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

FORM 10-Q/A No. 1

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 1999

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

DELAWARE	58-2360335
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(678) 375-3000
(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: 52,486,670 shares of Common Stock, $.01 par value, were outstanding at February 7, 2000.

FORM 10-Q

CHECKFREE HOLDINGS CORPORATION

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CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	JUNE 30, 1999	DECEMBER 31, 1999
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,446	$ 152,779
Investments	10,266	17,015
Accounts receivable, net	45,660	46,780
Prepaid expenses and other assets	7,800	11,863
Deferred income taxes	6,513	8,324
Total current assets	82,685	236,761
Property and equipment, net	69,823	80,416
Capitalized software, net	20,059	21,584
Intangible assets, net	45,875	43,354
Investments	1,875	31,663
Deferred income taxes	21,920	31,095
Other noncurrent assets	10,524	12,855
Total	$ 252,761	$ 457,728
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,634	$ 8,679
Accrued liabilities	26,971	37,494
Current portion of long-term obligations	1,640	5,069
Deferred revenue	20,195	25,840
Total current liabilities	58,440	77,082
Accrued rent and other	3,536	4,862
Convertible subordinated notes	--	172,500
Obligations under capital leases -- less current portion	3,882	906
Commitments and contingencies		
Stockholders' equity:		
Preferred stock -- 15,000,000 authorized shares, $.01 par value; no amounts issued or outstanding	--	--
Common stock -- 150,000,000 authorized shares, $.01 par value; issued 57,305,659 and 57,971,003 shares, respectively; outstanding 51,756,278 and 52,420,649 shares, respectively	518	524
Additional paid-in-capital	480,385	504,058
Other	--	(299)
Accumulated deficit	(294,000)	(301,905)
Total stockholders' equity	186,903	202,378
Total	$ 252,761	$ 457,728

See notes to interim unaudited condensed consolidated financial statements.

CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1998	1999	1998	1999
	(IN THOUSANDS, EXCEPT SHARE DATA)			
Revenues:				
Processing and servicing	$ 48,521	$62,627	$ 93,575	$120,931
License fees	3,441	3,201	6,412	6,197
Maintenance fees	4,238	4,518	9,202	8,956
Other	3,405	2,623	7,230	5,905
Total revenues	59,605	72,969	116,419	141,989
Expenses:				
Cost of processing, servicing and support	34,368	43,906	71,457	86,899
Research and development	5,579	8,286	12,157	15,110
Sales and marketing	7,408	9,909	15,232	18,577
General and administrative	7,625	9,363	14,358	19,287
Depreciation and amortization	6,033	7,780	11,999	14,756
Total expenses	61,013	79,244	125,203	154,629
Net gain on dispositions of assets	--	--	3,914	--
Loss from operations	(1,408)	(6,275)	(4,870)	(12,640)
Interest, net	426	(102)	1,219	143
Loss before income taxes	(982)	(6,377)	(3,651)	(12,497)
Income tax benefit	(12,357)	(2,408)	(13,558)	(4,592)
Net income (loss)	$ 11,375	$(3,969)	$ 9,907	$ (7,905)
Basic earnings (loss) per share:				
Net income (loss) per common share	$ 0.22	$ (0.08)	$ 0.19	$ (0.15)
Equivalent number of shares	51,326	52,200	53,419	52,023
Diluted earnings (loss) per share:				
Net income (loss) per common share	$ 0.22	$ (0.08)	$ 0.18	$ (0.15)
Equivalent number of shares	52,553	52,200	54,664	52,023

See notes to interim unaudited condensed consolidated financial statements.

CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	SIX MONTHS ENDED DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net income (loss)	$ 9,907	$ (7,905)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,999	14,756
Deferred income tax provision	(11,554)	(4,592)
Net gain on dispositions of assets	(3,914)	--
Purchases of investments -- Trading	--	(10,563)
Proceeds from maturities and sales of investments, net -- Trading	17,609	13,594
Change in certain assets and liabilities (net of acquisitions and dispositions):		
Accounts receivable	2,916	(1,120)
Prepaid expenses and other	207	(831)
Other noncurrent assets	--	(298)
Accounts payable	(2,422)	(955)
Accrued liabilities	(2,321)	5,027
Deferred revenue	(2,549)	5,645
Income tax accounts	(4,541)	2
Accrued rent and other	(194)	538
Net cash provided by operating activities	15,143	13,298
Cash flows from investing activities:		
Purchase of property and software	(16,750)	(19,336)
Proceeds from sale of assets	11,421	--
Capitalization of software development costs	(2,776)	(3,195)
Purchase of investments -- held to maturity	--	(39,568)
Proceeds from maturities and sales of investments -- held to maturity	1,006	--
Net cash used in investing activities	(7,099)	(62,099)
Cash flows from financing activities:		
Principal payments under capital lease obligations	(621)	(312)
Proceeds from sale of stock and exercise of warrants	--	19,233
Proceeds from issuance of convertible subordinated notes	--	166,921
Proceeds from stock options exercised, including related tax benefits	536	1,976
Proceeds from employee stock purchase plan	1,070	1,316
Purchase of treasury stock	(31,161)	--
Net cash provided by (used in) financing activities	(30,176)	189,134
Net increase (decrease) in cash and cash equivalents	(22,132)	140,333
Cash and cash equivalents:		
Beginning of period	36,535	12,446
End of period	$ 14,403	$ 152,779
Supplemental disclosure of cash flow information:		
Interest paid	$ 349	$ 58
Income taxes paid	$ 2,353	$ 209
Capital lease additions and purchase of other long-term assets	$ 1,583	$ 1,753
Stock funding of 401(k) match	$ 963	$ 1,059

See notes to interim unaudited condensed consolidated financial statements.

CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 1998 AND 1999

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. The results of operations for the six months ended December 31, 1998 and 1999 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 Annual Report on Form 10-K filed with the Securities and Exchange Commission. 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 representation of financial results for the interim periods presented.

2. The following table reconciles the differences in income and shares outstanding between basic and dilutive for the periods indicated (in thousands except per share data):

	FOR THE SIX MONTHS ENDED					
	DECEMBER 31, 1998			DECEMBER 31, 1999		
	INCOME (NUMERATOR)	SHARES DENOMINATOR	PER-SHARE AMOUNT	INCOME (NUMERATOR)	SHARES DENOMINATOR	PER-SHARE AMOUNT
Basic EPS......................	$ 9,907	53,419	$0.19	$(7,905)	52,023	$(0.15)
Effect of dilutive securities:						
Options and warrants...........	--	1,245		--	--	
Diluted EPS....................	$ 9,907	54,664	$0.18	$(7,905)	52,023	$(0.15)

	FOR THE THREE MONTHS ENDED					
	DECEMBER 31, 1998			DECEMBER 31, 1999		
	INCOME (NUMERATOR)	SHARES DENOMINATOR	PER-SHARE AMOUNT	INCOME (NUMERATOR)	SHARES DENOMINATOR	PER-SHARE AMOUNT
Basic EPS......................	$11,375	51,326	$0.22	$(3,969)	52,200	$(0.08)
Effect of dilutive securities:						
Options and warrants...........	--	1,227		--	--	
Diluted EPS....................	$11,375	52,553	$0.22	$(3,969)	52,200	$(0.08)

Basic earnings (loss) per common share amounts were computed by dividing income (loss) available to shareholders by the weighted average number of shares outstanding. Diluted per-common-share amounts assume the issuance of common stock for all potentially dilutive equivalent shares outstanding except in loss periods when such an adjustment would be anti-dilutive. During the quarter ended December 31, 1999, the Company issued convertible subordinated notes. Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share", requires that interest charges applicable to the convertible debt be added back to income in computing diluted earnings per share, except in loss periods when such an adjustment would be anti-dilutive. The impact of anti-dilutive interest charges and equivalent shares excluded from the per share calculations were as follows (in thousands):

CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED UNAUDITED
FINANCIAL STATEMENTS -- (CONTINUED)

	DECEMBER 31, 1998		DECEMBER 31, 1999	
	INCOME (NUMERATOR)	SHARES DENOMINATOR	INCOME (NUMERATOR)	SHARES DENOMINATOR
Six Month Period Ended........................	$--	4,198	$687	5,108
Three Month Period Ended......................	$--	3,751	$687	6,381

3. In the quarter ended September 30, 1999, the Company adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The Statement distinguishes accounting for costs of computer software developed or obtained for internal use from guidance under SFAS No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed." The adoption of SOP 98-1 did not result in a material impact on reported results.

4. In the quarter ended September 30, 1999, the Company issued 36,226 shares of common stock to fund its 401(k) match, the cost of which was accrued during the year ended June 30, 1999.

5. In the quarter ended September 30, 1999, the Company issued 46,819 shares of common stock in conjunction with the employee stock purchase plan, which was funded through employee payroll deductions accumulated in the immediately preceding six-month period.

