996. In addition, working capital was \$26.4 million and \$45.4 million at December 31, 1996 and June 30, 1996, respectively.

The Company entered into a Service and License Agreement with Intuit Inc., which required a \$10 million payment upon the closing of the ISC acquisition and \$10 million on October 1, 1997. The Company funded the initial \$10 million payment pursuant to the Services and License Agreement with available cash and investments. The Company expects to fund the \$10 million payment due on October 1, 1997 pursuant to the Services and License Agreement with available cash and investments.

With the acquisition of ISC, the Company expects to incur operating losses into fiscal 1998. The Company believes the existing cash and cash equivalents and investments will be sufficient to meet the Company's presently anticipated operating, working capital and capital expenditure requirements for the foreseeable future. To the extent that the Company needs additional capital resources, the Company believes that it will have access to both bank financing and capital leasing for additional facilities and equipment.

INFLATION

The Company believes the effects of inflation have not had a significant impact on the Company's results of operations.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Except for the historical information contained herein, the matters discussed in this Form 10-Q include forward-looking statements that involve risks and uncertainties. These forward-looking statements involve risks and uncertainties, including without limitation, quarterly fluctuations in results, the management of growth, the timely implementation of existing bank processing agreements, the ability of the Company to sell its processing services to additional banks, the acceptance of the Company's electronic banking and bill payment services by financial institutions, businesses and their customers, the acceptance of the Company's applications software, services and related products by financial institutions, the impact of competitive services and products, the Company's ability to efficiently integrate recent acquisitions, including ISC, Servantis, and Security APL, the effect of any future acquisitions or divestitures, and the timely development and acceptance of new electronic commerce services and products, as well as the various risks inherent in the Company's business and other risks and uncertainties detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission, including the Transition Report on Form 10-K/A No. 1 for the six months ended June 30, 1996, and the Company's Proxy Statement for the Special Meeting of Stockholders held on January 27, 1997. One or more of these factors have affected, and could in the future affect, the Company's business and financial results in future periods and could cause actual results to differ materially from plans and projections.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION.

Beginning with the quarter ended December 31, 1996, the Company has enhanced the presentation of operating expenses on the Statements of Operations to separately disclose depreciation and amortization. The Company is presenting the operating expenses in the enhanced format for the periods presented below for comparison purposes (all information is unaudited):

	Twelve months ended June 30, 1995	Quarter ended September 30, 1995	Quarter ended December 31, 1995
	-----	-----	-----
Expenses:			
Cost of processing, servicing and support	\$26,752,106	\$ 7,441,669	\$ 8,355,792
Research and development	5,270,336	1,894,226	1,962,730
Sales and marketing	5,453,691	1,739,245	2,442,838
General and administrative	3,215,911	1,015,644	1,244,865
Depreciation and amortization	2,374,001	635,484	613,821
In process research and development	--	--	--
	-----	-----	-----
Total expenses	\$43,066,045	\$12,726,268	\$14,620,046
	=====	=====	=====
	Quarter ended March 31, 1996	Quarter ended June 30, 1996	Quarter ended September 30, 1996
	-----	-----	-----
Expenses:			
Cost of processing, servicing and support	\$ 12,351,769	\$23,086,735	\$21,802,533
Research and development	4,719,572	5,187,740	6,954,934
Sales and marketing	6,894,229	10,272,928	5,560,792
General and administrative	3,351,170	3,986,505	5,045,584
Depreciation and amortization	1,918,958	5,078,143	5,560,810
In process research and development	93,757,586	28,600,000	--
	-----	-----	-----
Total expenses	\$122,993,284	\$76,212,051	\$44,924,653
	=====	=====	=====

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) EXHIBITS.

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
2(a)	Agreement and Plan of Merger, dated as of September 15, 1996, among the Registrant, Checkfree Acquisition Corporation II, Intuit Inc., and Intuit Services Corporation. (Reference is made to Exhibit 2 to the Current Report on Form 8-K, dated September 15, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)
2(b)	Amendment No. 1 to Agreement and Plan of Merger, dated as of September 15, 1996, among the Registrant, Checkfree Acquisition Corporation II, Intuit Inc., and Intuit Services Corporation (Reference is made to Appendix A to the Proxy Statement for the Special Meeting of Stockholders held on January 27, 1997, filed with the Securities and Exchange Commission on December 23, 1996, and incorporated herein by reference.)
10(a)	Checkfree Corporation Amended and Restated 1995 Stock Option Plan. (Reference is made to Exhibit 10(jjj) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
10(b)	Checkfree Corporation Associate Stock Purchase Plan. (Reference is made to Exhibit 10(kkk) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
10(c)	Stockholder Agreement between Intuit Inc. and Peter J. Kight, as a shareholder of the Company. (Reference is made to Exhibit 10(lll) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)

