SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended May 31, 2002

OR

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

For the transition period from to .

Commission File No. 001-16111

GLOBAL PAYMENTS INC.

(Exact name of registrant as specified in charter)

Georgia **(State or other jurisdiction of incorporation or organization)**	**58-2567903** **(I.R.S. Employer Identification No.)**
Four Corporate Square, Atlanta, Georgia **(Address of principal executive offices)**	**30329-2009** **(Zip Code)**

Registrant's telephone number, including area code: 404-728-2719

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	New York Stock Exchange
Series A Junior Participating Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE
(Title of Class)

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 such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filer pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

As of August 15, 2002, the aggregate market value of the voting stock held by non-affiliates (assuming for these purposes, but not conceding, that all named executive officers, directors, and shareholders owning 25% or more of the outstanding shares of common stock are "affiliates" of the Registrant) was $690,125,195 based upon the last reported sale price on The New York Stock Exchange on August 15, 2002.

The number of shares of the registrant's common stock outstanding at August 15, 2002 was 36,859,328 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Specifically identified portions of the registrant's proxy statement for the 2002 annual meeting of shareholders are incorporated by reference in Part III.

GLOBAL PAYMENTS INC.
2002 FORM 10-K ANNUAL REPORT

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SPECIAL CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

We believe that it is important to communicate our plans and expectations about the future to our shareholders and to the public. Some of the statements we use in this report, and in some of the documents we incorporate by reference in this report contain forward-looking statements concerning our business operations, economic performance and financial condition, including in particular, our business strategy and means to implement the strategy, the amount of future capital expenditures, our success in developing and introducing new products and expanding our business, the successful integration of existing and future acquisitions, and the timing of the introduction of new and modified products or services. You can sometimes identify forward looking-statements by our use of the words "believes," "anticipates," "expects," "intends" and similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, many of which are beyond our control, cannot be foreseen, and reflect future business decisions that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth and margins, other results of operation and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors, many of which are beyond our ability to predict or control. These factors include, but are not limited to, those set forth in Exhibit 99.1 to this report, those set forth elsewhere in this report and those set forth in our press releases, reports and other filings made with the Securities and Exchange Commission. These cautionary statements qualify all of our forward-looking statements and you are cautioned not to place undue reliance on these forward-looking statements.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. While we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to publicly release the results of any revisions to our forward-looking statements.

PART I

ITEM 1— BUSINESS

General Developments

The following is a discussion of significant business developments during fiscal 2002.

Purchase of MasterCard International's Interest in Global Payment Systems LLC

In August 2001, we purchased the 7.5% minority interest owned by MasterCard International Incorporated in our subsidiary, Global Payment Systems LLC. The transaction was effective as of June 1, 2001.

Owings Mills Consolidation

In August 2001, we closed a 35,000 square foot facility in Hanover, Maryland and completed and opened an 85,000 square foot facility for operations and customer service functions in Owings Mills, Maryland (a suburb, northwest of Baltimore). The new facility has the capacity to accommodate up to 500 employees and is used for account support, customer service, telemarketing and sales support personnel.

Purchase of National Bank of Canada's Merchant Acquiring Business

On September 30, 2001, we acquired National Bank of Canada's or National Bank, merchant acquiring business and formed a ten-year alliance with National Bank in order to market merchant payment-related products and services to National Bank's customers. Prior to our acquisition, National Bank processed approximately 225 million transactions per year for more than 73,000 points of service throughout Canada and

received referrals from their approximately 600 branch locations. The purchase price was $45.9 million (U.S.) at the then current Canadian exchange rate. This acquisition, in combination with the Canadian Imperial Bank of Commerce or CIBC acquisition, which we completed in March 2001, has made us the largest publicly-traded, independent MasterCard and Visa acquirer in Canada and has given us the capability to provide Canadian businesses with one source for all of their Visa, MasterCard, debit and other payment processing requirements.

Back-end Conversions

As part of our ongoing strategy to integrate our acquisitions, we have completed two back-end conversions during fiscal 2002. During the second quarter of fiscal 2002, we converted approximately 140,000 CIBC merchant accounts to our back-end processing platform including settlement, chargeback, and help desk functions. In addition, during the third quarter of fiscal 2002, we converted approximately 20,000 Imperial Bank merchant accounts to our back-end processing platform. We expect to convert National Bank's merchant accounts onto our back-end operating platform during the second quarter of fiscal 2003.

Business Description

General

As an electronic transaction processor, we enable consumers, corporations, and government agencies to purchase goods and services through the use of credit and debit cards. Our role is to serve as an intermediary in the exchange of information and funds that must occur between merchants and card issuers before a transaction can be completed. Including our time as part of National Data Corporation, now known as NDCHealth or NDC, we have provided credit card transaction processing services since 1968. During that period, we have expanded our business to include debit card, business-to-business purchasing card, check guarantee, check verification and recovery, and terminal management services, and collectively refer to these as our merchant service offerings. In addition, we provide funds transfer services to domestic and international financial institutions, corporations, and government agencies in the United States, Canada, and Europe. We were incorporated in the state of Georgia as Global Payments Inc. in September 2000.

Although a card transaction may appear simplistic, the transaction requires a complex process involving various participants in a series of electronic connections. Aside from electronic transaction processors, participants in this process include card issuers, cardholders, merchants, and card associations. Card issuers are financial institutions that issue credit cards to approved applicants and are identifiable by their trade name typically imprinted on the issued cards. The approved applicant is referred to as a cardholder, and may be any entity for which an issuer wishes to extend a line of credit, such as a consumer, a corporation, or a government agency.

The term merchant generally refers to any organization that accepts credit or debit cards for the payment of goods and services, such as retail stores, restaurants, corporate purchasing departments, universities, and government agencies. The cardholder may use the card at any merchant location that meets the qualification standards of the card associations, known as MasterCard and VISA, or other card issuers such as American Express, Discover, Diners Club and debit networks such as Interac. The card associations consist of members, generally financial institutions, who establish uniform regulations that govern much of the industry.

Before a merchant accepts a credit or debit card as a payment alternative to cash, it must receive information from the card issuer that the card is authentic and that the impending transaction value will not cause the cardholder to exceed defined limits. The merchant must be compensated for the value of the purchased good, which also involves the card issuer. The card issuer then seeks reimbursement from the cardholder in the form of a monthly credit card bill or by debiting the cardholder's bank account. The merchant and the card issuer, however, generally do not interface directly with each other, but, instead rely on electronic transaction processors, such as Global Payments, and card associations to exchange the required information and funds.

As an electronic transaction processor, we serve as an intermediary in the exchange of information and funds between merchants and card associations for credit card transactions and between merchants and financial

institutions for debit card transactions. Credit card transactions and debit card transactions account for approximately 75% and 25%, respectively, of our total transactions processed. The card associations then use either a system known as interchange, in the case of credit cards, or the debit networks in the case of debit cards, to transfer the information and funds between electronic transaction processors and card issuers, and complete the link between merchants and card issuers. Electronic transaction processors generally advance payment to merchants for credit and debit card transactions before receiving the interchange or debit transaction reimbursement from the card issuers. This business model differs from the business model followed by electronic transaction processors in the United States, in that, in the United States, merchant funding primarily occurs after the electronic transaction processor receives the funds from the card issuer.

Based on our total revenues and on industry publications such as *The Nilson Report*, we believe that we are one of the largest electronic transaction processors in the world. In addition, we are currently a leading mid-market merchant acquirer in the United States and the largest, publicly-traded independent VISA and MasterCard acquirer in Canada. While we service all industry segments, we specialize in the mid-market segment in the United States and larger volume segments in Canada. We define mid-market as a merchant with an average of $250 thousand to $300 thousand in annual VISA and/or MasterCard volume. We provide services directly to our merchant customers, as well as to financial institutions and independent sales organizations that purchase and resell our services to their own portfolio of merchant customers. Our key markets include merchant customers in the following vertical industries: government, restaurant, universities, gaming, retail and health care.

We offer end-to-end services, which means that we believe that we have the ability to fulfill all of our customers' needs with respect to electronic transaction processing. We market our services through a variety of sales channels that includes a large, dedicated sales force, independent sales organizations, independent sales representatives, an internal telesales group, trade associations, alliance and agent bank relationships, and financial institutions.