6. In the quarter ended September 30, 1999, the Company issued 13,000 shares of restricted stock to certain key employees. Shares issued were recorded at their fair market value on the date of the grant with a corresponding charge to stockholders' equity. The unearned portion is being amortized as compensation expense on a straight-line basis over the related vesting periods. Sale of these shares is restricted prior to the date of vesting.

7. In October 1999, the Company announced a new agreement with one of its customers. Under the terms of the agreement, the customer purchased 250,000 shares of the Company's stock was granted unvested warrants on one million shares and has the ability to earn warrants on up to two million additional shares. All warrants are exercisable on September 15, 2002 contingent upon achievement of various annual revenue targets and maintaining the continued existence of the agreement through that date. Upon vesting of the warrants, the Company will record a charge for the fair value of the warrants, based on a Black-Scholes valuation which will take into consideration the market value of our stock, the $39.25 strike price of the warrants, the volatility of our stock and the applicable risk-free interest rate at that time.

8. On October 25, 1999, the Company executed an amendment to its working capital line-of-credit agreement. The amendment extended the term of the line through December 31, 1999, and changed certain financial covenants contained in the agreement. In January 2000, the Company completed a new line-of-credit agreement, which matures on December 30, 2002. The new agreement enables the Company to borrow up to $30 million and contains certain financial and operating covenants.

9. On November 29, 1999, the Company issued $172.5 million of 6.5% convertible subordinated notes that are due on December 1, 2006. The Company will pay interest on the notes on June 1 and December 1, of each year, commencing June 1, 2000. The notes may be converted, at the holder's option, into 13.6612 shares of common stock per note and the Company may redeem the notes at any time on or after December 1, 2002. On January 14, 2000, the Company filed a shelf registration statement to register the underlying shares. The Company is using its reasonable best efforts to cause the shelf registration statement to be declared effective by March 28, 2000.

10. On December 20, 1999, the Company entered into a definitive agreement to purchase BlueGill Technologies, Inc. in exchange for approximately 3.5 million shares of the Company's common stock. The acquisition, which is expected to close during the quarter ending June 30, 2000, will be accounted for under

the purchase method of accounting and is expected to include a charge for in-process research and development which is currently estimated at approximately $11.9 million. BlueGill provides software that facilitates Web based electronic billing and bill payment.

11. During the quarter ended December 31, 1999, the Company received notification and payment for the exercise of warrants for 300,000 shares of the Company's common stock at an exercise price of $20.9375. Of the 300,000 total shares, 150,000 shares were not issued until February 2000, therefore, the amount received is included in accrued liabilities in the Company's December 31, 1999 Condensed Consolidated Balance Sheets. The exercise of these warrants resulted in an increase in deferred tax benefit and additional paid-in capital as a result of the differences in the book versus tax accounting treatment of these transactions.

GUARANTOR FINANCIAL INFORMATION

12. CheckFree Management Corporation is a guarantor of the Company's $172,500,000 convertible subordinated notes that were issued November 29, 1999. CheckFree Management Corporation was formed as a medical claims management subsidiary in order to appropriately minimize, control, and manage the medical claims liabilities of the Company and its subsidiaries. As of December 31, 1999, the Company and its subsidiaries own approximately 89% of CheckFree Management Corporation. Separate financial statements of the other guarantor subsidiaries have not been separately presented because (1) CheckFree Holdings Corporation, the parent Company, has no operations or assets other than its investment in its subsidiaries, (2) all of the subsidiaries have guaranteed the securities on a full, unconditional, and joint and several basis and (3) all of the subsidiaries other than CheckFree Management Corporation are wholly owned by the Company. The following table sets forth condensed consolidating financial information of the Company, CheckFree Management Corporation, and other wholly owned guarantor subsidiaries as of and for the six months ended December 31, 1999:

CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 1999
(IN THOUSANDS)

	CheckFree Holdings Corporation	CheckFree Management Corporation	Combined Wholly-owned Guarantor Subsidiaries	Eliminations	CheckFree Holdings Corporation Consolidated
Current Assets:					
Cash and cash equivalents......	$ 61	$ 3	$ 152,715	$ -	$ 152,779
Investments....................	-	-	17,015		17,015
Accounts receivable, net.......	-	2,740	46,780	(2,740) (1)	46,780
Prepaid expenses and other assets....................	-	-	14,603	(2,740) (2)	11,863
Deferred income taxes..........	-	-	8,324	-	8,324
Total current assets.......	61	2,743	239,437	(5,480)	236,761
Property and equipment, net.......	-	-	80,416	-	80,416
Capitalized software, net.........	-	-	21,584	-	21,584
Intangible assets, net............	-	-	43,354	-	43,354
Investment in subsidiaries........	370,009	-	-	(370,009) (3)	-
Other investments.................	-	-	31,663	-	31,663
Deferred income taxes.............	-	-	31,095	-	31,095
Other noncurrent assets...........	5,404	26,139	33,040	(26,139) (1) (25,202) (2) (387) (4)	12,855
	$ 375,474	$ 28,882	$ 480,589	$ (427,217)	$ 457,728
Current Liabilities:					
Accounts payable...............	$ -	$ 59	$ 8,679	(59)	$ 8,679
Accrued liabilities............	596	527	39,464	(2,740) (1) 137 (3) (490) (4)	37,494
Current portion of long-term obligations................	-	2,740	5,069	(2,740) (2)	5,069
Deferred revenue...............	-	-	25,840	-	25,840
Total current liabilities...	596	3,326	79,052	(5,892)	77,082
Accrued rent and other............	-	25,202	30,839	(26,139) (1) (25,202) (2) 162 (4)	4,862
Convertible subordinated notes....	172,500	-	-	-	172,500
Obligations under capital leases - less current portion..........	-	-	906	-	906
Redeemable Preferred Stock........	-	119	-	(119) (3)	-
Stockholders' equity..............	202,378	235	369,792	(370,027) (3)	202,378
	$ 375,474	$ 28,882	$ 480,589	$ (427,217)	$ 457,728

1. Elimination of note receivable between CheckFree Corporation, a wholly owned subsidiary of CheckFree Holdings, and CheckFree Management Corporation.
2. Elimination of claims liability deposit between CheckFree Corporation, a wholly owned subsidiary of CheckFree Holdings, and CheckFree Management Corporation.
3. Elimination of CheckFree Holdings investment in subsidiaries, including the minority interest of CheckFree Management Corporation.
4. Elimination of other intercompany balances

CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
SIX MONTHS ENDED DECEMBER 31, 1999
(IN THOUSANDS)

	CheckFree Holdings Corporation	CheckFree Management Corporation	Combined Wholly-owned Guarantor Subsidiaries	Eliminations		CheckFree Holdings Corporation Consolidated
Revenues:						
Processing and servicing.......	$ -	$ -	$ 120,931	$ -		$ 120,931
License Fees...................	-	-	6,197	-		6,197
Maintenance fees...............	-	-	8,956	-		8,956
Other..........................	117	-	5,905	(117)	(1)	5,905
Total revenues.............	117	-	141,989	(117)		141,989
Expenses:						
Cost of processing, servicing and support................	-	-	86,899	-		86,899
Research and development.......	-	-	15,110	-		15,110
Sales and marketing............	-	-	18,577	-		18,577
				(117)	(1)	
General and administrative.....	-	117	19,285	2	(2)	19,287
Depreciation and amortization..	-	-	14,756	-		14,756
Total expenses.............	-	117	154,627	(115)		154,629
Income (loss) from operations.....	117	(117)	(12,638)	(2)		(12,640)
				(1,261)	(3)	
Interest income...................	-	1,261	2,573	(1,136)	(4)	1,437
				1,261	(3)	
Interest expense..................	(1,081)	(1,136)	(1,474)	1,136	(4)	(1,294)
Income (loss) before income taxes..........................	(964)	8	(11,539)	(2)		(12,497)
Income tax benefit................	(410)	-	(4,182)	-		(4,592)
Income (loss) before equity in earnings of subsidiaries......	(554)	8	(7,357)	(2)		(7,905)
Equity in earnings of subsidiaries....................	(7,351)	-	-	7,351	(2)	-
Net income (loss).................	$ (7,905)	$ 8	$ (7,357)	$ 7,349		$ (7,905)

1. Elimination of administrative fee between CheckFree Holdings Corporation and CheckFree Management Corporation.

2. Elimination of CheckFree Holdings investment in subsidiaries, including the minority interest of CheckFree Management Corporation.

3. Elimination of the interest income/expense from the note receivable between CheckFree Corporation, a wholly owned subsidiary of CheckFree Holdings, and CheckFree Management Corporation.