- 10(d) Stockholder Agreement between Intuit Inc. and Mark A. Johnson, as a shareholder of the Company. (Reference is made to Exhibit 10(mmm) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(e) Stock Restriction Agreement between the Company and Intuit Inc. (Reference is made to Exhibit 10(nnn) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(f) Form of Escrow Agreement among the Company, Intuit Inc. and a to be named Escrow Agent. (Reference is made to Exhibit 10(ooo) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(g) Form of Registration Rights Agreement between the Company and Intuit Inc. (Reference is made to Exhibit 10(ppp) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(h) Services and License Agreement, dated as of September 15, 1996, between Checkfree Corporation and Intuit Inc. (Reference is made to Exhibit 10(a) to the Current Report on Form 8-K, dated November 22, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)**
- 10(i) Amended and Restated Registration Rights Agreement, dated as of September 15, 1996, between Checkfree Corporation and Intuit Inc. (Reference is made to Exhibit 10(a) to the Current Report on Form 8-K, dated December 16, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)
- 10(j) Amended and Restated stock Restriction Agreement, dated as of September 15, 1996, between Checkfree Corporation and Intuit Inc. (Reference is made to Exhibit 10(b) to the Current Report on Form 8-K, dated December 16, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)

10(k)	*	Form of Amended Registration Rights Agreement, dated as of January 27, 1997, between Checkfree and the former stockholders of Security APL, Inc.
27	*	Financial Data Schedule.

 * Filed with this Report.

** The Registrant has requested that portions of this Exhibit be given confidential treatment.

(b) REPORTS ON FORM 8-K.

The Registrant filed the following Current Reports on Form 8-K with the Securities and Exchange Commission:

- (i) A Current Report on Form 8-K, dated as of October 1, 1996, was filed with the Securities and Exchange Commission on October 9, 1996 (Items 2 and 7).
- (ii) A Current Report on Form 8-K/A No. 2, dated as of May 9, 1996, was filed with the Securities and Exchange Commission on October 11, 1996 (Items 2 and 7).
- (iii) A Current Report on Form 8-K, dated as of November 22, 1996, was filed with the Securities and Exchange Commission on December 6, 1996 (Items 5 and 7).
- (iv) A Current Report on Form 8-K, dated as of December 16, 1996, was filed with the Securities and Exchange Commission on December 18, 1996 (Items 5 and 7).
- (v) A Current Report on Form 8-K, dated as of January 27, 1997, was filed with the Securities and Exchange Commission on January 27, 1997 (Items 2 and 7).
- (vi) A Current Report on Form 8-K, dated as of January 31, 1997, was filed with the Securities and Exchange Commission on February 3, 1997 (Items 5 and 7).

SIGNATURES

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

CHECKFREE CORPORATION

Date: February 11, 1997

By: /s/ JAMES S. DOUGLASS

 James S. Douglass, Executive Vice
 President, Finance and Chief Financial
 Officer*
 (Principal Financial Officer)

Date: February 11, 1997

By: /s/ JOHN M. STANTON

 John M. Stanton, Vice President,
 Treasurer, and Assistant Secretary
 (Principal Accounting Officer)

* In his capacity as Executive Vice President, Finance and Chief Financial Officer, Mr. Douglass is duly authorized to sign this amended report on behalf of the Registrant.

CHECKFREE CORPORATION

FORM 10-Q FOR THE QUARTER ENDED
DECEMBER 31, 1996

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION	EXHIBIT INDEX PAGE NUMBER
2(a)	Agreement and Plan of Merger, dated as of September 15, 1996, among the Registrant, Checkfree Acquisition Corporation II, Intuit Inc., and Intuit Services Corporation (Reference is made to Exhibit 2 to the Current Report on Form 8-K, dated September 15, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)	
2(b)	Amendment No. 1 to Agreement and Plan of Merger, dated as of September 15, 1996, among the Registrant, Checkfree Acquisition Corporation II, Intuit Inc., and Intuit Services Corporation (Reference is made to Appendix A to the Proxy Statement for the Special Meeting of Stockholders held on January 27, 1997, filed with the Securities and Exchange Commission on December 23, 1996, and incorporated herein by reference.)	
10(a)	Checkfree Corporation Amended and Restated 1995 Stock Option Plan. (Reference is made to Exhibit 10(jjj) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)	
10(b)	Checkfree Corporation Associate Stock Purchase Plan. (Reference is made to Exhibit 10(kkk) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333- 15247) and incorporated herein by reference.)	
10(c)	Stockholder Agreement between Intuit Inc. and Peter J. Kight, as a shareholder of the Company. (Reference is made to Exhibit 10(lll) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)	