Industry Overview and Target Markets

We believe that significant opportunities exist for continued growth in the application of transaction processing services to the electronic commerce market. Although a large percentage of retail transactions still utilize cash, merchants encourage electronically authorized and settled transactions using credit and debit cards as a more efficient means of transacting business with their customers. The rapid growth of retail credit card transactions, as well as the increased utilization of debit cards, directly correlates with the historic growth of our business. In the United States, total consumer spending is expected to continue to increase, along with an increase in the percentage using forms of payment other than cash and checks, i.e., credit and debit cards and other electronic means. Based on *The Nilson Report*, we believe that more than $2.1 trillion of annual consumer spending is charged using VISA and MasterCard. In Canada, we expect to benefit from similar consumer spending trends. We also believe that over $217 billion (Canadian) or approximately $141 billion (U.S.), of annual Canadian consumer spending uses VISA, MasterCard or debit as the form of payment.

We believe that the proliferation of "loyalty" or co-branded cards that provide consumers with added benefits for card use should contribute to increased use of credit and debit cards in the future. Finally, as merchants and consumers continue to use electronic commerce as a means to purchase goods and services, both the consumer-to-business and business-to-business aspects of electronic commerce will demand a growing array of transaction processing and support services. Each of these market trends should increase demand for our services.

Business-to-business electronic data interchange using purchasing card technology and associated systems software provides businesses with increased efficiency and us with strong growth in industries that have not traditionally utilized credit cards. Purchasing cards and the related business-to-business electronic data interchange replace the costly, time-consuming paper ordering and invoicing with inexpensive, real-time electronic payment processing transactions.

We believe that the number of electronic transactions will continue to grow in the future and that an increasing percentage of these transactions will be processed through emerging technologies, such as wireless

payment products, stored value cards and other custom payment solutions. These emerging technologies will be a major factor in accelerating the continued conversion from paper transaction processing to electronic transaction processing, which will result in greater growth opportunities for our business.

Payment processing service providers, such as Global Payments, provide high volume electronic transaction processing and support services directly to banking institutions and to new entrants into the business. The shift in the industry from traditional financial institution providers to independent providers is due in large part to more efficient distribution channels, as well as increased technological capabilities required for the rapid and efficient creation, processing, handling, storage, and retrieval of information. These capabilities have become increasingly complex, requiring significant capital commitments to develop, maintain, and update the systems necessary to provide these advanced services at a competitive price.

As a result of the continued growth in our industry, several large merchant processors, including us, have expanded operations through the creation of alliances or joint ventures with banks and have acquired new merchant portfolios from banks that previously serviced these merchant accounts.

Strategy

Our business strategy centers on providing a full range of electronic transaction processing services in the markets we serve. We believe that this strategy provides the greatest opportunity for leveraging our existing infrastructure and maintaining a consistent base of recurring revenues. We believe that the electronic commerce market presents additional attractive opportunities for continued growth. In pursuing our business strategy, we seek both to increase our penetration of existing markets and to continue to identify and create new markets, such as the electronic commerce market, and further leverage our infrastructure through the following:

- development of value-added applications, enhancement of existing products, and development of new systems and services;
- expansion of distribution channels, primarily direct card and independent sales organizations or ISOs and value added resellers or VARs;
- acquisition, investments, and alliances with companies that have compatible products, services, development capabilities and distribution capabilities in the direct card business (domestic and internationally); and
- systems integrations, primarily consolidation of operating platforms, across North America.

Products and Services

We operate in one business segment, electronic transaction processing, and provide products and services through our merchant services and funds transfer offerings.

Merchant Services

Our merchant services offerings include credit and debit card transaction processing, business-to-business purchasing card transaction processing, check guarantee, check verification and recovery, gift and loyalty card processing and terminal management services.

Credit card and business-to-business purchasing card processing are essentially the same service. Credit card processing describes a consumer acquiring goods or services from a retail location, whereas business-to-business card processing refers to a corporate purchasing department acquiring goods, such as office supplies or raw materials, from a corporate vendor. We also provide certain debit card transaction processing services, which are similar to credit card transactions, except that the information and funds are exchanged between the merchant and a cardholder’s personal bank account, instead of between the merchant and a credit card issuer.

Our card processing services can be marketed in several distinct categories: authorization, electronic draft capture, settlement, retrieval of credit card receipts, chargeback resolution, merchant accounting, risk management, and support services. We derive revenue for these services primarily based on a percentage of transaction value or on a specified amount per transaction. We also typically charge for various processing fees, unrelated to the number of transactions or the transaction value.

Authorization and electronic draft capture are related services that generally refer to the process whereby the card issuer indicates whether a particular credit card is authentic and whether the impending transaction value will cause the cardholder to exceed a defined limit. The authorization process typically begins when a cardholder presents a card for payment at a merchant location and the merchant swipes the card's magnetic strip through a point of sale terminal card reader. The terminal electronically records sales draft information, such as the credit card identification number, transaction date, and dollar value of the goods or services purchased, and then automatically dials a pre-programmed phone number connected to the network of an electronic transaction processor, such as Global Payments. The electronic transaction processor then routes the request to the applicable card association, such as MasterCard or Visa. The card association then routes the authorization request to the card issuer, who determines a response based on the status of the cardholder's account. The response is then returned to the merchant's terminal via the same communication network. This entire authorization and response process occurs within seconds from the time the merchant swipes the cardholder's card through the point of sale terminal card reader.

After a transaction has been authorized, the merchant must be compensated for the value of the purchased good or service, which is typically described as settlement. We use our network telecommunication infrastructure and the Federal Reserve's Automated Clearing House system, or ACH in the United States and the Automated Clearing Settlement System, or ACSS, and the Large Value Transfer System, or LVTS, both in Canada, to ensure that our merchants receive the proper funds due to them for the value of the goods or services that the cardholder purchased. We also provide retrieval of credit card receipts and chargeback resolution services, both of which relate to cardholders disputing an amount that has been charged to their credit card. We not only retrieve the original sales draft from the merchant location, but also review the dispute and handle the related exchange of information and funds between the merchant and the card issuer if a charge is to be reversed.

Our merchant accounting services provide information to monitor portfolio performance, control expenses, disseminate information, and track profitability through the production and distribution of detailed statements summarizing electronic transaction processing activity. Our risk management services allow financial institutions to monitor credit risk, thereby enhancing the profitability of their merchant portfolios. Our risk management services include credit underwriting, credit scoring, fraud control, account processing, and collections. We also provide our customers with various support services, such as working with merchants to set-up their credit card programs or resolving issues relating to their terminal card readers.

Check guarantee services include comprehensive check verification and guarantee services designed for a merchant's specific needs and risk adversity. Since this service offering guarantees payment of all checks that are electronically verified (primarily using point-of-sale check readers) through our extensive database, merchants may safely expand their revenue base by applying less stringent requirements when accepting checks from consumers. If a verified check is dishonored, our check guarantee service generally provides the merchant with reimbursement of the check's face value, and then pursues collection of the check through our internal collection services. To protect against this risk, we use verification databases that contain information on historical delinquent check writing activity and up-to-date consumer bank account status. We derive revenue for these services primarily by charging the merchant a percentage of the face value of each guaranteed check.

In the specialized vertical market of gaming, we released our VIP Preferred proprietary software, which provides the gaming industry with the tools to establish up to $10,000 revolving check cashing limits for the casinos' customers. Because VIP Preferred cardholders have fast access to cash with high limits, gaming

establishments can increase money to their floor and eliminate associated risk because transactions are 100 percent guaranteed. We also offer an electronic check option, VIP Preferred e-Check, which eliminates the need for paper checks as part of the VIP Preferred suite of products.

Check verification and recovery services are similar to those provided in the check guarantee service, except that this service does not guarantee payment of the verified checks. This service provides a low-cost, loss-reduction solution for merchants wishing to quickly measure a customer's check presentment worthiness at the point of sale, while not having to incur the additional expense of check guarantee services. We derive revenue for these services primarily from the service fees collected from delinquent check writers, fees charged to merchants based on a transaction rate per verified check, and fees charged to merchants for specialized services, such as electronic re-deposits of dishonored checks.