4. Elimination of the interest income/expense from the claims liability deposit between CheckFree Corporation, a wholly owned subsidiary of CheckFree Holdings, and CheckFree Management Corporation.

CHECKFREE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 1999
(IN THOUSANDS)

	CheckFree Holdings Corporation	CheckFree Management Corporation	Combined Wholly-owned Guarantor Subsidiaries	Eliminations		CheckFree Holdings Corporation Consolidated
Operating activities:						
Net income............................	$ (7,905)	$ 8	$ (7,357)	7,349	(1)	$ (7,905)
Adjustments to reconcile net income to net cash provided by (used in) operating						

activities:					
Equity in earnings of subsidiaries.....................	7,351	-	-	(7,351) (1)	-
Net inter-subsidiary cash transfers.........	(20,310)		20,310	-	-
Depreciation and amortization.....	-	-	14,756	-	14,756
Deferred income tax provision.....	(410)	-	(4,182)	-	(4,592)
Purchases of investments-Trading..	-	-	(10,563)	-	(10,563)
Proceeds from sales and maturities of investments-Trading.......................	-	-	13,594	-	13,594
Change in certain assets and liabilities (net of acquisitions and dispositions):					
Accounts receivable........	-	-	(1,120)	-	(1,120)
Prepaid expenses and other......................	-	-	(831)	-	(831)
Other noncurrent assets.....................	-	-	(298)		(298)
Accounts payable...........	-	-	(955)	-	(955)
Accrued liabilities........	-	-	5,025	2	5,027
Deferred revenues..........	-	-	5,645	-	5,645
Income tax accounts........	410	-	(408)	-	2
Accrued rent and other.....	-	-	538	-	538
Net cash provided by (used in) operating activities................	(20,864)	8	34,154	-	13,298
Investing activities:					
Purchase of property and software........................	-	-	(19,336)	-	(19,336)
Capitalization of software development costs................	-	-	(3,195)	-	(3,195)
Principal payments on related party loan......................	-	892	(892)	-	-
Purchase of investments- Held to Maturity.....................	-	-	(39,568)	-	(39,568)
Net cash provided by (used in) investing activities................	-	892	(62,991)	-	(62,099)
Financing Activities:					
Principal payments on capital lease obligations......................	-	-	(312)	-	(312)
Proceeds from sale of stock and exercise of warrants............	19,233	-	-	-	19,233
Proceeds from issuance of convertible subordinated notes..............	166,921	-	-	-	166,921
Proceeds from stock options exercised, including related tax benefits.....................	1,976	-	-	-	1,976
Proceeds from employee stock purchase plan....................	-	-	1,316	-	1,316
Payments on health plan liabilities..	-	(1,548)	1,548	-	-
Capital contribution to subsidiary...	(167,325)	-	167,325	-	-
Loan from related party............	-	360	(360)	-	-
Net cash provided by (used in) financing activities................	20,805	(1,188)	169,517	-	189,134
Net increase (decrease) in cash and cash equivalents....................	(59)	(288)	140,680	-	140,333
Cash and cash equivalents:					
Beginning of period................	120	291	12,035	-	12,446
End of period.......................	$ 61	$ 3	$ 152,715	$ -	$ 152,779

(1) Elimination of CheckFree Holdings investment in subsidiaries, including the minority interest of CheckFree Management Corporation.

The following table represents the equity structure of CheckFree Management Corporation as of December 31, 1999.

REDEEMABLE PREFERRED STOCK:	
Class C, 350 authorized shares, $100 par value; 350 shares issued and outstanding......................................	$ 37,800
Class D, 750 authorized shares, $100 par value; 750 shares issued and outstanding......................................	81,000
Total redeemable preferred stock..........................	$118,800
STOCKHOLDERS' EQUITY:	
Preferred stock- Class B, 600 authorized shares, $100 par value; 600 shares issued, no amounts outstanding.............................	-
Common stock- Class A, 1,900 authorized shares, $100 par value; 1,900 shares issued and outstanding...................................	$190,000
Retained earnings...	45,253
Total stockholders' equity................................	$235,253

Redeemable Preferred Stock - The holders are entitled to receive dividends before any dividend is declared or paid on shares of Class A Common Stock. Such dividends are cumulative and are payable at times determined by the CheckFree Management Corporation's Board of Directors. The holders are entitled to one vote per share and each class has certain rights with respect to election of the Company's Board of Directors. On or after January 1, 2004, the Company may, at its option, redeem the shares of Class C and Class D preferred stock for cash, the amount of which is determined by the "Formula Value", plus any accrued but unpaid dividends. The "Formula Value" provides for the price to be par value plus a percentage of the increase in the Company valuation from the inception date, not to exceed a per share price of $500. On or after January 1, 2005, the holders of Class C and Class D preferred stock may require the Company to redeem their shares for cash, the amount of which is determined by the Formula Value defined above, plus any accrued but unpaid dividends. At December 31, 1999 the redemption value of the preferred stock is approximately equal to its carrying value. In the event of liquidation, dissolution or winding up of the Company, holders of Class C and Class D preferred stock are entitled to receive, prior to and in preference to any distributions to the holders of Class B preferred stock or Class A common stock, an amount determined by the Formula Value, plus any accrued but unpaid dividends.

Capital Stock - Holders of class A Common Stock are entitled to one vote per share and have certain rights with respect to election of the Company's Board of Directors. The holders of Class B, Preferred Stock have certain additional rights, privileges and preferences. The holders are entitled to one vote per share and each class has certain rights with respect to election of the Company's Board of Directors. The holders are entitled to receive dividends before any dividend is declared or paid on shares of Class A Common Stock. Such dividends are cumulative and are payable at times determined by the Board of Directors. In the event of liquidation, dissolution or winding up of the Company, subject to the redeemable preferred stock preferences, holders of Class B preferred stock are entitled to receive an amount equal to the par value plus any accrued but unpaid dividends.

In December 1998, the Company entered into a Stockholders' Agreement with each holder of common and preferred stock. The agreement restricts the sale or transfer of any shares of stock without express written consent of all stockholders. In addition, the agreement provides that the holder of the Class A Common Stock, CheckFree Holdings, is subject to capital calls when and if the Board of Directors determines that the Company will have a cash shortfall for any quarter. Through December 31,1999, no additional capital contributions were required.

13. In June 1998, the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which will require that all derivative financial instruments be recognized as either assets or liabilities in the balance sheet. SFAS 133 will be effective for the Company's first quarter of fiscal 2001. The Company is in the process of evaluating the effects of this new statement.

14. On February 15, 2000, the Company entered into a definitive agreement to purchase MSFDC L.L.C. (TransPoint) in exchange for 17 million shares of the Company's common stock. TransPoint is a joint venture between Microsoft, First Data Corporation and Citibank. The acquisition, which is expected to close within four to six months, will be accounted for under the purchase method of accounting and is expected to include a charge for in-process research and development. As part of the agreement, the selling parties will fund the joint venture with $100 million of cash immediately prior to closing. Additionally, a related commercial agreement with Microsoft provides for a revenue guarantee of $120 million over the next five years and a related marketing agreement with First Data Corporation provides for a revenue and/or expense savings guarantee of $60 million over the next five years. TransPoint provides electronic billing and payment processing services.

15. Certain amounts in the prior years' financial statements have been reclassified to conform to current year presentation.

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

OVERVIEW

We are the leading provider of electronic billing and payment services. We operate our business through three independent but inter-related divisions:

- Electronic Commerce;
- Investment Services; and
- Software.

Our Electronic Commerce business provides services that allow consumers to:

- receive electronic bills through the Internet;
- pay any bill - electronic or paper - to anyone; and
- perform customary banking transactions, including balance inquiries, transfers between accounts and on-line statement reconciliations.

We currently provide electronic billing and payment services for approximately 3 million consumers. Our services are available through over 350 sources, including:

- 23 of the 25 largest banks in the United States;
- 8 of the top 10 brokerage firms in the United States;
- Internet portals;
- Internet-based banks;
- Internet financial sites such as Quicken.com; and
- personal financial management software such as Quicken and Microsoft Money.

We have developed contracts with over 1,100 merchants nationwide that enable us to remit in excess of 50% of all of our bill payments electronically. During the three-month period ended December 31, 1999, we processed an average of nearly 14 million transactions per month, and for the year ended June 30, 1999, we processed more than 125 million transactions.

In March 1997, we introduced electronic billing - "E-Bill" - which enables merchants to deliver billing as well as marketing materials interactively to their customers over the Internet. As of December 31, 1999, we have signed contracts for E-Bill services with 89 of the country's largest billers. In December 1999, we presented more than 38,000 electronic bills, which is nearly double the number of bills presented through E-bill Services in September 1999. Additionally, over 100 CheckFree distribution points are live with Internet billing and payment.