- 10(d) Stockholder Agreement between Intuit Inc. and Mark A. Johnson, as a shareholder of the Company. (Reference is made to Exhibit 10(mmm) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(e) Stock Restriction Agreement between the Company and Intuit Inc. (Reference is made to Exhibit 10(nnn) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(f) Form of Escrow Agreement among the Company, Intuit Inc. and a to be named Escrow Agent. (Reference is made to Exhibit 10(ooo) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(g) Form of Registration Rights Agreement between the Company and Intuit Inc. (Reference is made to Exhibit 10(ppp) to the Registration Statement on Form S-4 filed with the Securities and Exchange Commission on October 31, 1996 (Registration No. 333-15247) and incorporated herein by reference.)
- 10(h) Services and License Agreement, dated as of September 15, 1996, between Checkfree Corporation and Intuit Inc. (Reference is made to Exhibit 10(a) to the Current Report on Form 8-K, dated November 22, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)**
- 10(i) Amended and Restated Registration Rights Agreement, dated as of September 15, 1996, between Checkfree Corporation and Intuit Inc. (Reference is made to Exhibit 10(a) to the Current Report on Form 8-K, dated December 16, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)

10(j)		Amended and Restated stock Restriction Agreement, dated as of September 15, 1996, between Checkfree Corporation and Intuit Inc. (Reference is made to Exhibit 10(b) to the Current Report on Form 8-K, dated December 16, 1996, filed with the Securities and Exchange Commission, and incorporated herein by reference.)
10(k)	*	Form of Amended Registration Rights Agreement, dated as of January 27, 1997, between Checkfree and the former stockholders of Security APL, Inc.
27	*	Financial Data Schedule.

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* Filed with this Report.

** The Registrant has requested that portions of this Exhibit be given confidential treatment.

CHECKFREE CORPORATION

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This Amended and Restated Registration Rights Agreement (this "Agreement") is made and entered into as of January 24, 1997, by and between Checkfree Corporation, a Delaware corporation (the "Company"), and the individual holder of the Company's common stock, \$.01 par value, ("Stockholder").

RECITALS

A. The Company, ISC Acquisition Corporation, an Ohio corporation and a wholly owned subsidiary of the Company ("Acquisition"), and Security APL, Inc., an Illinois corporation ("Security"), entered into an Agreement and Plan of Merger, dated March 21, 1996 (the "Merger Agreement"), pursuant to which Acquisition was merged with and into Security on May 9, 1996 (the "Merger") and all outstanding shares of the capital stock of Security were converted into the right to receive shares of common stock, \$.01 par value, of the Company (the "Shares").

B. Each Stockholder was given certain registration rights with respect to the Shares acquired in the Merger (the "Merger Shares") in accordance with the terms of a certain Registration Rights Agreement, dated as of May 6, 1996 (the "Prior Registration Rights Agreement").

C. This Agreement amends, restates, and supersedes the Prior Registration Rights Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants, agreements and conditions contained herein, the parties hereto hereby agree as follows:

Section 1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Holder" shall mean each person holding Registrable Securities.

"Initiating Holders" shall mean any Holders who in the aggregate are Holders of more than fifty percent (50%) of the then Registrable Securities.

"Merger Effective Date" shall mean May 9, 1996.

"Registrable Securities" shall mean the Merger Shares; provided, however, that the Merger Shares shall no longer be treated as Registrable Securities (A) when the time specified as the holding period for such shares under Commission Rule 144(d) under the Securities Act, or any similar rule or regulation of the Commission as the same shall be in effect at the time, in the opinion of counsel to the Company, shall have expired from the Merger Effective Date or will so expire within 90 days; (B) after such shares have been sold to or through a broker or dealer or underwriter in a public distribution or a public securities transaction; (C) after such shares have been transferred and the registration rights granted by this Agreement have not been transferred in accordance with Section 13 hereof; or (D) after two years have expired from the Merger Effective Date.

The terms "register," "registered" and "registration" shall refer to a registration effected by preparing and filing with the Commission a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement.