Our terminal management offering provides a variety of products and services relating to electronic transaction processing equipment, such as terminal programming and deployment, set-up and telephone training, maintenance and equipment replacement, warehousing and inventory control, customer service and technical support, customized reporting, and conversions. We provide these services directly to our own portfolio of merchants, as well as, indirectly to merchants on behalf of our financial institution and independent sales organization customers. We derive revenue from equipment sales and rentals, programming and deployment fees, and repairs and maintenance services.

Funds Transfer

Our electronic funds transfer product and service offerings include a wide variety of services such as financial EDI, account balance reporting, management information and deposit reporting. These products and services provide financial, management and operational data to financial institutions, corporations and government agencies worldwide and allow these organizations to exchange the information with financial institutions and other service providers. We also provide EDI tax filing and Internet tax payment services that allow financial institutions and government agencies to offer corporate taxpayers a secure and convenient method of paying taxes electronically. Tax payment security is handled through both SSL encryption/decryption and multi-level password access and operates through a web site that serves as the portal for securely receiving tax information and delivering the transaction for payment.

Total revenues from our merchant service and funds transfer customers are as follows:

	2002	2001	2000
		(in thousands)	
Merchant services	$ 449,144	$ 334,979	$ 318,262
Funds transfer	13,682	18,216	21,771
	$ 462,826	$ 353,195	$ 340,033

Sales and Marketing

We market our products and services to the electronic commerce markets through a variety of distinct sales channels that include a large, dedicated sales force, independent sales organizations, independent sales representatives, an internal telesales group, alliance bank relationships, and financial institutions. In addition to receiving referrals from approximately 1,800 bank branch locations in Canada, we have associations with over 200 organizations and approximately 1,000 VARs in the United States that provide sales leads. We market our products and services throughout the United States, Canada and Europe. For a discussion of revenues in the United States, Canada and Europe for the fiscal years ended May 31, 2002, 2001 and 2000, see Note 2 in the Notes to Consolidated Financial Statements.

We have two basic business models we use to market our products and services. In one model, which we refer to as "direct" merchant services, we have a salaried and commissioned sales force and independent sales organizations, or ISOs, that sell our end-to-end services directly to merchants. In the other model, which we refer

to as “indirect” merchant services, we provide unbundled products and services primarily to financial institutions that in turn resell to their merchants. After providing for the full year impact of acquisitions, approximately 80% of our merchant services revenue is direct and the remaining 20% is indirect.

Additionally, we market directly to customers through print advertising and direct mail efforts. We participate in major industry tradeshow and publicity events and actively employ various public relations campaigns. We intend for this strategy to utilize the lowest delivery cost system available to successfully acquire target customers.

Employees

As of June 30, 2002, we and our subsidiaries had approximately 1,800 employees. Many of our employees are highly skilled in technical areas specific to electronic transaction processing, and we believe that our current and future operations depend substantially on retaining these employees.

Competition

We operate in the electronic transaction processing industry. Our primary competitors in this industry include other independent processors, as well as certain major national and regional financial institutions and independent sales organizations. Certain of these companies are privately held, and the majority of those that are publicly held do not release the information necessary to precisely quantify our relative competitive position. Based on industry publications such as *The Nilson Report*, management believes that we are one of the largest electronic transaction processors in the world. According to that report, one of our competitors, First Data Corporation and its affiliates, is the largest electronic transaction processor in the United States. Our primary competitor in Canada is Moneris Solutions, which we believe has a slightly larger share of the Canadian electronic transaction market than we do. Moneris Solutions is a joint investment of the Royal Bank of Canada and the Bank of Montreal.

The most significant competitive factors related to our product and services include: quality, value-added features, functionality, price, reliability, the breadth and effectiveness of our distribution channel, customer service, and the manner in which we deliver our services. These competitive factors will continue to change as new distribution channels and alternative payment solutions are developed by our competitors and us.

Our primary strategy to distinguish ourselves from our competitors focuses on offering a variety of electronic transaction processing payment solutions to our customers. These enhanced services involve vertical market and sophisticated reporting features that add value to the information obtained from our electronic transaction processing databases. We believe that our knowledge of these specific markets, the size and effectiveness of our dedicated sales force, and our ability to offer specific, integrated solutions to our customers, including hardware, software, processing, and network facilities, and our flexibility in packaging these products are positive factors that enhance our competitive position.

Banking Regulations

CIBC owns 26.5% of our common stock outstanding. As a result of CIBC’s equity interest in our company, we are considered a subsidiary of CIBC for U.S. bank regulatory purposes. CIBC is a Canadian Bank with operations in the United States. Accordingly, CIBC is regulated in the U.S. as a foreign bank and, as a result, is subject to most of the same limitations as a U.S. bank holding company under provisions of the Bank Holding Company Act. In being considered a subsidiary of CIBC, we are subject to those same regulations. We are also subject to examination by the Federal Reserve Board. As a general matter, we are able to operate our merchant services and funds transfer businesses as we have historically, but our ability to expand into unrelated businesses may be limited unless they are activities that the Bank Holding Company Act allows or the Federal Reserve Board approves.

Bank holding companies may engage in the business of banking, managing and controlling banks, and in other activities so closely related to managing and controlling banks as to be a proper incident thereto. The Gramm-Leach-Bliley Act, enacted in 1999, amended the Bank Holding Company Act to allow greater operational flexibility for bank holding companies that are well-capitalized, well-managed and meet certain other conditions. Such companies are referred to as “financial holding companies.” Financial holding companies may engage in activities that are financial in nature, or that are incidental or complimentary to financial activities. The legislation defines securities and insurance activities as being permissible financial activities, allows certain merchant banking activities, and establishes a procedure for the Federal Reserve Board, together with the U.S. Treasury Department, to announce additional permissible activities.

As a foreign bank, CIBC may qualify for financial holding company status and has done so. If a financial holding company falls out of compliance with the well-managed, well-capitalized, community reinvestment requirements, it must enter into an agreement with the Federal Reserve to rectify the situation. The Federal Reserve may refuse to allow the financial holding company, which would include its subsidiaries, to engage in new “financial” activities; may require it to cease current “financial” activities; and may require it to divest its bank.

The merchant services and funds transfer businesses that we conduct are permissible activities for bank holding companies (as well as financial holding companies) under U.S. law, and we do not expect the limitations described above to adversely affect our current operations. It is possible, however, that these restrictions might limit our ability to enter other businesses that we may wish to engage in at some time in the future. It is also possible that these laws may be amended in the future, or new laws or regulations adopted, that adversely affect our ability to engage in our current or additional businesses.

Additionally, CIBC is subject to the *Bank Act* (Canada), which, among other things, limits the types of business which CIBC may conduct, directly or indirectly, and the types of investments which CIBC may make. CIBC’s shareholding in our company is currently permitted under the *Bank Act.* The *Bank Act*, except as we have discussed, does not otherwise apply to us.

Under the Bank Act, CIBC is permitted to continue to hold its interest in us, as long as the business undertaken by us is consistent with the applicable provisions of the *Bank Act*. If we undertake businesses inconsistent with the businesses in which CIBC is permitted to hold an interest, CIBC may be required, pursuant to the provisions of the *Bank Act*, to dispose of its shares prior to the expiration of the restrictions on re-sale that we have negotiated with CIBC.

We have agreed with CIBC, in effect, that we will not undertake any business inconsistent with the applicable provisions of the *Bank Act.* We do not anticipate that compliance with this undertaking will affect, in any material way, our ability to carry on the merchant services and funds transfer businesses. Our ability to expand into other businesses will be governed by the undertaking and the applicable provisions of Canadian banking legislation at the relevant time. There is no assurance that subsequent amendments to the Bank Act will not adversely affect our ability to carry on our business in some respects.

ITEM 2— PROPERTIES

Our corporate headquarters are located at Four Corporate Square in Atlanta, Georgia, where we lease from NDC a five-story, 85,000 square foot building. This lease expires in 2004 unless extended prior to that time. In the first quarter of fiscal 2002, in order to support additional growth and consolidation efforts, we moved our merchant acquiring business back-office and customer service operation from a 35,000 square foot facility in Hanover, Maryland to an 85,000 square foot facility that we lease in Owings Mills, Maryland. In addition, we lease a total of 28 other facilities in the United States, one in Peterborough, United Kingdom, two in Toronto, Canada, and eight others throughout Canada. We are currently consolidating the two Toronto facilities into a 44,000 square foot facility in Toronto, to support growth and the integration efforts of existing Canadian acquisitions. We own or lease a variety of computers and other related equipment for our operational needs. We

continue to upgrade and expand our computers and related equipment in order to increase efficiency, enhance reliability, and provide the necessary base for business expansion.