For example, when a customer instructs us to pay a bill, we have the ability to process the payment either by electronic funds transfer, by paper check, or by draft drawn on the customer's account. Our patented bill payment processing system in Norcross, Georgia determines the preferred method of payment based on a credit analysis of the customer, assessing the customer's payment history, the amount of the bill to be paid and other relevant factors.

If the results of the credit analysis are favorable, we will assume the risk of collection of the funds from the customer's account, and if we have an electronic connection to the merchant, the remittance will be sent electronically. Otherwise, the remittance will be sent to the merchant by a paper check or draft drawn directly on the customer's checking account. In an electronic remittance, the funds are transmitted electronically to the merchant with the customer's account number included as an addenda record. For a paper draft, the customer's name, address, and account number is printed on the face of the check. In addition, our processing system provides the ability to aggregate multiple electronic and paper remittances due to merchants. Thus, if multiple payments are going to the same merchant on the same day, we may send one check for the sum of these payments and include a remittance statement that provides the customers' names, addresses, account numbers, and payment amounts. Our strategy is to drive operational efficiency and improve profitability by increasing the percentage of transactions we process electronically.

We are also a leading provider of institutional portfolio management and information services and financial application software. Our Investment Services business offers portfolio accounting and performance measurement services to investment advisors, brokerage firms, banks and insurance companies and financial planning application software to financial planners.

Our portfolio management system solution includes:

- data conversion;
- personnel training;
- trading system;
- graphical client reporting;
- performance measurement;
- technical network support and interface setup; and
- Depository Trust Corporation processing.

Our financial planning software applications include:

- retirement and estate planning modules;
- cash flow, tax and education planning modules;
- asset allocation module; and
- investment manager performance database system.

Our fee-based money manager clients are typically sponsors or managers of wrap money management products or traditional money managers, managing investments of institutions and high net worth individuals.

Our Software businesses provide electronic commerce and financial applications software and services for businesses and financial institutions. We design, market, license and support the following software applications, among others:

- Electronic Funds Transfer.

  Through our Paperless Entry Processing System Plus software, we offer an online, real-time system providing an operational interface for originating and receiving payments through the automated clearinghouse. The automated clearinghouse is a nationwide electronic clearing and settlement system that processes electronically originated credit and debt transfers among participating depository institutions. These electronic transactions are substitutes for paper checks and are typically used for recurring payments like direct deposit payroll payments and corporate payments to contractors and vendors, debit transfers that consumers make to pay insurance premiums, mortgages, loans and other bills, and business to business payments. You may obtain additional information on the automated clearinghouse at the Federal Reserve Commission's website at http://www.federalreserve.gov. We do not maintain a direct connection with the automated clearinghouse, but rather, clear our electronic transactions through KeyBank, N.A., under the terms of an automated clearinghouse agreement.

- Reconciliation.

  Through our RECON-PLUS software, we provide United States banks, international banks and corporate treasury operations with automated check and non-check reconciliations in high volume, multi-location environments. Some of the services provided by ReconPlus are automated deposit verification, consolidated bank account reconciliation and cash mobilization, immediate and accurate funds availability data and improved cash control.

- Other

  We also provide software solutions such as regulatory compliance solutions for Form 1099 processing, safe box accounting and other applications.

During the fiscal year ended June 30, 1999, Electronic Commerce accounted for 68% of our revenues and Investment Services and Software each accounted for 16% of our revenues.

Our current business was developed through expansion of our core Electronic Commerce business and the acquisition of companies operating in similar or complementary businesses. Our major acquisitions include Servantis Systems Holdings, Inc. in February 1996, Security APL, Inc. in May 1996, Intuit Services Corporation in January 1997 and Mobius Group, Inc. in March 1999. On December 21, 1999 we announced the planned acquisition of BlueGill Technologies, Inc. and expect this transaction to close in the quarter ended June 30, 2000.

During fiscal 2000, we announced a new pricing structure to our financial institution customers. The new pricing program includes a fee based on the number of transactions processed, a small per subscriber fee and a fixed monthly fee to cover our infrastructure costs. Our traditional financial institution pricing structure was based primarily on subscriber fees, which grew roughly proportionally to the number of subscribers added, regardless of activity. Both programs provide for monthly minimum fees. Until we see significant increases in the number of electronic billing and payment customers enrolling through financial institutions, we do not anticipate that this pricing change will have a significant impact on our revenues. Once the subscriber growth rates begin to accelerate and financial institutions adopt the new pricing program, revenue growth will become more dependent upon consumer usage of our services. As of December 31, 1999, only one financial institution had adopted the new pricing program. From an efficiency perspective, electronic payment of bills is significantly less expensive than traditional paper based payments. Since June 1998, we have increased our electronic payments ratio from 32% of total payments processed to over 52% by December 1999. Improvement in this important metric drives down our variable costs and results in increased gross profits in our electronic payment business.

In March 1997, we introduced electronic billing -- "E-Bill" -- which enables merchants to deliver billing information as well as marketing materials to their customers electronically over the Internet. Through December 1999, we have placed 62 billers into production and are now delivering in excess of 38,000 electronic bills monthly through E-Bill. We derive revenue from our billers on a per bill presented basis.

During fiscal 1998, we made the decision to sell some of our software businesses that did not directly promote our strategic direction. These divestitures included the sale of our recovery management business in August 1997, our item processing business in March 1998, our wire and electronic banking businesses in April 1998, our leasing business in July 1998, our mortgage business in September 1998 and our imaging business in

October 1998. While we have no pending agreements to dispose of our remaining software businesses, we do receive offers for them from time to time.

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,	
	1998	1999	1998	1999
Total Revenues:	100.0%	100.0%	100.0%	100.0%
Expenses:				
Cost of processing, servicing and support	57.7%	60.2%	61.4%	61.2%
Research and development	9.4%	11.3%	10.4%	10.6%
Sales and marketing	12.4%	13.6%	13.1%	13.1%
General and administrative	12.8%	12.8%	12.3%	13.6%
Depreciation and amortization	10.1%	10.7%	10.4%	10.4%
Total expenses	102.4%	108.6%	107.6%	108.9%
Net gain on dispositions of assets	0.0%	0.0%	3.4%	0.0%
Loss from operations	-2.4%	-8.6%	-4.2%	-8.9%
Interest, net	0.7%	-0.1%	1.0%	0.1%
Loss before income taxes	-1.6%	-8.7%	-3.1%	-8.8%
Income tax benefit	-20.7%	-3.3%	-11.6%	-3.2%
Net income (loss)	19.1%	-5.4%	8.5%	-5.6%

SIX MONTHS ENDED DECEMBER 31, 1998 AND 1999

Revenues. Reported revenue increased 22%, from $59.6 million for the three months ended December 31, 1998 to $73.0 million for the three months ended December 31, 1999 and by 22%, from $116.4 million for the six months ended December 31, 1998 to $142.0 million for the six months ended December 31, 1999. On a pro forma basis, net of the divestitures of our mortgage business in September 1998 and our imaging business in October 1998 and adjusting for the acquisition of Mobius Group in March 1999, revenue increased 19% from $61.3 million for the three months ended December 31, 1998 to $73.0 million for the three months ended December 31, 1999 and by 20%, from $118.0 million for the six months ended December 31, 1998 to $142.0 million for the six months ended December 31, 1999. The increase in quarterly pro forma revenue of 19% was driven by increases of 23% in our Electronic Commerce segment and 26% in our Investment Services segment, offset slightly by a decline of 5% in our Software segment. The increase in year to date pro forma revenue of 20% was driven by increases of 24% in our Electronic Commerce segment, 23% in our Investment Services segment and less than 1% in our Software segment. Quarterly and year to date growth in Electronic Commerce revenue is driven primarily by an increase in subscribers from approximately 2.6 million at December 31, 1998 to approximately 3.0 million at December 31, 1999. Pro forma quarterly and year to date growth in Investment Services revenue is driven primarily by an increase in portfolios managed from approximately 573,000 at December 31, 1998 to approximately 820,000 at December 31, 1999. In the Software segment, the decline in pro forma quarterly revenue and the minimal growth in pro forma year to date revenue were due primarily to anticipated purchasing moratoriums by customers due to Year 2000 concerns.