"Registration Expenses" shall mean all expenses, except Selling Expenses as defined below, incurred by the Company in complying with a registration under Sections 5, 6, or 7 hereof, including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel and accountants for the Company, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration.

"Restricted Securities" shall mean the securities of the Company required to bear the legend set forth in Section 3 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the securities registered by the Holders and all fees and disbursements of counsel for any Holder.

Section 2. Restrictions on Transferability. During the term of this Agreement, the Merger Shares held by Stockholder shall not be sold, assigned, transferred or pledged except upon satisfaction of the conditions specified in Sections 3 and 4 of this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. Stockholder will cause any proposed purchaser, assignee, transferee, or pledgee of the Merger Shares to agree to take and hold such securities subject to the provisions and conditions of this Agreement.

Section 3. Restrictive Legend. Each certificate representing (i) the Merger Shares and (ii) any other securities issued in respect of the Merger Shares upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall (unless otherwise permitted by the

provisions of Section 4 below) be stamped or otherwise imprinted with a legend in substantially the following form (in addition to any legend required under applicable state securities laws):

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND HAVE BEEN ISSUED PURSUANT TO EXEMPTIONS FROM REGISTRATION THAT DEPEND IN PART ON THE INTENT OF THE PURCHASER TO ACQUIRE FOR INVESTMENT AND WITHOUT A VIEW TOWARDS DISTRIBUTION. THEREFORE, SUCH SHARES MAY NOT BE SOLD OR TRANSFERRED EXCEPT UPON REGISTRATION OR UPON DELIVERY TO THE COMPANY OF COMMUNICATIONS FROM THE SECURITIES AND EXCHANGE COMMISSION AND ANY STATE REGULATORY AUTHORITIES CONCERNED, OR AN OPINION OF COUNSEL SATISFACTORY TO COUNSEL FOR THE COMPANY, THAT REGISTRATION IS NOT REQUIRED FOR SUCH SALE OR TRANSFER.

Stockholder consents to the Company making a notation on its records and giving instructions to any transfer agent of the Merger Shares in order to implement the restrictions on transfer established in this Agreement.

Section 4. Notice of Proposed Transfers. Stockholder, by acceptance of each certificate representing Restricted Securities, agrees to comply in all respects with the provisions of this Section 4 during the term of this Agreement. Prior to any proposed sale, assignment, transfer or pledge of any Restricted Securities (other than transfers not involving a change in beneficial ownership), unless there is in effect a registration statement under the Securities Act covering the proposed transfer, Stockholder shall give written notice to the Company of its intention to effect such transfer, sale, assignment or pledge. Each such notice shall describe the manner and circumstances of the proposed transfer, sale, assignment or pledge in sufficient detail, and shall be accompanied, at Stockholder's expense by either (i) an unqualified written opinion of legal counsel who shall be, and whose legal opinion shall be, reasonably satisfactory to the Company addressed to the Company, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act, or (ii) a "no action" letter from the Commission to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the Commission that action be taken with respect thereto, whereupon Stockholder shall be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by Stockholder to the Company. Each certificate evidencing the Restricted Securities transferred as above provided shall bear, except if such transfer is made pursuant to Rule 144, the appropriate restrictive legend set forth in Section 3 above, except that such certificate shall not bear such restrictive legend if in the opinion of counsel for Stockholder and the Company such legend is not required in order to establish compliance with any provision of the Securities Act.

Section 5. Demand Registration Rights.

(a) Notice for Registration. After September 1, 1996, if the Company shall receive from Initiating Holders a written request that the Company effect a registration under the Securities Act on Form S-3 (or any successor form to Form S-3) for a public offering of Registrable Securities, the reasonably anticipated aggregate price to the public of which, net of underwriting discounts and commissions, would reasonably exceed \$5,000,000, and the Company is then entitled, or will be entitled within 30 days after the receipt of such written request, to use Form S-3 under applicable Commission rules to register the Registrable Securities for such an offering, the Company will:

(i) promptly give written notice of the proposed registration to all other Holders; and

(ii) as soon as practicable, use its best efforts to effect such registration (including, without limitation, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations issued under the Securities Act and any other governmental requirements or regulations) as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any Holder or Holders joining in such request as are specified in a written request received by the Company within 10 days after receipt of such written notice from the Company;

Provided, however, that the Company shall not be obligated to take any action to effect any such registration pursuant to this Section 5 as follows:

(A) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(B) If the Company, within 10 days of the receipt of a registration request of the Initiating Holders received after November 30, 1996, gives written notice to the Initiating Holders of the Company's bona fide intention to effect the filing, within 60 days of receipt of such request, of a registration statement with the Commission for the sale of securities by the Company (other than with respect to a registration statement relating to a Rule 145 transaction, an offering solely to employees or any other registration which is not appropriate for the registration of Registrable Securities), in which event, (i) the Stockholders shall be entitled to exercise any rights available under Section 6 hereof, (ii) the Company shall be required in good faith to employ all reasonable efforts to cause its registration statement to become effective and to give prompt written notice to the Initiating Stockholders if the Company abandons its effort to file or cause its registration statement to become effective, and (iii) in the event the Company gives notice that it has abandoned its registration statement efforts, the Company shall promptly renew its best efforts to

register the Registrable Securities that were the subject of the demand registration notice if so requested in writing by the Initiating Holders within 10 days after their receipt of notice that the Company has abandoned its registration efforts;

(C) If a demand registration hereunder is received after November 30, 1996, then during the period starting with the filing of and ending on the date 90 days immediately following the effective date of any registration statement pertaining to securities of the Company (other than a registration of securities in a Rule 145 transaction or with respect to an employee benefit plan), provided that the Company is actively employing in good faith all reasonable efforts to cause such registration statement to become effective;

(D) If a demand registration hereunder is received after November 30, 1996, if the Company shall furnish to the Initiating Holders a certificate signed by the President of the Company stating that in the good faith judgment of the Board of Directors of the Company it would be seriously detrimental, for the specific reasons stated in such certificate, to the Company or its stockholders for a registration statement to be filed in the near future, then the Company's obligation to use its best efforts to register under this Section 5 shall be deferred for a period not to exceed 60 days from the date of receipt of the written request from the Initiating Holders;

(E) If the Company has effected three registrations of Registrable Securities pursuant to this Section 5, and such registrations have been declared or ordered effective;

(F) Unless at least 180 days shall have expired from the effectiveness of a previous registration of Registrable Securities pursuant to this Section 5;

(G) To the extent that the request for registration includes more than 25% of the original number of Merger Shares, as adjusted for stock dividends and stock splits;

(H) If the Company gives written notice, within 15 days after receipt of a notice for registration under this Section 5, that it offers to purchase for cash all of the Registrable Securities as are requested by Holders to be included and as are properly includible in such registration, at a purchase price equal to the higher of (i) the average of the per share closing prices on the Nasdaq National Market ("Nasdaq NM") of the Company's Shares for the three consecutive trading days ended on the day prior to the date of receipt by the Company of a demand for registration hereunder, or (ii) the average of the per share closing prices on the Nasdaq NM of the Shares for the three consecutive trading days prior to the date the Company gives notice of the exercise of its right to purchase hereunder, payment to be made within 30 days after the Company's receipt of the Shares to be purchased; or

(I) If the Company shall be advised by its independent public accountants or its legal counsel that the sale of the Registrable Securities by affiliates would jeopardize the pooling of interests accounting for the Merger under Accounting Principles Bulletin

No. 16 or Commission Accounting Series Release Nos. 130 (October 5, 1972) or 135 (January 18, 1973), such sale shall be delayed for such period of time as to not jeopardize such accounting.

Subject to the foregoing clauses (A) through (I), the Company shall file a registration statement covering the Registrable Securities so requested to be registered as soon as practicable after receipt of the request or requests of the Initiating Holders.

(b) Underwriting. In the event that a registration requested by the Initiating Holders pursuant to this Section 5 is for a registered public offering involving an underwriting, the Company shall so advise the Holders as part of the notice given pursuant to Section 5(a)(i). In such event, the right of any Holder to registration pursuant to this Section 5 shall be conditioned upon such Holder's participation in the underwriting arrangements required by this Section 5, and the inclusion of such Holder's Registrable Securities in the underwriting to the extent requested shall be limited as provided herein.

The Company shall (together with all Holders proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form with managing underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Section 5, if the managing underwriter or underwriters advise the Initiating Holders in writing that marketing factors require a limitation of the number of shares to be underwritten, then the Company shall so advise all Holders participating and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated among all Holders thereof in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders at the time of filing the registration statement. No Registrable Securities excluded from the underwriting by reason of the underwriters' marketing limitation shall be included in such registration. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

If any Holder disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company. The Registrable Securities so withdrawn shall also be withdrawn from registration, and such Registrable Securities shall not be transferred in a public distribution prior to ninety (90) days after the effective date of such registration, or such other shorter period of time as the underwriters may require.