We believe that all of our facilities and equipment are suitable and adequate for our business as presently conducted.

ITEM 3— LEGAL PROCEEDINGS

We are party to a number of claims and lawsuits incidental to the normal course of our business. In our opinion, the ultimate outcome of such matters, in the aggregate, will not have a material adverse impact on our financial position, liquidity or results of operations.

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

No matters were submitted to a vote of our shareholders during our fourth quarter ended May 31, 2002.

PART II

ITEM 5— MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock began trading on the New York Stock Exchange under the ticker symbol "GPN" on February 1, 2001. The table set forth below provides the high and low sales prices and dividends paid per share of our common stock for the four quarters during fiscal 2002 and the third and fourth quarter during fiscal 2001. We expect to continue to pay our shareholders a dividend per share in amount comparable to that indicated in the table and to continue to do so on a quarterly basis. However, any future determination to pay cash dividends will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, capital requirements and such other factors as the board of directors deems relevant.

	High	Low	Dividend Per Share
Fiscal 2002			
First Quarter	$ 35.55	$ 26.05	$ 0.04
Second Quarter	35.65	23.05	0.04
Third Quarter	36.00	30.35	0.04
Fourth Quarter	38.42	30.95	0.04
Fiscal 2001			
Third Quarter	$ 20.90	$ 18.03	$ —
Fourth Quarter	26.50	16.65	0.04

The number of shareholders of record of our common stock as of August 15, 2002 was 2,981.

ITEM 6— SELECTED FINANCIAL DATA

You should read the selected financial data set forth below in conjunction with "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8: Financial Statements and Supplementary Data" included elsewhere in this annual report. The income statement data for each of the three fiscal years ended May 31, 2002, and the balance sheet data as of May 31, 2002 and 2001 are derived from the audited consolidated financial statements included elsewhere in this annual report. The balance sheet data as of May 31, 2000 was derived from audited consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2001. The income statement data for each of the two fiscal years ended May 31, 1999 and the balance sheet data as of May 31, 1999 are derived from the audited consolidated financial statements included in our Registration Statement on Form 10 filed with the SEC on September 8, 2000, as subsequently amended. The balance sheet data as of May 31, 1998 is derived from the unaudited consolidated financial statements that have been prepared by management.

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	For Year Ended May 31, (In thousands, except per share data)				
	2002	2001	2000	1999	1998
Income statement data:					
Revenue	$ 462,826	$ 353,195	$ 340,033	$ 330,051	$ 291,547
Operating income	71,418(1)	53,046(1)	63,212	76,675	57,974
Income before cumulative effect of change in accounting principle	39,839	23,668	33,047	41,336	31,077
Cumulative effect of a change in accounting principle, net of $8,614 income tax benefit	(15,999)(2)	—	—	—	—
Net income	$ 23,840	$ 23,668	$ 33,047	$ 41,336	$ 31,077
Per share data:					
Basic earnings per share:					
Income before cumulative effect of a change in accounting principle	$ 1.09	$ 0.83	$ 1.24	$ 1.53	$ 1.21
Cumulative effect of accounting change	(0.44)	—	—	—	—
Net income	$ 0.65	$ 0.83(3)	$ 1.24(3)	$ 1.53(3)	$ 1.21(3)
Diluted earnings per share:					
Income before cumulative effect of a change in accounting principle	$ 1.05	$ 0.82	$ —	$ —	$ —
Cumulative effect of accounting change	(0.42)	—	—	—	—
Net income	$ 0.63	$ 0.82	$ — (4)	$ — (4)	$ — (4)
Dividends per share	$ 0.16	$ 0.04(5)	$ — (5)	$ — (5)	$ — (5)
Balance sheet data:					
Total assets	$ 431,418	$ 458,604	$ 287,946	$ 289,667	$ 276,753
Line of credit	22,000	73,000	—	—	—
Due to NDC	—	—	96,125	89,375	109,375
Obligations under capital leases	7,310	4,713	7,232	15,774	6,616
Total shareholder’s equity	296,288	271,022	119,795	106,923	83,806

(1) Includes restructuring and other charges of $10,993 and $4,882 in fiscal 2002 and 2001, respectively. See Note 12 of the Notes to Consolidated Financial Statements.

(2) See Note 2 of the “Notes to Consolidated Financial Statements—*Goodwill and Other intangible assets*.”

(3) Using the ratio of 0.8 of a share of Global Payments common stock for each share of NDC common stock held on January 31, 2001, or the Distribution Date, the date of NDC’s spin-off of its eCommerce business into Global Payments. Weighted average shares outstanding are computed by applying the distribution ratio to the historical NDC weighted average shares outstanding for all periods presented.

(4) Diluted earnings per share is not presented in the selected financial data for historical periods prior to fiscal 2001 as Global Payments stock options did not exist prior to the Distribution Date. Refer to Note 2 of our “Notes to Consolidated Financial Statements—*Earnings per share*.”

(5) Dividends were first paid in the fourth quarter of fiscal 2001, after the Distribution Date.

ITEM 7— MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains forward-looking statements about our plans and expectations of what may happen in the future. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, and our results could differ materially from the results anticipated by our forward-looking statements as a result of many known and unknown factors, including but not limited to those discussed in Exhibit 99.1 to this report. See also "Special Cautionary Notice Regarding Forward-Looking Statements" at the beginning of "Item 1. Business."

You should read the following discussion and analysis in conjunction with "Item 6: Selected Financial Data" and "Item 8: Financial Statements and Supplementary Data" appearing elsewhere in this report.

General

We are primarily a mid-market merchant acquirer in the United States, and the largest, publicly traded independent VISA and MasterCard acquirer in Canada. We provide a wide range of end-to-end electronic transaction processing solutions to merchants, corporations, financial institutions and government agencies. Our products and services are marketed through a variety of distinct sales channels that include a large, dedicated direct sales force, independent sales organizations, independent sales representatives, an internal telesales group, trade associations, alliance bank relationships and financial institutions.

We operate in one business segment, electronic transaction processing, and provide products and services through our merchant services and funds transfer offerings. Approximately 97% of our current revenue base is from merchant services offerings. The remaining 3% of our total revenue is from our funds transfer service offerings.

Merchant services include credit and debit card transaction processing, business-to-business purchase card transaction processing, check guarantee, check verification and recovery, and terminal management services. We have two basic business models. In one model, which we refer to as "direct" merchant services, we have a salaried and commissioned sales force and independent sales organizations, or ISOs, that sell our end-to-end services directly to merchants. In the other model, which we refer to as "indirect" merchant services, we provide unbundled products and services primarily to financial institutions that in turn resell to their merchants. After providing for the full year impact of acquisitions, approximately 80% of our merchant services revenue is direct and the remaining 20% is indirect.

In fiscal 2002 and 2001, we made several adjustments to our results, as reported, according to generally accepted accounting principles, or GAAP, to disclose pro forma or "normalized" results of operation. The normalized results exclude the impact of divested businesses, other non-recurring items, such as restructuring and other charges, a non-cash loss on investment, and certain pro forma costs assuming the spin-off from NDC occurred on June 1, 1999. We believe the normalized results of operations more clearly reflect comparative operating performance because current and prior year GAAP results include the certain one-time items listed above. The following discussion and analysis will address both GAAP reported results and normalized results of operations for the comparison of the fiscal year ended May 31, 2002 and 2001 and fiscal year ended May 31, 2001 and 2000.

Components of Income Statement

We derive our revenues from three primary sources: charges based on volumes and fees for merchant services; charges based on transaction quantity; and equipment sales, leases and service fees. Revenues generated by these areas depend upon a number of factors, such as demand for and price of our services, the technological

competitiveness of our product offerings, our reputation for providing timely and reliable service, competition within our industry, and general economic conditions.