Reported processing and servicing revenue increased by 29%, from $48.5 million for the three months ended December 31, 1998 to $62.6 million for the three months ended December 31, 1999, and by 29%, from $93.6 million for the six months ended December 31, 1998 to $120.9 million for the six months ended December 31, 1999. On a pro forma basis, adjusting for the acquisition of Mobius Group in March 1999, processing and servicing revenue increased by 25%, from $50.1 million for the three months ended December 31, 1998 to $62.6 million for the three months ended December 31, 1999, and by 25%, from $96.7 million for the six months ended December 31, 1998 to $120.9 million for the six months ended December 31, 1999. Quarter over quarter and year over year pro forma growth in processing and servicing revenue is primarily the result of the previously mentioned growth in subscribers in our Electronic Commerce segment and portfolios managed in our Investment Services segment. Our processing agreement with Yahoo! allows for a free three month trial period for subscribers who enroll through Yahoo! Because these subscribers are not generating revenue during this free period, we do not count them in our active subscriber base. Additionally, we now have 62 billers in production that presented approximately 38,000 electronic bills in the month ended December 31, 1999. The number of bills we presented electronically has nearly doubled since the month ended September 30, 1999 and we expect growth in this area to continue. When combined with a recently announced transaction based pricing model for our largest customers, it will become more difficult to correlate revenue solely to the number of subscribers, with transactions processed becoming an additional indicator.

Reported license fee revenue decreased by 6%, from $3.4 million for the three months ended December 31, 1998 to $3.2 million for the three months ended December 31, 1999 and by 3% from $6.4 million for the six months ended December 31, 1998 to $6.2 million for the six months ended December 31, 1999. On a pro forma basis, adjusting for the impact of divested software businesses, license revenue decreased by 6%, from $3.4 million for the three months ended December 31, 1998 to $3.2 million for the three months ended December 31, 1999 and increased by 2% from $6.1 million for the six months ended December 31, 1998 to $6.2 million for the six months ended December 31, 1999. The pro forma decline in license revenue on a quarter over quarter basis and the relatively flat pro forma performance on a year over year basis was due primarily to expected purchasing moratoriums from customers with Year 2000 concerns.

Reported maintenance fee revenue increased by 7%, from $4.2 million for the three months ended December 31, 1998 to $4.5 million for the three months ended December 31, 1999 and decreased by 2% from $9.2 million for the six months ended December 31, 1998 to $9.0 million for the six months ended December 31, 1999. On a pro forma basis, adjusting for the impact of divested software businesses, maintenance revenue increased by 7%, from $4.2 million for the three months ended December 31, 1998 to $4.5 million for the three months ended December 31, 1999 and by 8%, from $8.3 million for the six months ended December 31, 1998 to $9.0 million for the six months ended December 31, 1999. This increase is due to new maintenance paying customers added during fiscal 1999 and moderate price increases, offset slightly by retention rates in the upper 80% range for the core maintenance base in the Software business.

Reported other revenue, consisting mostly of consulting fees, decreased by 23%, from $3.4 million for the three months ended December 31, 1998 to $2.6 million for the three months ended December 31, 1999 and by 18%, from $7.2 million for the six months ended December 31, 1998 to $5.9 million for the six months ended December 31, 1999. On a pro forma basis, adjusting for the impact of divested software businesses and the acquisition of Mobius Group, other revenue decreased by 23%, from $3.4 million for the three months ended December 31, 1998 to $2.6 million for the three months ended December 31, 1999 and by 13%, from $6.8 million for the six months ended December 31, 1998 to $5.9 million for the six months ended December 31, 1999. The decrease in pro forma other revenue is due primarily to the decline in software implementations due to customer's software implementation freezes in the quarter in preparation for Year 2000.

Cost of Processing and Support. Our cost of processing, servicing and support was $34.3 million or 57.7% of total revenue for the three months ended December 31, 1998 and $43.9 million or 60.2% of total revenue for the three months ended December 31, 1999. Cost of processing, servicing and support was $71.5 million or 61.4% of total revenue for the six months ended December 31, 1998 and $86.9 million or 61.2% of total revenue for the six months ended December 31, 1999. Cost of processing, servicing and support as a percentage of servicing only revenue (all revenue except license) was 61.2% for the three months ended December 31, 1998 and 62.9% for the three months ended December 31, 1999 and was 64.9% for the six months ended December 31, 1998 and 64.0% for the six months ended December 31, 1999. We have seen improvements in this ratio in two areas. First, we have seen an increase in the percentage of electronic payments from approximately 42% at December 31, 1998 to approximately 52% at December 31, 1999, whereby electronic payments carry a significantly lower variable cost per unit than paper based payments. Additionally, we have seen improvements from the leverage inherent in converting two thirds of our subscribers from two legacy systems to our new Genesis processing system. These improvements, however, are offset by E-Bill implementation costs as we continue to move an increasing number of billers into live production and by transaction costs generated by subscribers enrolled by Yahoo!, currently within their free three-month trial period.

Research and Development. Our research and development costs were $5.6 million or 9.4% of total revenue for the three months ended December 31, 1998 and $8.3 million or 11.3% of total revenue for the three months ended December 31, 1999. Research and development costs were $12.2 million or 10.4% of total revenue for the six months ended December 31, 1998 and $15.1 million or 10.6% of total revenue for the six months ended December 31, 1999. Adjusted for capitalized development costs of $1.6 million for the three months ended December 31, 1998, of $1.3 million for the three months ended December 31, 1999, of $2.8 million for the six months ended December 31, 1998 and of $3.2 million for the six months ended December 31, 1999, our gross research and development costs were $7.2 million or 12.1% of total revenue for the three months ended December 31, 1998 and $9.6 million or 13.2% of total revenue for the three months ended December 31, 1999 and were $15.0 million or 12.9% of total revenue for the six months ended December 31, 1998 and $18.3 million or 12.8% of total revenue for the six months ended December 31, 1999. We continue to invest a significant portion of our revenue into research and development activities in all business segments in anticipation and support of revenue growth, quality improvement and efficiency enhancement opportunities.

Sales and Marketing. Sales and marketing costs were $7.4 million or 12.4% of total revenue for the three months ended December 31, 1998 and $9.9 million or 13.6% of total revenue for the three months ended December 31, 1999. Sales, marketing and royalty costs were $15.2 million or 13.1% of total revenue for the six months ended December 31, 1998 and $18.6 million or 13.1% of total revenue for the six months ended December 31, 1999. We have increased our sales staff to sign additional billers in support of our electronic billing product offerings and have increased program management staff in support of new non-subscriber based products designed to leverage our existing electronic payment infrastructure. We expect to incur increased promotional expenses in support of electronic billing and payment offerings through financial institutions and Internet portals like Yahoo! and other customers like WingspanBank.com in an effort to accelerate the growth of subscribers in our Electronic Commerce segment.

General and Administrative. General and administrative expenses were $7.6 million or 12.8% of total revenue for the three months ended December 31, 1998 and $9.4 million or 12.8% of total revenue for the three months ended December 31, 1999. General and administrative expenses were $14.4 million or 12.3% of total revenue for the six months ended December 31, 1998 and $19.3 million or 13.6% of total revenue for the six months ended December 31, 1999. The increase in general and administrative expenses is due principally to an increase in facilities costs resulting from new facilities in Dublin, Ohio, Jersey City, New Jersey and Phoenix, Arizona; an increase in administrative staff required to manage growth in all areas of the company; and an increase in our reserve for estimated doubtful accounts consistent with realized revenue growth.

Depreciation and Amortization. Depreciation and amortization costs increased from $6.0 million for the three months ended December 31, 1998 to $7.8 million for the three months ended December 31, 1999 and from $12.0 million for the six months ended December 31, 1998 to $14.8 million for the six months ended December 31, 1999. Reductions in depreciation and amortization expense resulting from the divestiture of previously mentioned software businesses have been offset by amortization of intangible assets resulting from the acquisition of Mobius Group and increased depreciation expense resulting from capital spending in support of growth and quality improvement initiatives.

Net Gain on Dispositions of Assets. The net gain on dispositions of assets of $3.9 million in the six months ended December 31, 1998 is the net result of the gain on the sale of our mortgage business of approximately $6.3 million offset by the loss on the sale of the imaging business of approximately $2.4 million.

Interest. Net interest declined from net interest income of $0.4 million for the three months ended December 31, 1998 to net interest expense of $0.1 million for the three months ended December 31, 1999. Net interest declined from net interest income of $1.2 million for the six months ended December 31, 1998 to net interest income of $0.1 million for the six months ended December 31, 1999. The varied net interest amounts are the net result of the timing of significant transactions in each of the periods identified. At September 30, 1998, we had approximately $56.2 million of cash, cash equivalents and investments on hand, primarily resulting from proceeds from the divestitures of various software businesses. We spent approximately $31.0 million in cash from September 1998 through October 1998 to buy back approximately 4.7 million of common shares when the market price of our stock was relatively low. Investment yields on our average cash, cash equivalents and invested assets exceeded interest expense on outstanding capital lease obligations, resulting in net interest income of $0.4 million for the three months ended December 31, 1998 and $1.2 million for the six months ended December 31, 1998. On November 29, 1999, we received net proceeds of approximately $166.9 million from the issuance of $172.5 million of 6 1/2% subordinated convertible notes. Additionally, in October 1999, we received approximately $9.8 million from the direct purchase of 250,000 shares of our common stock, at market value, by Bank One and, in December 1999, we received approximately $6.2 million from the exercise of outstanding common stock warrants. Direct interest expense and amortization of issuance costs resulting from the convertible debt combined with interest expense from capital leases exceeded the interest income earned on cash, cash equivalents and invested assets for the quarter resulting in net interest expense of $0.1 million for the three months ended December 31, 1999. For the six months ended December 31, 1999, our interest income exceeded interest expense by $0.1 million.