Section 6. Piggyback Registration Rights.

(a) Notice of Registration. If at any time or from time to time on or before the expiration of 21 months from the Merger Effective Date, the Company shall determine to register any of its Shares, either for its own account or the account of a security holder or holders, other than a registration relating solely to employee benefit plans or a registration relating solely to a Commission Rule 145 transaction, the Company will:

(i) promptly give to each Holder written notice thereof; and

(ii) include in such registration and in any underwriting involved therein, all the Registrable Securities specified in a written request or requests, made within 10 days after receipt of such written notice from the Company, by any Holder; provided, however, that the Company shall not be required to include in the registration at the effective date thereof any Registrable Securities if the Company shall be advised by its independent public accountants or legal counsel that the sale of such Registrable Securities by affiliates would jeopardize the pooling of interests accounting for the Merger under Accounting Principles Bulletin No. 16 or Commission Accounting Series Release Nos. 130 (October 5, 1972) or 135 (January 18, 1973).

(b) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 6(a)(i). In such event the right of any Holder to registration pursuant to this Section 6 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company and any other stockholders distributing their securities through such underwriting) enter into an underwriting agreement in customary form with the managing underwriters selected by the Company. Notwithstanding any other provision of this Section 6, if the managing underwriters determine that marketing factors require a limitation of the number of shares to be underwritten, the managing underwriters may limit the Registrable Securities to be included in such registration. The Company shall so advise all Holders and the number of shares of Registrable Securities that may be included in the registration and underwriting shall be allocated among all Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by such Holders at the time of filing the registration statement. To facilitate the allocation of shares in accordance with the above provisions, the Company may round the number of shares allocated to any Holder or other stockholder to the nearest 100 shares. If any Holder or other stockholder disapproves of the terms of any such underwriting, he may elect to withdraw therefrom by written notice to the Company and the managing underwriter. Any securities excluded or withdrawn from such underwriting shall be withdrawn from such registration, and shall not be transferred in a public distribution prior to ninety (90) days after the effective date of the registration statement relating thereto, or such other shorter period of time as the underwriters may require. The Company may include Shares held by stockholders other than Holders in a registration statement pursuant to this Section 6, to the extent that the amount of Registrable Securities otherwise includible in such registration statement would not thereby be diminished.

(c) Right to Terminate Registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 6 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration.

Section 7. Shelf Registration Rights. If at any time or from time to time on or before the expiration of 21 months from the Merger Effective Date, the Company shall determine to register

any of its Shares, for the account of a security holder or holders, pursuant to a registration statement on Form S-3 for a continuous registered shelf offering under Rule 415 of the Securities Act (the "Shelf Registration Statement") covering the registration of all Registrable Securities (the "Shelf Registered Securities"), the Company will promptly give to each Holder written notice thereof and include in such registration all the Registrable Securities. The Company shall use its best efforts to cause the Shelf Registration Statement and the registration of the Shelf Registered Securities thereunder to be declared effective by the SEC as soon as practicable following the Effective Time, and shall continuously maintain the effectiveness of the Shelf Registration Statement at all times until the expiration of 21 months from the Merger Effective Date. Stockholder's right to offer and sell Shelf Registered Securities pursuant to the Shelf Registration Statement shall be subject to the following limitations:

(a) Limitation on Amount of Securities Sold. For as long as Stockholder is entitled to registration rights pursuant to this Agreement, the amount of Shelf Registered Securities that may be sold by Stockholder in each sale of Shelf Registered Securities in reliance on the Shelf Registration Statement under this Section 7, together with all sales of other shares of the Company's Common Stock for the account of Stockholder within the preceding three months (excluding any sales of the Company's Common Stock by Stockholder pursuant to registrations filed pursuant to Section 5 or 6 of this Agreement), shall not exceed the greater of (i) one percent (1%) of the shares of the Company's Common Stock outstanding as shown by the most recent report or statement published by the Company, or (ii) the average weekly reported volume of trading in shares of the Company's Common Stock on all national securities exchanges and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding Stockholder's delivery to the Company of the notice required by Section 7(b).

(b) Notice of Proposed Sale. Initiating Holders shall give the Company written notice of their bona fide intention to sell Shelf Registered Securities pursuant to the Shelf Registration Statement at least seven (7) business days in advance of the proposed date of sale, and the Company shall act as soon as practicable to make any necessary filings with the Commission and regulatory bodies as may be necessary to permit the sale of the Shelf Registered Securities in accordance with Section 7(a).