Cost of service consists primarily of: the cost of network telecommunications capability; transaction processing systems; personnel who develop and maintain applications, operate computer networks and provide customer support; depreciation and occupancy costs associated with the facilities performing these functions; and provisions for operating losses.

Sales, general and administrative expenses consist primarily of salaries, wages and related expenses paid to sales personnel; non-revenue producing customer support functions and administrative employees and management; commissions to independent contractors and ISOs; advertising costs; other selling expenses; employee training costs; and occupancy of leased space directly related to these functions.

Other income and expense primarily consists of: minority interest in earnings, interest income and expense and other miscellaneous items of income and expense.

Our earnings before interest, taxes, depreciation and amortization, or EBITDA, is defined as operating income plus depreciation and amortization. This statistic and its results as a percentage of revenue may not be comparable to similarly titled measures reported by other companies. EBITDA is not a measurement of financial performance under GAAP and is not presented as a substitute for net income or cash flow from operating, investing or financing activities determined in accordance with GAAP. However, we believe this statistic is a relevant measurement and provides comparable cash earnings measure, excluding the impact of the amortization of acquired intangibles, timing differences associated with merchant processing and working capital funding and the related depreciation charges.

Results of Operations

Fiscal Year Ended May 31, 2002 Compared to Fiscal Year Ended May 31, 2001

In fiscal 2002, revenue increased $109.6 million or 31% to $462.8 million from $353.2 million in fiscal 2001. The increase in revenue was primarily due to the CIBC, Imperial Bank, and National Bank portfolio acquisitions as well as continued growth in our direct merchant services business. Our ISO sales channel also continues to be a strong contributor to revenue, while revenues from our indirect merchant services and funds transfer continued to decline as forecasted. The growth in direct merchant card services revenue is due primarily to our portfolio acquisitions, the addition of new merchant relationships, including those added through our ISO relationships, and increased usage of credit cards and debit cards within our existing merchant customers. The declines in revenue from indirect merchant services are primarily a result of the consolidating financial institution market. Funds transfer is a mature market and although we continue to service our existing customers we do not intend to invest in this area.

In fiscal 2001, we recorded approximately $13.9 million in non-recurring revenue. We divested our card issuing business for cash consideration approximately equal to its net book value. The revenue from the card issuing business in fiscal 2001 was $2.9 million. We excluded the card issuing business from our previously reported normalized fiscal 2001 revenue of $350.3 million. In addition, we had $11.0 million of other non-recurring revenue during fiscal 2001. We decided to significantly reduce our bulk terminal equipment sale business during the first quarter of fiscal 2002, which did not produce meaningful operating income. The revenue from the bulk terminal business decreased by $4.0 million to $2.4 million in fiscal 2002 from $6.4 million in fiscal 2001. Further, we provided processing services during fiscal 2001 to CIBC and Imperial Bank for which, after the related portfolio acquisitions, we were no longer able to record as revenue externally. The revenue recorded during fiscal 2001 from these institutions was approximately $1.3 million. We also recorded $5.7 million in non-recurring revenue from a limited number of customers, of which approximately $2.5 million related to non-recurring chargeback services and $3.2 million related to our non-core domestic funds transfer business.

Cost of service increased by $59.7 million or 31% from $192.4 million in fiscal 2001 to $252.1 million in fiscal 2002. As a percentage of revenue, cost of service remained unchanged from 54.5% in both fiscal 2002 and 2001. The increase in cost of service expenses is attributable to the inclusion of costs associated with CIBC's and Imperial Bank's merchant acquiring businesses, which we acquired in the fourth quarter of fiscal 2001, and National Bank's merchant acquiring business, which we acquired in the second quarter of fiscal 2002.

On July 20, 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 142,*"Goodwill and Other Intangible Assets"* ("SFAS No. 142"). SFAS No. 142 eliminates the amortization of goodwill and certain other intangible assets and requires that goodwill be evaluated for impairment by applying a fair value-based test. We adopted this new standard in the first quarter of fiscal 2002. In accordance with SFAS No. 142, we discontinued the amortization of goodwill and certain intangible assets that were determined to have an indefinite life. The cost of service increases were partially offset by a decrease associated with the adoption of SFAS No. 142, which lowered amortization expense by $7.4 million in fiscal 2002, and a decrease of $2.3 million associated with the divested card issuing business in fiscal 2001.

In fiscal 2001, we recorded a $3.0 million charge associated with a change in our operating guidelines related to our aged chargeback receivables in the merchant settlement function. Prior to the change in guidelines, we carried a disputed merchant chargeback receivable until resolution. Under our current guidelines, generally within 25 days of receiving a chargeback notice from VISA or MasterCard, we complete our review of the matter and either charge the merchant or the issuing bank, pending final disposition if the chargeback remains disputed by either party. Therefore, we no longer hold the receivable exposure on these pending chargebacks, but continue to pursue a favorable resolution and collections on behalf of our merchants. This change recognized that some chargebacks under review in fiscal 2001 may not be collectible, therefore we provided for a $3.0 million non-recurring charge in fiscal 2001, resulting in an increase in our provision for operating losses to $8.4 million. In fiscal 2002, our provision for operating losses was $9.8 million. The increase in operating losses in fiscal 2002 is a result of the increase in credit and debit card volumes processed and losses associated with merchant fraud.

Sales, general and administrative expenses increased $25.4 million or 25% to $128.3 million in fiscal 2002 from $102.9 million in fiscal 2001. As a percentage of revenue, these expenses decreased to 27.7% at May 31, 2002 compared to 29.1% at May 31, 2001. The increase in sales, general and administrative expenses was due to the higher level of sales infrastructure, personnel and related costs to grow revenue, the inclusion of merchant acquiring portfolio acquisitions, growth in residual payments to ISOs, and the CIBC and Imperial Bank merchant acquiring portfolio back-end conversion costs, offset by a decrease of $0.7 million associated with the divested card issuing business in fiscal 2001. The decrease in sales, general and administrative expenses as a percentage of revenue is due to a reduction of administrative costs related to the consolidation of business locations and acquisition integrations.

During fiscal 2002, we incurred restructuring and other charges of $11.0 million. During the fourth quarter of fiscal 2002, we completed plans for the closing of four locations including associated management and staff reductions. Of the $11.0 million in charges, $1.5 million related to facility closing costs; $6.7 million related to severance and related costs; and $2.8 million related to other costs. During fiscal 2001, we continued our efforts to streamline operations through office consolidations. Accordingly, in the fourth quarter of fiscal 2001, we incurred a $4.9 million restructuring charge related to office consolidations and severance payments to terminated employees. See Note 12 in the Notes to Consolidated Financial Statements appearing elsewhere in this report for more details on these restructuring and other charges incurred in both fiscal years.

Operating income increased $18.4 million or 35% to $71.4 million in fiscal 2002 from $53.0 million in fiscal 2001. Operating income, excluding the impact of restructuring and other charges in the amount of $11.0 million, results in normalized operating income of $82.4 million in fiscal 2002. Normalized operating income for fiscal 2001 is $60.7 million. This excludes $4.9 million in restructuring and other charges, $3.0 million due to the change in operating guidelines related to aged chargebacks and $0.1 million in losses from the divested card issuing business, but includes $0.3 million of additional sales, general and administrative expenses as if we were a public company as of June 1, 2000. Our normalized operating income increased $21.7 million or 36%. Our

normalized operating income margin, as a percentage of normalized revenue, increased to 17.8% in fiscal 2002 compared to 17.3% in fiscal 2001.

The increase in normalized operating income and normalized operating income margin is attributable to synergies from our acquisition integration efforts, improvement due to the ISO sales channel growth and the reduction of administrative costs related to the consolidation of business locations. However, the improvements are partially offset by the impact of the continued declines in our indirect merchant services and funds transfer businesses, discussed above.

Other income and expense decreased by $7.6 million or 52% to $7.0 million for fiscal 2002 from $14.6 million for fiscal 2001. Excluding a one-time charge of $5.0 million in fiscal 2001 associated with a non-cash loss on an investment, but including $0.8 million in additional fiscal 2001 interest expense as a result of the differences in the interest rate under the terms of our line of credit versus the amounts historically allocated from NDC, normalized other income and expense decreased $3.4 million to $7.0 million for fiscal 2002 from $10.4 million for fiscal 2001. The decrease in normalized other income and expense is due to lower variable interest rates on our credit facilities in fiscal 2002 and the buyout of the MasterCard minority interest in Global Payment Systems LLC effective June 1, 2001. Also, the decrease in outstanding balances on the credit facilities resulted in lower interest expense in fiscal 2002.