Income Taxes. We recorded an income tax benefit of $12.4 million for the three months ended December 31, 1998 (effective rate not meaningful) and an income tax benefit of $2.4 million or an effective tax rate of 37.8% for the three months ended December 31, 1999. We recorded an income tax benefit of $13.6 million for the six months ended December 31, 1998 (effective rate not meaningful) and an income tax benefit of $4.6 million or an effective tax rate of 36.8% for the six months ended December 31, 1999. In the quarter ended December 31, 1998, we recorded a one-time tax benefit of approximately $12.2 million arising out of our medical benefits management subsidiary. Net of this one-time benefit, the reported effective rates differ from the blended statutory rate of 40% in all periods due to goodwill and other non-deductible expenses, jobs credits and tax exempt interest income.

SEGMENT INFORMATION

The following table sets forth operating revenue and operating income by industry segment for the periods noted (in thousands):

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	1998	1999	1998	1999
Operating Revenue:				
Electronic Commerce	$41,298	$50,703	$ 79,385	$ 98,484
Software	9,535	9,076	19,730	18,060
Investment Services	8,772	13,190	17,304	25,445
Total Operating Revenue	$59,605	$72,969	$116,419	$141,989
Operating Income (Loss):				
Electronic Commerce	$ (778)	$(5,060)	$ (5,388)	$(10,810)
Software	3,720	2,283	4,935	4,766
Investment Services	895	3,080	2,690	5,445
Corporate	(5,245)	(6,578)	(11,021)	(12,041)
Net Gain on Disposition of Assets	--	--	3,914	--
Total Operating Income (Loss)	$(1,408)	$(6,275)	$ (4,870)	$(12,640)

SIX MONTHS ENDED DECEMBER 31, 1998 AND 1999

Revenue in our Electronic Commerce business unit increased by 23%, from $41.3 million for the three months ended December 31, 1998 to $50.7 million for the three months ended December 31, 1999 and increased by 24%, from $79.4 million for the six months ended December 31, 1998 to $98.5 million for the six months ended December 31, 1999. The increase in revenue is due primarily to an increase in subscribers from approximately 2.6 million at December 31, 1998 to approximately 3.0 million at December 31, 1999. While underlying growth in total subscribers approximated 7% and, within that figure underlying Internet-based subscribers grew in excess of 20%, the total subscriber based remained consistent from last quarter at approximately 3.0 million. As expected in our discussion last quarter, we had approximately 200,000 subscribers deleted during the quarter ended December 31, 1999 as our financial institution customers removed subscribers using personal financial management software that was not Year 2000 compliant. We have assisted our customers in actively soliciting these subscribers to upgrade to Year 2000 compliant software and to remove non-compliant subscribers from our systems through December 1999. We do not expect these deletions to have a material impact on our expected earnings for the remainder of the year.

Our processing agreement with Yahoo! allows for a free three-month trial period for subscribers who enroll through Yahoo! Because these subscribers are not generating revenue during this free period, we do not count them in our active subscriber base. Early on in the program with Yahoo! we provided bill payment services only and, in December 1999, we added electronic billing capability that now allows for a fully electronic round trip billing and payment experience through the Yahoo! offering. Now that the services are complete, we expect an increase in the nature and extent of advertising promotions through the various Yahoo! properties like Yahoo.com, Yahoo! Calendar and Yahoo! Wallet.

Additionally, we now have 62 billers in production that presented approximately 38,000 electronic bills in the month ended December 31, 1999. The number of bills we presented electronically has nearly doubled since the month of September 1999 and we expect growth in this area to continue. Our recently announced acquisition of BlueGill Technologies, expected to close in the quarter ended March 31, 2000, will facilitate our efforts to provide quality billing content and by simplifying and accelerating the process of taking bills from paper to electronic, BlueGill will help us speed adoption of electronic billing services available today. When combined with a recently announced transaction based pricing model for our largest customers, it will become more difficult to correlate revenue solely to the number of subscribers, with transactions processed becoming an additional indicator. We exited the quarter ended December 31, 1999 processing approximately 14 million transactions per month, an increase of 1 million per month over that which we processed in September 1999.

Operating losses in our Electronic Commerce segment increased from $0.8 million for the three months ended December 31, 1998 to $5.1 million for the three months ended December 31, 1999 and from $5.4 million for the six months ended December 31, 1998 to $10.8 million for the six months ended December 31, 1999. As we have explained in previous quarters, we are investing heavily in the following four areas:

- marketing and price incentives to spur industry growth;
- compressing the time from E-Bill contract execution to live billing;

- improved infrastructure and programs that improve quality and performance; and
- extension of payment offerings through leverage of our existing infrastructure.

Additionally, as subscribers sign up for electronic billing and payment offerings through portals and other sponsors that offer free trial periods, we will incur the variable costs associated with processing transactions from these customers with no revenue to offset the costs. These combined factors will continue to place downward pressure on operating margins in this segment for the remainder of the fiscal year.

Reported revenue in our Software segment declined by 4%, from $9.5 million for the three months ended December 31, 1998 to $9.1 million for the three months ended December 31, 1999 and by 8% from $19.7 million for the six months ended December 31, 1998 to $18.1 million for the six months ended December 31, 1999. The decline in the periods mentioned is partially due to the divestiture of our mortgage and imaging businesses in the prior year. On a pro forma basis, net of the divestitures, revenue declined by 4%, from $9.5 million for the three months ended December 31, 1998 to $9.1 million for the three months ended December 31, 1999 and increased by 1% from $17.9 million for the six months ended December 31, 1998 to $18.1 million for the six months ended December 31, 1999. The revenue results were as expected due to purchasing moratoriums by customers concerned with Year 2000 issues.

Reported operating income in our Software segment decreased from $3.7 million for the three months ended December 31, 1998 to $2.3 million for the three months ended December 31, 1999 and decreased slightly from $4.9 million for the six months ended December 31, 1998 to $4.8 million for the six months ended December 31, 1999. On a pro forma basis, net of divestitures, operating income decreased from $3.7 million for the three months ended December 31, 1998 to $2.3 million for the three months ended December 31, 1999 and decreased from $6.6 million for the six months ended December 31, 1998 to $4.8 million for the six months ended December 31, 1999. The decrease in operating margins reflects investments in new initiatives like the recent launch of missingmoney.com, a state-sponsored Internet site we developed with the National Association of Unclaimed Property to enable customers to find and claim money owed to them from non-refunded deposits, unclaimed securities, and other accounts held by states. Additional resources have also been assigned to our new automated clearinghouse alliance services program that carries a profit margin that is inherently lower than that of our traditional product offerings in this area.

Reported revenue in our Investment Services segment increased by 50%, from $8.8 million for the three months ended December 31, 1998 to $13.2 million for the three months ended December 31, 1999 and by 47%, from $17.3 million for the six months ended December 31, 1998 to $25.4 million for the six months ended December 31, 1999. This increase is partially due to our acquisition of Mobius Group in March of 1999. On a pro forma basis, adjusting for the impact of the Mobius Group acquisition, revenue increased 27% from $10.4 million for the three months ended December 31, 1998 to $13.2 million for the three months ended December 31, 1999 and by 23%, from $20.7 million for the six months ended December 31, 1998 to $25.4 million for the six months ended December 31, 1999. Growth in pro forma revenue is driven primarily by an increase in portfolios managed from approximately 573,000 at December 31, 1998 to approximately 820,000 at December 31, 1999. A major portion of portfolio growth over the past year has occurred in retail versus institutional accounts that carry a lower unit price. In October 1999, we launched our new M-Plan product from Mobius. Consultants, plan sponsors, investment managers and financial planners use Mobius M-Plan for integrating retirement, capital needs, tax, education and real estate planning needs for their customers.

Operating income in our Investment Services segment increased from $0.9 million for the three months ended December 31, 1998 to $3.1 million for the three months ended December 31, 1999 and from $2.7 million for the six months ended December 31, 1998 to $5.4 million for the six months ended December 31, 1999. On a pro forma basis, adjusting for the acquisition of Mobius Group, operating income increased from $0.9 million for the three months ended December 31, 1998 to $3.1 million for the three months ended December 31, 1999 and from $2.9 million for the six months ended December 31, 1998, to $5.4 million for the six months ended December 31, 1999. In the quarter ended December 31, 1998, we incurred one time charges of $0.6 million related to real estate transactions in this business unit. Additionally, increases in operating income are due to the marginal profit inherent in the increase in portfolios managed and synergies realized in the integration of Mobius Group into the operations of the business segment.