(c) Minimum Amount of Securities Sold. Each request to sell Shelf Registered Securities under this Section 7 shall be for such number of shares of the Company's Common Stock having an aggregate sale price of at least \$250,000.

(d) Curative Measures. If for any reason the Shelf Registration Statement ceases to be effective at any time prior to the expiration of 21 months after the Merger Effective Date, then the Company shall use its best efforts to cause the Shelf Registration Statement (or a new shelf registration statement conforming to the provisions of this Section 7) to be declared effective by the Commission and remain effective until the expiration of 21 months after the Merger Effective Date.

Section 8. Limitations on Subsequent Registration Rights. Until the expiration of 21 months from the Merger Effective Date, the Company shall not enter into any agreement granting any holder or prospective holder of any securities of the Company registration rights with respect to such securities unless such new agreement specifies that the rights of the Holders hereunder shall have preference to the holders of such new registration rights.

Section 9. Expenses of Registration. All Registration Expenses incurred in connection with all registrations pursuant to Sections 5, 6, or 7 shall be borne by the Company. All Selling Expenses relating to securities registered on behalf of the Holders shall be borne by the Holders of such securities pro rata on the basis of the number of shares so registered and sold.

Section 10. Registration Procedures. In the case of each registration effected by the Company pursuant to this Agreement, each Holder participating therein shall make the Holder with the largest number of Registrable Shares to be included in the registration, or such other person or entity as the largest participating Holder shall select, such Holder's attorney-in-fact ("Attorney-in-Fact") with respect to the registration, and the Company will keep the Attorney-in-Fact, and each Holder if it so chooses, advised in writing as to the initiation of each registration and as to the completion thereof. At its expense the Company will:

(a) Prepare and file with the Commission a registration statement with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for at least thirty (30) days, and prepare and file with the Commission such amendments to such registration statement and supplements to the prospectus contained therein as may be necessary to keep such registration statement effective for at least thirty (30) days, provided that no such registration shall constitute a shelf registration under Rule 415 promulgated by the Commission under the Securities Act;

(b) Enter into a written underwriting agreement in customary form and substance reasonably satisfactory to the Company and the managing underwriters of the public offering of such securities, if the offering is to be underwritten in whole or in part;

(c) Furnish to the Holders participating in such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus, final prospectus and such other documents as such Holders or the underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) Use its best efforts to register or qualify the securities covered by such registration statement under such state securities or blue sky laws of such jurisdictions as such participating Holders or the underwriters may reasonably request within ten (10) days prior to the original filing of such registration statement, except that the Company shall not for any purpose be required to execute a general consent to service of process or to qualify to do business as a foreign corporation in any jurisdiction where it is not so qualified;

(e) Notify the Holders or their Attorney-in-Fact promptly after it shall receive notice thereof, of the time when such registration statement has become effective or a supplement to any prospectus forming a part of such registration statement has been filed;

(f) Notify the Holders or their Attorney-in-Fact promptly of any request by the Commission to amend or supplement such registration statement or prospectus or for additional information;

(g) Prepare and file with the Commission promptly upon the request of any such Holders, any amendments or supplements to such registration statement or prospectus which, in the reasonable opinion of counsel for such Holders, is required under the Securities Act or the rules and regulations thereunder in connection with the distribution of the Registrable Securities by such Holders;

(h) Prepare and promptly file with the Commission, and promptly notify such Holders or their Attorney-in-Fact of the filing of, such amendment or supplement to such registration statement or prospectus as may be necessary to correct any statements or omissions if, at the time when a prospectus relating to such securities is required to be delivered under the Securities Act, any event has occurred as the result of which any such prospectus or any other prospectus as then in effect would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances in which they were made;

(i) In case any of such Holders or any underwriter for any of such Holders is required to deliver a prospectus at a time when the prospectus then in effect may no longer be used under the Securities Act, prepare promptly upon request such amendment or amendments to such registration statement and such prospectuses as may be necessary to permit compliance with the requirements of the Securities Act;

(j) Advise such Holders or their Attorney-in-Fact, promptly after it shall receive notice or obtain knowledge thereof, of the issuance of any stop order by the Commission suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for that purpose and promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued; and