Income before a cumulative effect of a change in accounting principle increased $16.1 million or 68% to $39.8 million in fiscal 2002 from $23.7 million in fiscal 2001. Excluding the after-tax effects from the one-time adjustments that reconcile GAAP to normalized results discussed above, normalized income before the cumulative effect of a change in accounting principle, increased $15.7 million or 51% to $46.6 million in fiscal 2002 from $30.9 million in fiscal 2001. The increase in normalized income is due to improvements in income before tax, discussed above, and in part to a decrease in our effective tax rate from 38.5% during fiscal 2001 to 38.2% during fiscal 2002. In fiscal 2003, we expect the effective tax rate to be 37.4%. These decreases in the tax rate are due in part to tax credits and the adoption of SFAS No. 142, discussed in Notes 2 and 7 to the Notes to Consolidated Financial Statements.

The increase in earnings per share before the cumulative effect of a change in accounting principle is due to an increase in income and was impacted by the additional shares outstanding as a result of the stock issued in consideration of the purchase of CIBC's merchant acquiring portfolio. Normalized diluted earnings per share for fiscal 2002 is $1.23. This excludes the earnings per share impact of the change in accounting principle, $(0.42); and the earnings per share impact of the restructuring and other charge, $(0.18), from reported diluted earnings per share of $0.63. Normalized diluted earnings per share increased $0.17 or 16% to $1.23 in fiscal 2002 from $1.06 in fiscal 2001, which excludes the one-time adjustments described above in fiscal 2002 and 2001.

The Company recorded a change in accounting principle of $16.0 million, net of tax, in fiscal 2002. At June 1, 2001, we had an indefinite life intangible asset, a trademark, with a carrying value of $24.6 million. The trademark was acquired on April 1, 1996 with the purchase of 92.5% ownership interest in MasterCard International's Merchant Automated Point-of-Sale Program, or MAPP. The value of the trademark related to the use of the MAPP name and logo. In connection with the spin-off from NDC, we launched a significant rebranding effort under the Global Payments Inc. name and logo. In addition, effective June 1, 2001, we purchased MasterCard's remaining minority interest, ending all existing marketing alliances with MasterCard and began conducting a study related to the future use of the trademark. In fiscal 2002, we completed an appraisal with an independent valuation firm of the fair value of the trademark as of June 1, 2001, the implementation date of SFAS No. 142. Based on the lack of continuing use of the MAPP trademark as of June 1, 2001, the fair value of the trademark was determined to be zero. In accordance with SFAS No. 142, the $24.6 million ($16.0 million, net of tax) was written off as of June 1, 2001 and was recorded as a cumulative effect of a change in accounting principle.

Fiscal Year Ended May 31, 2001 Compared to Fiscal Year Ended May 31, 2000

Our revenue increased $13.2 million, or 4%, to $353.2 million in fiscal 2001 from $340.0 million in fiscal 2000. This increase was primarily due to the inclusion of revenues from CIBC's merchant acquiring business

acquired in March 2001. The increase from the acquisition was partially offset by a decrease of $10.0 million associated with business divestitures during fiscal 2001 and 2000 and a non-recurring product and service mix change of $2.8 million in fiscal 2000.

In fiscal 2001, we divested our card issuing business for cash consideration approximately equal to its net book value. Revenues associated with this business were $2.9 million in fiscal 2001 and $8.8 million in fiscal 2000. In addition, in fiscal 2000, we experienced a non-recurring product and service mix change in our terminal business and divested a small product offering. Revenues in fiscal 2000 associated with the change in the terminal business and the product offering were $2.8 million and $1.2 million respectively.

Excluding the revenue from these divested businesses and non-recurring items, normalized revenue was $350.3 million in fiscal 2001 compared to $327.2 million in fiscal 2000, an increase of $23.1 million or 7%. This increase was due to the inclusion of revenues from CIBC's merchant acquiring business and strong volume and transaction growth in our direct merchant acquiring business. The increase in revenue in our direct merchant services in fiscal 2001 was offset by declines in revenues from our indirect merchant services and funds transfer product offerings in fiscal 2001 compared to fiscal 2000.

Cost of service increased $10.9 million or 6% from $181.5 million in fiscal 2000 to $192.4 million in fiscal 2001. Excluding the charges for the divested businesses in fiscal 2001 and fiscal 2000 and a charge of $1.7 million associated with the change in the terminal business in fiscal 2000, normalized cost of service was $187.1 million for fiscal 2001 compared to $174.0 million in fiscal 2000, an increase of $13.1 million or 8%. This increase in normalized cost of service is primarily attributed to the inclusion of costs associated with CIBC's merchant acquiring business in our normalized results for fiscal 2001. As a percentage of normalized revenue, normalized cost of service was 53% in both fiscal 2001 and 2000.

Sales, general and administrative expenses increased $7.6 million or 8%, from $95.3 million in fiscal 2000 to $102.9 million in fiscal 2001. Excluding expenses relating to divested businesses and adding expenses that would have been incurred if the spin-off from NDC had occurred on June l, 1999, normalized sales, general and administrative expenses were $102.5 million in fiscal 2001 compared to $94.0 million in fiscal 2000, an increase of $8.5 million or 9%. As a percentage of normalized revenue, these normalized expenses increased to 29.3% in fiscal 2001 compared to 28.7% in fiscal 2000. These increases were primarily due to the relatively higher level of investments by us in infrastructure, personnel, and direct sales channels after the spin-off from NDC, and due to increased expenses associated with the inclusion of CIBC's merchant acquiring business.

Operating income decreased $10.2 million, or 16%, to $53.0 million in fiscal 2001 from $63.2 million in fiscal 2000. As a percentage of revenue, our operating income margin decreased to 15.0% in fiscal 2001 from 18.6% in fiscal 2000. These decreases are due primarily to the one-time adjustments described above, and generally, a higher level of investment by us after the spin-off from NDC in infrastructure, personnel, and our direct sales channels.

Normalized operating income increased $1.5 million, or 3%, to $60.7 million in fiscal 2001 from $59.2 million in fiscal 2000. As a percentage of normalized revenue, our normalized operating margin was 17.3% in fiscal 2001 compared to 18.1% for 2000.

Normalized basic earnings per share decreased $0.05, or 4%, to $1.08 for fiscal 2001 from $1.13 in fiscal 2000. This decrease is attributed to the increase in weighted-average shares outstanding, primarily due to the shares issued in consideration of the acquisition of CIBC's merchant acquiring business partially offset by an increase in normalized net income. A total of 9.8 million shares were issued to CIBC, however only 1.9 million were outstanding for earnings per share calculations due to the partial period that commenced with the close of the acquisition on March 20, 2001.

Liquidity and Capital Resources

Cash flow generated from operations provides us with a significant source of liquidity to meet our needs. At May 31, 2002, we had cash and cash equivalents totaling $19.2 million. Net cash provided by operating activities

increased $81.9 million, or 104%, to $160.5 million for fiscal 2002 from $78.6 million for fiscal 2001. This strong cash flow is due to the growth in our domestic direct merchant services business, recent acquisitions, and acceleration in the collection of Canadian VISA net merchant processing receivables. The acceleration in the collection of receivables primarily relates to the CIBC merchant portfolio back-end conversion, which took place on October 26, 2001, and is reflected on the balance sheet in the net merchant processing receivable and payable line items. The merchant processing receivable of $76.7 million in the prior year primarily related to a net receivable from VISA which CIBC managed during the pre-conversion transition period, and, as a result, we did not receive any cash flow benefit. Since the conversion, Global Payments has been able to reduce this amount by $30.0 million which was realized in the fiscal second quarter ending November 30, 2001. The remaining balance of the decline in the account reflects net merchant funding timing differences.