The Corporate segment represents charges for legal, human resources, accounting and finance and various other of our unallocated overhead charges. Our Corporate segment incurred an operating loss of $5.2 million, or 9% of total revenue for the three months ended December 31, 1998 versus an operating loss of $6.6 million, or 9% of total revenue for the three months ended December 31, 1999. Our Corporate segment incurred an operating loss of $11.0 million, or 9% of total revenue for the six months ended December 31, 1998 versus an operating loss of $12.0 million, or 8% for the six months ended December 31, 1999. The unallocated portions of our expenses have remained fairly consistent as a percentage of revenue. As subscriber price promotions allowing for free trial periods begin to expire and related customers begin paying for various related electronic billing and bill payment services, we believe our corporate costs will begin to decline as a percentage of revenue as we regain the leverage inherent in our normalized business model.

The net gain on dispositions of assets of $3.9 million in the six months ended December 31, 1998 is the net result of the gain on the sale of our mortgage business of approximately $6.3 million, offset by the loss on the sale of our imaging business of approximately $2.4 million.

YEAR 2000 READINESS

We had a staff of approximately 100 technical associates on site to review and test our internal and third party systems through the evening of December 31, 1999 and into January 1, 2000. We had no significant internal systems issues arise as a result of crossing into the Year 2000, and interfaces with customers and suppliers have caused no adverse impact. While we continue to monitor our systems for any related issues that may arise, additional costs in this regard are anticipated only to the extent necessary to complete final documentation of the testing activities that we performed and for activities necessary to wind down our project team assigned to Year 2000.

Although the development of Genesis has taken into account relevant Year 2000 issues, the planned conversion was not accelerated due to year 2000 issues and Year 2000 related costs in the development of the Genesis platform are therefore not included in our costs below. The following chart reflects our Year 2000 specific costs. The fiscal year 1999 and prior costs were attributed to remediation of legacy systems and applications. The year to date fiscal year 2000 costs include minor remediation and testing and verification activities. The cost to complete include the direct costs of the 100 associates that were on site on January 1, 2000 and through the weekend to perform final testing as we crossed into the Year 2000, as well as anticipated remaining project documentation and wind down costs.

BUSINESS SEGMENT	FISCAL 1997	FISCAL 1998	FISCAL 1999	YTD FISCAL 2000	COST TO COMPLETE	TOTAL
			(IN THOUSANDS)			
Electronic commerce	$ 0	$ 100	$ 1,360	$ 800	$ 20	$ 2,280
Software	-	500	525	171	10	1,206
Investment services	-	375	937	110	25	1,447
Corporate	-	-	270	81	-	351
Total	$ 0	$ 975	$ 3,092	$ 1,162	$ 55	$ 5,284

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 1999, we had cash, cash equivalents and investments (short and long term) on hand totaling $201.5 million. Our balance sheet reflects working capital of $159.7 million and our current ratio stands at 3.1.

There have been a number of significant transactions that have taken place during the quarter ended December 31, 1999 to improve our liquidity and capital resources. The following chart, which summarized our Consolidated Statement of Cash Flows for the six months ended December 31, 1999, highlights these changes.

	THREE MONTHS ENDED SEPTEMBER 30, 1999	THREE MONTHS ENDED DECEMBER 31, 1999	SIX MONTHS ENDED DECEMBER 31, 1999
		(IN THOUSANDS)	
Net cash provided by (used in):			
Operating activities	$ 2,651	$ 10,647	$ 13,298
Investing activities	(10,528)	(51,571)	(62,099)
Financing activities	1,870	187,264	189,134
Net increase (decrease) in cash and cash equivalents	$ (6,007)	$146,340	$140,333

Net cash provided by financing activities reflects the most significant positive impact on cash flow in the quarter ended December 31, 1999. On November 29, 1999, we issued $172.5 million of 6 1/2% convertible subordinated notes that provided $166.9 million of proceeds, net of underwriting and other direct issuance costs. During the quarter, we also received $19.2 million from the direct sale of 250,000 shares of stock to Bank One and the issuance of 300,000 shares upon exercise of vested warrants from Integrion members. This amount of $19.2 million included an overpayment of $3.2 million due to a duplicate submission of cash proceeds by one of our customers on the last day of the quarter that was returned on the first day of the subsequent quarter. Additionally, we received $1.3 million from the exercise of employee stock options and from our employee stock purchase plan and we spent $0.2 million on principal payments for capital leases.

We invested approximately $39.6 million of the proceeds above in the purchase of investments designated as held to maturity, $10.7 in capital expenditures and $1.3 million in the capitalization of software development costs, resulting in net cash used in investing activities of $51.6 million.

Net cash provided by operation of $10.6 million reflects a significant improvement over the $2.7 million provided by operations in the previous quarter. This improvement is driven by an improvement of $11.1 million in accounts receivable, which was primarily the result of timing of payments by our customers from quarter to quarter.

Convertible Subordinated Notes. On November 29, 1999, we issued $172.5 million of 6 1/2% convertible subordinated notes that are due on December 1, 2006. We will pay interest on the notes on June 1 and December 1, of each year, commencing on June 1, 2000. The notes may be converted, at the holder's option, into 13.6612 shares of common stock per note and we may redeem the notes at any time on or after December 1, 2002. On January 14, 2000, we filed a shelf registration statement to register the underlying shares. Under the terms of the offering, should we fail to obtain a declaration of effectiveness of the shelf registration statement from the Securities and Exchange Commission by March 28, 2000, we will incur penalty interest in the amount of 0.5%. The penalty interest would stop accruing at the time we obtain the appropriate declaration of effectiveness. We expect to use the net proceeds from this offering for working capital and general corporate purposes, including expansion of our services to a broader market and potential acquisitions.

Credit Facility. On October 31, 1999, our $20 million working capital line of credit with Key Bank was set to expire. We extended the line until December 31, 1999 while we negotiated a new agreement. In December 1999, we entered into a three-year, $30 million working capital line of credit with Key Bank that carries an interest rate of either LIBOR plus 200 basis points or Prime, at our discretion. These are the same terms that were in place on the original line as well. As of January 3, 2000, the LIBOR rates were 5.8825% for one month, 6.0% for three months, 6.13125% for six months and 6.5% for one year and the Prime rate was 8.5%. In this instance, it would be more beneficial to us to choose the LIBOR option for any capital needs for less than one year and the Prime rate option for needs exceeding one year. As of December 31, 1999, there was no balance outstanding on this line and we had no plans or expectations to draw from the line through June 30, 2000. Although we have significant working capital in place at December 31, 1999, we feel it prudent to have access to a credit facility given our plans for growth.

Because of our successful efforts in completing the convertible subordinated note offering and in executing the new working capital line of

credit, we discontinued negotiations with various vendors in establishing an additional lease line of credit.

The net result of the activities in the quarter ended December 31, 1999 is a significant improvement in our liquidity and capital resources. We believe that existing cash, cash equivalents, investments and available financing alternatives will be sufficient to meet our presently anticipated working capital and capital investment requirements through June 30, 2000. In the longer term, our working capital and capital investment requirements will be somewhat dependent upon the timing of significant customer adoption of our electronic billing and payment services and the result of acquisitions, and, therefore, we are not in a position to make longer-term predictions at this time.

INFLATION

We believe the effects of inflation have not had a significant impact on our 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 our Form 10-Q/A No. 1 include certain forward-looking statements within the meaning of Section 27A of the Securities Act, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding our and management's intent, belief and expectations, such as statements concerning our future profitability, our operating and growth strategy, and Year 2000 issues. Investors are cautioned that all forward-looking statements involve risks and uncertainties including, without limitation, the factors set forth under the caption "Business - Business Risks" in the Annual Report on Form 10-K for the year ended June 30, 1999, as may be amended from time to time, and other factors detailed from time to time in our filings with the Securities and Exchange Commission. One or more of these factors have affected, and in the future could affect, our businesses and financial results in the future and could cause actual results to differ materially from plans and projections. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Accordingly, there can be no assurance that the forward-looking statements included in this Form 10-Q/A No. 1 will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. All forward-looking statements made in this Form 10-Q/A No. 1 are based on information presently available to our management.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS.

On November 29, 1999, we issued $172.5 million of 6.5% convertible subordinated notes due on December 1, 2006 in a private placement to Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc. and Hambrecht & Quist LLC (as the initial purchasers) and were subsequently sold by the initial purchasers in private transactions exempt from the registration requirements of the Securities Act to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act). We will pay interest on the notes on June 1 and December 1, of each year, commencing June 1, 2000. The notes may be converted, at the holder's option, into 13.6612 shares of our common stock per note and we may redeem the notes at any time on or after December 1, 2002. On January 14, 2000, we filed a shelf registration statement to register the underlying shares, which we subsequently amended on January 26, 2000 and on April 10, 2000.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Annual Meeting of Stockholders of the Company was held on Thursday, November 4, 1999 for the following purposes:

(1) To elect two Class I Directors of the Company to serve for a three-year term expiring at the 2002 Annual Meeting of Stockholders.