(k) At the request of any such Holder, furnish on the effective date of the registration statement and, if such registration includes an underwritten public offering, at the closing provided for in the underwriting agreement, (i) an opinion, dated each such date, of the counsel representing the Company for the purposes of such registration, addressed to the underwriters, if any, and to the Holder or Holders making such request, covering such matters with respect to the registration statement, the prospectus and each amendment or supplement thereto, proceedings under state and federal securities laws, other matters relating to the Company, the securities being registered and the offer and sale of such securities as are customarily the subject of opinions of

issuer's counsel provided to underwriters in underwritten public offerings, and (ii) to the extent the Company's accounting firm is willing to do so, a letter dated each such date, from the independent public accountants of the Company, addressed to the underwriters, if any, and to the Holder or Holders making such request, stating that they are independent public accountants within the meaning of the Securities Act and that in the opinion of such accountants the financial statements and other financial data of the Company included in the registration statement or the prospectus or any amendment or supplement thereto comply in all material respects with the applicable accounting requirements of the Securities Act, and additionally covering such other financial matters, including information as to the period ending not more than five (5) business days prior to the date of such letter with respect to the registration statement and prospectus, as the underwriters or such requesting Holder or Holders may reasonably request.

Section 11. Information by Holders. The Holders of Registrable Securities included in any registration shall furnish the Company such information regarding such Holders, the Registrable Securities held by them and the distribution proposed by such Holders as the Company may request in writing and as shall be required in connection with any registration referred to in this Agreement.

Section 12. Indemnification.

(a) The Company will indemnify each Holder, each of its officers, directors and partners, and each person controlling such Holder within the meaning of Section 15 of the Securities Act, with respect to which registration, qualification or compliance has been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls any underwriter within the meaning of Section 15 of the Securities Act, against all expenses, claims, losses, damages or liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, commenced or threatened, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document, or any amendment or supplement thereto, incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or any violation by the Company of the Securities Act or any rule or regulation promulgated under the Securities Act applicable to the Company in connection with any such registration, qualification or compliance, and the Company will reimburse each such Holder, each of its officers and directors, and each person controlling such Holder, each such underwriter and each person who controls any such underwriter, for any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder, controlling person or underwriter and stated to be specifically for use therein.

(b) Each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers, each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act, and each other such Holder, each of its officers and directors and each person controlling such Holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof), arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company, such Holders, such directors, officers, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company by an instrument duly executed by such Holder and stated to be specifically for use therein. Notwithstanding the foregoing, the liability of each Holder under this subsection (b) shall be limited to an amount equal to the initial public offering price of the shares sold by such Holder, unless such liability arises out of or is based on willful conduct by such Holder.

(c) Each party entitled to indemnification under this Section 12 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld), and the Indemnified Party may participate in such defense at such party's expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement unless the failure to give such notice is materially prejudicial to an Indemnifying Party's ability to defend such action and provided further, that the Indemnifying Party shall not assume the defense for matters as to which there is a conflict of interest or separate and different defenses. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

Section 13. Non-assignability of Registration Rights. The registration rights granted by this Agreement to Stockholders may not be transferred except by will or the laws of descent or distribution, except that Jay N. Whipple, III, may transfer such rights to one or more trusts that he may establish for estate planning purposes.

Section 14. Standoff Agreement. Each Holder agrees, so long as such Holder holds at least one percent (1%) of the Company's outstanding voting equity securities, that, upon request of the Company or the underwriters managing an underwritten offering of the Company's securities, such Holder will not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Registrable Securities (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed 90 days) from the effective date of such registration as may be requested by the underwriters; provided, that if any officer or director of the Company who owns at least one percent (1%) of the outstanding voting equity securities of the Company does not agree to such restrictions, then the Holders shall not be required to do so either.

Section 15. Execution in Counterparts. For the convenience of the parties, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 16. Notices. All notices that are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered by hand or national overnight courier service, transmitted by telecopy or mailed by registered or certified mail, postage prepaid, and shall be deemed given upon receipt, as follows:

If to the Company to:

CHECKFREE CORPORATION
4411 East Jones Bridge Road
Norcross, Georgia 30092
(770) 441-3387:
Attention: Peter J. Kight, President and Chief Executive Officer

If to the Stockholder or Holder to:

The address appearing on the books and records of
the Company or its transfer agent as the address of
the Stockholder or Holder

or such other address or addresses as any party hereto shall have designated by notice in writing to the other parties hereto.

Section 17. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to its conflict of laws principles.

Section 18. Entire Agreement. This Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral and written, with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written.

CHECKFREE CORPORATION

STOCKHOLDER

By: _____

Its: _____

Print Name

6-MOS
JUN-30-1996
JUL-01-1996
DEC-31-1996
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(13,050,246)
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