Net cash used in investing activities increased $54.1 million to $87.5 million for fiscal 2002 from $33.4 million for fiscal 2001. This increase is primarily due to increased business development activities in fiscal 2002, including the National Bank merchant portfolio acquisition and the buyout of the MasterCard International Corporation minority interest in Global Payment Systems LLC. The $8.8 million increase in capital expenditures is related to office consolidation efforts and infrastructure to support future growth and acquisition integrations. In fiscal 2003, we expect approximately $15 million to $25 million in total capital spending, primarily related to continued office consolidations, acquisition integrations, systems infrastructure and product development.

Net cash used in financing activities increased $18.0 million to $59.8 million for fiscal 2002 from $41.8 million for fiscal 2001. During fiscal 2002, we borrowed approximately $62 million on our line of credit to finance the National Bank merchant portfolio acquisition and the MasterCard minority interest buyout. Together with the amount outstanding at May 31, 2001, ($73.0 million), we repaid $113 million for a net repayment of $51 million during the fiscal year ended May 31, 2002. We periodically borrow and repay amounts on our lines of credit, reflecting the funding of timing differences between merchant funding and receipts from card associations and the debit networks. As of May 31, 2002, $22.0 million is outstanding on our revolving line of credit.

As a result of our spin-off from NDC, we were allocated $96.1 million at June 1, 2000, an amount that reflected our share of NDC's pre-distribution debt used to establish our initial capitalization. In addition, we were charged $10.1 million for spin-off costs paid by NDC. As a result, we made net payments to NDC in fiscal 2001 of $106.2 million. We funded approximately $37 million of this repayment using cash flow provided by operations and drew $59 million on our line of credit to fund the balance of the cash dividend payment to NDC on January 31, 2001. Prior to May 31, 2001, we repaid $6.0 million of the amount drawn on our line of credit. In addition, we used $20 million from our line of credit in May 2001 to finance our Imperial Bank merchant portfolio acquisition.

We believe that our current level of cash and borrowing capacity under our committed lines of credit described below, together with future cash flows from operations, are sufficient to meet the needs of our existing operations and planned requirements for the foreseeable future. We currently do not have any material capital commitments, other than commitments under capital and operating leases or planned expansions. Over the next two to three years, we may develop our own hardware and software facilities for the transaction processing, cash management, file transfer and related communications functions in an effort to improve productivity and reduce cost of services. If undertaken, this development would further increase our capital expenditures above historical levels over the next two to three years. In addition to the planned capital projects referred to above, we will continue the planning and development process necessary to assume the remaining processing services currently provided to us by National Bank under a transitional service agreement.

We regularly evaluate cash requirements for current operations, commitments, development activities and acquisitions and we may elect to raise additional funds for these purposes in the future, either through the issuance of debt, equity or otherwise.

Credit Facilities

We have a commitment for a $125 million revolving line of credit. It was initially used to fund the cash due to NDC to reflect our share of NDC's pre-distribution debt used to establish our initial capitalization. This line of

credit is also available to meet working capital needs and to finance acquisitions. This line has a variable interest rate based on market rates. The credit agreement contains certain financial and non-financial covenants customary for financings of this nature. The facility has a three-year term, expiring in January 2004. The full amount outstanding is due upon demand and therefore, we classify the amount as a current liability. As of May 31, 2002 and 2001, we had $22 million and $73 million, respectively, outstanding under this facility.

On October 1, 2001, we obtained a commitment for a $25 million revolving credit facility to finance working capital needs and other general corporate purposes. This line has a variable interest rate based on market rates. The credit agreement contains certain financial and non-financial covenants customary for financings of this nature. The facility has a sixteen-month term, expiring in January 2003. There were no amounts outstanding at May 31, 2002 on this credit facility.

We also have a credit facility from CIBC that provides a line of credit up to $140 million (Canadian dollars), approximately $91 million U.S. as of May 31, 2002, with an additional overdraft facility available to cover larger advances during periods of peak usage of credit and debit cards. This line has a variable interest rate based on market rates. It contains customary covenants and events of default. This line of credit is secured by a first priority security interest in our accounts receivable from VISA Canada/International, and has been guaranteed by our subsidiaries. This guarantee is subordinate to our primary credit facility. The CIBC credit facility had an initial term of 364 days expiring March 19, 2002, and is renewable annually at CIBC's option. We renewed the CIBC credit facility for 120 days beginning March 20, 2002 through July 19, 2002. Subsequent to year-end, we renewed this facility through November 29, 2002. Effective with the renewal of this facility, we will incur interest costs associated with "same day value" for merchant deposits. "Same day value" has been an accepted industry practice in Canada for more than ten years. We receive credit for merchants' sales the morning after the date of the sales transactions. The merchants' VISA deposits are made the same day and backdated to the previous day to give the merchants "same day value". We expect to draw on our facility with CIBC in order to facilitate the practice of "same day value". Accordingly, in fiscal 2003, we expect interest and other expense to approximate the fiscal 2002 amount. There are no amounts outstanding under the CIBC credit facility as of May 31, 2002 and 2001.

Forward-Looking Results of Operations

During fiscal 2003, we intend to continue to focus on growing our domestic and Canadian presence, build our ISO sales channel, provide customer satisfaction, assess opportunities for profitable acquisition growth, pursue enhanced products and services for our customers, and leverage our existing business model. Consistent with this strategy, our expectation for fiscal 2003 revenue is $495 million to $514 million, or 7% to 11% growth, compared to $463 million in fiscal 2002. Our expectation for fiscal 2003 diluted earnings per share is $1.35 to $1.41 or 10% to 15% growth compared to normalized diluted earnings per share of $1.23 in fiscal 2002. Normalized earnings per share for fiscal 2002 excludes the earnings per share impact of the change in accounting principle, $(0.42); and excludes the earnings per share impact of the restructuring and other charge, $(0.18), from reported diluted earnings per share of $0.63. The earnings per share target reflects our expectation of achieving operating margin of 18.0% to 18.5% in fiscal 2003. Finally, we expect EBITDA between $125.0 million and $128.0 million for fiscal 2003.

Application of Critical Accounting Policies

In applying the accounting policies that we use to prepare our consolidated financial statements, we necessarily make accounting estimates that affect our reported amounts of assets, liabilities, revenues and expenses. Some of these accounting estimates require us to make assumptions about matters that are highly uncertain at the time we make the accounting estimates. We base these assumptions and the resulting estimates on historical information and other factors that we believe to be reasonable under the circumstances, and we evaluate these assumptions and estimates on an ongoing basis. However, in many instances we reasonably could have used different accounting estimates, and in other instances changes in our accounting estimates are reasonably likely to occur from period to period, with the result in each case being a material change in the

financial statement presentation of our financial condition or results of operations. We refer to accounting estimates of this type as "critical accounting estimates." Among those critical accounting estimates that we believe are most important to an understanding of our consolidated financial statements are those that we discuss below.

Accounting estimates necessarily require subjective determinations about future events and conditions. Therefore, the following descriptions of critical accounting estimates are forward-looking statements, and actual results could differ materially from the results anticipated by these forward-looking statements. You should read the following in conjunction with Note 2 of our Notes to Consolidated Financial Statements and "Risk Factors" contained in Exhibit 99.1 to this annual report.

Reserve for operating losses—We have a reserve for operating losses. We process credit card transactions for our direct merchants. Our merchant customers have the liability for any charges properly reversed by the cardholder. In the event, however, that we are not able to collect such amount from the merchants, due to merchant fraud, insolvency, bankruptcy or another reason, we may be liable for any such reversed charges. We require cash deposits, guarantees, letters of credit and other types of collateral by certain merchants to minimize any such contingent liability. We also utilize a number of systems and procedures to manage merchant risk. In addition, we believe that the diversification of our merchant portfolio among industries and geographic regions minimizes our risk of loss.

We recognize revenue based on a percentage of the gross amount charged and have a potential liability for the full amount of the merchant sales volume. We establish valuation allowances for operational losses based primarily on historical experience and other relevant factors. Economic downturns or increases in merchant fraud may result in significant increases in credit related issues. As of May 31, 2002, we have $2.1 million in reserves for losses associated with operating merchant card processing. Expenses of $9.8 million, $8.4 million and $3.0 million were recorded for fiscal 2002, 2001 and 2000, respectively, for these losses.