Management's proposal as presented in the proxy statement was approved with the following vote:

Proposal 1: The election of two Class I Directors of the Company, to serve until the 2002 Annual Meeting of Stockholders or until his successor is elected and qualified:

	NUMBER OF SHARES VOTED		
	FOR	WITHHOLD AUTHORITY	TOTAL
William P. Boardman	43,023,146	3,076,626	49,099,772
George R. Manser	43,018,854	3,080,918	49,099,772

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

(a) EXHIBITS.

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
4(a)	Form of Guarantee (Reference is made to Exhibit 4(c) to the Registration Statement on Form S-3, as amended (Registration No. 333-94757), and incorporated herein by reference.)
4(b)	Indenture, by and between the Company and Fifth Third Bank as Trustee, for the 6.5% Convertible Subordinated Notes due 2006, dated as of November 29, 1999, including the form of the 6.5% Note (Reference is made to Exhibit 4(d) to the Registration Statement on Form S-3, as amended (Registration No. 333-94757), and incorporated herein by reference.)
4(c)	First Supplemental Indenture by and between the Company and Fifth Third Bank as Trustee, for the 6.5% Convertible Subordinated Notes due 2006, dated as of November 29, 1999 (Reference is made to Exhibit 4(f) to the Registration Statement on Form S-3, as amended (Registration No. 333-94757), and incorporated herein by reference.)

4(e) Form of the Global Note (Reference is made to Exhibit 4(g) to the Registration Statement on Form S-3, as amended (Registration No. 333-94757), and incorporated herein by reference.)

4(f) Registration Rights Agreement, dated as of November 29, 1999, among the Company, CheckFree Corporation, CheckFree Investment Corporation, CheckFree Management Corporation, CheckFree Investment Services, Inc., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Securities Inc., and Hambrecht & Quist LLC (Reference is made to Exhibit 4(h) to the Registration Statement on Form S-3, as amended (Registration No. 333-94757), and incorporated herein by reference.)

27* Financial Data Schedule.

99 CheckFree Management Corporation Interim Unaudited Condensed Financial Statements and Notes.

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* Previously filed with this report.

(b) REPORTS ON FORM 8-K.

We filed the following Current Reports on Form 8-K with the Securities and Exchange Commission during the quarter ended December 31, 1999:

(1) A current report on Form 8-K, dated November 29, 1999, was filed with the Securities and Exchange Commission on December 2, 1999 (Item 5).

(2) A current report on Form 8-K, dated December 20, 1999, was filed with the Securities and Exchange Commission on December 23, 1999 (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 HOLDINGS CORPORATION

Date: July 7, 2000

By: /s/ David Mangum

David Mangum, Executive Vice President and Chief Financial Officer*
(Principal Financial Officer)

Date: July 7, 2000

By: /s/ Gary A. Luoma, Jr.

Gary A. Luoma, Jr., Vice President, Chief Accounting Officer, and Assistant Secretary
(Principal Accounting Officer)

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

EXHIBIT INDEX

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27*	Financial Data Schedule.
99	CheckFree Management Corporation Interim Unaudited Condensed Financial Statements and Notes.

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* Previously filed with this report.

Exhibit 99

CHECKFREE MANAGEMENT CORPORATION
UNAUDITED CONDENSED BALANCE SHEETS

	JUNE 30, 1999	DECEMBER 31, 1999
	(IN THOUSANDS, EXCEPT SHARE DATA)	
ASSETS		
Current assets:		
Cash	$ 291	$ 3
Related party note receivable, current portion	1,970	2,740
Total current assets	2,261	2,743
Related party note receivable, less current portion	27,798	26,139
Total	$ 30,059	$ 28,882
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Claims payable	$ 318	$ 59
Accrued liabilities	--	527
Deposit for future claims liability	1,970	2,740
Total current liabilities	2,288	3,326
Deposit for future claims liability, less current portion	27,430	25,202
Redeemable Preferred Stock:		
Class C, 350 authorized shares, $100 par value; 350 shares issued and outstanding	36	39
Class D, 750 authorized shares, $100 par value; 750 shares issued and outstanding	78	80
Total redeemable preferred stock	114	119
Stockholders' equity:		
Preferred stock - Class B, 600 authorized shares; $100 par value; 600 shares issued, no amounts outstanding		
Common stock - Class A, 1,900 authorized shares, $100 par value; 1,900 shares issued and outstanding	190	190
Retained earnings	37	45
Total stockholders' equity	227	235
Total	$ 30,059	$ 28,882

See notes to Interim Unaudited Condensed Financial Statements

CHECKFREE MANAGEMENT CORPORATION
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS

	DECEMBER 8, 1998 (DATE OF INCEPTION) TO DECEMBER 31, 1998	THREE MONTHS ENDED DECEMBER 31, 1999	DECEMBER 8, 1998 (DATE OF INCEPTION) TO DECEMBER 31, 1998	SIX MONTHS ENDED DECEMBER 31, 1999
	(IN THOUSANDS)			
Revenues:				
Interest income from related party....	$ --	$ 622	$ --	$ 1,253
Other interest income.................	37	4	37	8
Total revenues.................	37	626	37	1,261
Expenses:				
Interest expense on deposit for future claims liability....................	--	564	--	1,136
General and administrative............	--	58	--	117
Total expenses	--	622	--	1,253
Income before income tax................	37	4	37	8
Income tax expense......................	--	--	--	--
Net income..............................	37	4	37	8
Dividends on redeemable preferred stock.................................	--	2	--	4
Net income applicable to common shareholders..........................	$ 37	$ 2	$ 37	$ 4

See Notes to Interim Unaudited Condensed Financial Statements

CHECKFREE MANAGEMENT CORPORATION
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS

	DECEMBER 8, 1998 (DATE OF INCEPTION) TO DECEMBER 31, 1998	SIX MONTHS ENDED DECEMBER 31, 1999
	(IN THOUSANDS)	
Cash flows from operating activities:		
Net income	$ 37	$ 8
Net cash provided by operating activities	37	8
Cash flows from investing activities:		
Loan to related party	(30,512)	--
Principal payments on related party loan	--	892
Net cash provided by (used in) investing activities	(30,512)	892
Cash flows from financing activities:		
Proceeds from assumption of health plan liabilities	30,472	--
Payments made on health plan liabilities	--	(1,548)
Advance from related party	--	360
Proceeds from issuance of stock	300	--
Net cash provided by (used in) financing activities	30,772	(1,188)
Net increase (decrease) in cash	297	(288)
Cash:		
Beginning of period	--	291
End of period	$ 297	$ 3
Supplemental disclosure of cash flow information:		
Interest paid	$ --	$ 1,136
Dividends accrued on redeemable preferred stock	$ --	$ 4

See notes to Interim Unaudited Condensed Financial Statements

CHECKFREE MANAGEMENT CORPORATION
NOTES TO INTERIM UNAUDITED CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 1999

1. INTRODUCTION

CheckFree Management Corporation ("CheckFree Management") was formed from a plan of recapitalization of RCM Systems, Inc., a wholly owned subsidiary of CheckFree Holdings Corporation ("CheckFree Holdings"), on December 8, 1998. CheckFree Management was formed as a medical claims management subsidiary in order to appropriately minimize, control, and manage the medical claims liabilities of CheckFree Holdings and its subsidiaries.

As of September 30, 1999, CheckFree Holdings and its subsidiaries owned approximately 63% of CheckFree Management. On November 19, 1999, CheckFree Corporation, a wholly owned subsidiary of CheckFree Holdings, purchased all outstanding shares of Class D Preferred Stock. Subsequent to this purchase, CheckFree Holdings and its subsidiaries own 89% of the Company.

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. The results of operations for the six months ended December 31, 1999 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 of CheckFree Management included within CheckFree Holdings Corporation and Subsidiaries Annual Report filed with the Securities and Exchange Commission on Form 10-K/A. 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 representation of financial results for the interim periods presented.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998 the Financial Accounting Standards Board issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which will require that all derivative financial instruments be recognized as either assets or liabilities in the balance sheet. SFAS 133 will be effective for the Company's first quarter of fiscal 2001. The Company's current investment policy does not allow for the use of hedging instruments. In anticipation of the adoption of SFAS 133, the Company is currently reviewing all outstanding contracts for evidence of embedded derivative. Based on the procedures undertaken through this point, management does not believe that adoption of SFAS 133 will have a material impact on its results of operations.