We also have a check guarantee business. Similar to the credit card business, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter's bank. We have the right to collect the full amount of the check from the checkwriter but have not historically recovered 100% of the guaranteed checks. We establish a valuation allowance for this activity based on historical and projected loss experiences. Expenses of $12.4 million, $9.9 million and $10.1 million were recorded for fiscal 2002, 2001 and 2000, respectively, for these losses. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the valuation allowance.

Impact of New Accounting Pronouncements

Effective June 1, 2001, we adopted Statements of Financial Accounting Standard No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* or SFAS No. 133. SFAS No. 133 requires that a company recognize derivatives as assets or liabilities on its balance sheet, and also requires that the gain or loss related to the effective portion of derivatives designated as cash flow hedges be recorded as a component of other comprehensive income. We have not used any derivative instruments and the adoption of this statement was not material.

In August 2001, the FASB issued Statements of Financial Accounting Standard No. 143, *"Accounting for Asset Retirement Obligations"* or SFAS No. 143. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. Under SFAS No. 143, these legal obligations should be recognized in the period in which they are incurred and amortized to expense over the

life of the asset. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002 although earlier application is encouraged. This Statement will be adopted effective June 1, 2002. We have not historically incurred nor do we expect to incur material obligations associated with the retirement of long-lived assets.

In October 2001, the FASB issued Statements of Financial Accounting Standard No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Asset*" or SFAS No. 144. SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. This Statement will be adopted effective June 1, 2002. We believe that the effects of the adoption of SFAS No. 144 will not be material.

ITEM 7A— QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Based on analyses completed and described below, we do not believe that we are exposed to material market risk from changes in interest rates and/or foreign currency rates.

Interest Rate Risk

Our $125 million revolving line of credit has a variable interest rate based on the London Interbank Offered Rates, or LIBOR. Accordingly, we are exposed to the impact of interest rate fluctuations. We have performed an interest rate sensitivity analysis over the near term with a 10% change in interest rates. A 10% proportionate increase in interest rates would have resulted in decrease in net income of $0.1 million in both fiscal 2002 and 2001.

Foreign Currency Risk

We generate a percentage of our net income from foreign operations. We are vulnerable to fluctuations in the Canadian dollar and British pound against the United States dollar and have performed a foreign exchange sensitivity analysis over the near term with a 10% change in foreign exchange rates. Assuming a 10% appreciation or depreciation in exchange rate of the British pound and the Canadian dollar would result in net increase or decrease of $2.7 million in income. This analysis does not take into effect the change in revenue that may result from such a change in exchange rate.

Derivative Financial Instruments

Historically, we have not entered into derivative financial instruments to mitigate interest rate fluctuation risk or foreign currency exchange rate risk, as it has not been cost effective. We may use derivative financial instruments in the future, if we deem it useful in mitigating our exposure to interest rate or foreign currency exchange rate fluctuations.

ITEM 8— FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Global Payments Inc.:

We have audited the accompanying consolidated balance sheet of Global Payments Inc. (a Georgia corporation) and subsidiaries ("the Company") as of May 31, 2002, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended. Our audit also included the financial statement schedule for the year ended May 31, 2002 listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Global Payments Inc. and subsidiaries as of May 31, 2002, and the results of their operations and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as whole, presents fairly, in all material respects the information set forth therein.

The consolidated financial statements of Global Payments Inc. as of May 31, 2001 and 2000, and for the years then ended were audited by other auditors who have ceased operations. As described in Note 7, the fiscal 2001 and 2000 financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, which was adopted by the Company as of June 1, 2001. We performed the following audit procedures with respect to the disclosures in Note 7 with respect to 2001 and 2000. We (i) agreed the adjustments to reported net income representing goodwill and trademark amortization expense (including any related tax effects) recognized in those periods to the Company's underlying accounting records obtained from management, and (ii) tested the mathematical accuracy of the reconciliation of reported net income to adjusted net income, and the related per-share amounts. Additionally, the seventh and eighth paragraphs of Note 3 contain disclosures related to 2001 that were not previously included in the 2001 notes to the financial statements. The additional disclosures relate to a 2001 acquisition and are required under Accounting Principles Board Opinion No. 16. We performed the following audit procedures with respect to such additional disclosures. We (i) derived the number of shares of common stock issued from the purchase agreement and, (ii) agreed the value of the shares issued, the amount of the cash purchase price adjustment, the allocation of the purchase price to various assets and liabilities, and the useful lives of the resulting intangibles to the Company's underlying records obtained from management. In our opinion, the disclosures discussed above are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

As discussed in Note 2 to the Notes to Consolidated Financial Statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to conform to Statement of Financial Accounting Standard No. 142 and recorded a cumulative effect of a change in accounting principle on June 1, 2001.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
July 17, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Global Payments Inc.:

We have audited the accompanying consolidated balance sheet of Global Payments Inc. (a Georgia corporation) and subsidiaries ("the Company") as of May 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended May 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Payments Inc. and subsidiaries as of May 31, 2001 and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2001, in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
July 17, 2001

EXPLANATORY NOTE REGARDING REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

On May 2, 2002, Global Payments Inc. decided to no longer engage Arthur Andersen LLP as its independent public accountants and engaged Deloitte & Touche LLP to serve as its independent public accountants for the year ending May 31, 2002. More information regarding Global Payments Inc.'s change in independent public accountants is contained in a current report on Form 8-K filed with the SEC on May 7, 2002.

We could not obtain permission of Arthur Andersen LLP to the inclusion in this Annual Report on Form 10-K of their Report of Independent Public Accountants above. Accordingly, the Report of Arthur Andersen LLP above is merely reproduced from Global Payments Inc.'s Annual Report on Form 10-K for the year ended May 31, 2001 (although the consolidated balance sheet as of May 31, 2000 and the consolidated statements of income, changes in shareholders' equity, and cash flows for the year ended May 31, 1999 referred to in that report are not included herein) and does not include the manual signature of Arthur Andersen LLP. See "Risk Factors—The conviction of our former independent auditors, Arthur Andersen LLP, on federal obstruction of justice charges may adversely affect Arthur Andersen LLP's ability to satisfy any claims arising from the provision of auditing services to us and may impede our access to the capital markets."

CONSOLIDATED STATEMENTS OF INCOME
GLOBAL PAYMENTS INC.

(In thousands, except per share data)

	Year Ended May 31,		
	2002	2001	2000
Revenues	$ 462,826	$ 353,195	$ 340,033
Operating expenses:			
Cost of service	252,126	192,389	181,479
Sales, general and administrative	128,289	102,878	95,342
Restructuring and other	10,993	4,882	—
	391,408	300,149	276,821
Operating income	71,418	53,046	63,212
Other income (expense):			
Interest and other income	1,600	2,039	796
Loss on investment	—	(5,000)	—
Interest and other expense	(4,073)	(6,171)	(6,119)
Minority interest in earnings	(4,482)	(5,430)	(4,117)
	(6,955)	(14,562)	(9,440)
Income before income taxes and cumulative effect of a change in accounting principle	64,463	38,484	53,772
Provision for income taxes	24,624	14,816	20,725
Income before cumulative effect of a change in accounting principle	39,839	23,668	33,047
Cumulative effect of a change in accounting principle, net of $8,614 income tax benefit	(15,999)	—	—
Net income	$ 23,840	$ 23,668	$ 33,047
Basic earnings per share:			
Income before cumulative effect of a change in accounting principle	$ 1.09	$ 0.83	$ 1.24
Cumulative effect of a change in accounting principle	(0.44)	—	—
Net income	$ 0.65	$ 0.83	$ 1.24
Diluted earnings per share (See Note 2)			
Income before cumulative effect of a change in accounting principle	$ 1.05	$ 0.82	$ —
Cumulative effect of a change in accounting principle	(0.42)	—	—
Net income	$ 0.63	$ 0.82	$ —

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS
GLOBAL PAYMENTS INC.

(In thousands, except share data)

	May 31, 2002	May 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,194	$ 6,103
Accounts receivable, net of allowance for doubtful accounts of $963 and $1,198 in 2002 and 2001, respectively	43,576	39,264
Claims receivable, net of allowance for losses of $3,233 and $4,445, in 2002 and 2001, respectively	739	126
Merchant processing receivable	—	76,667
Income tax receivable	3,756	307
Inventory	2,611	3,216
Deferred income taxes	6,289	5,118
Prepaid expenses and other current assets	3,292	5,697
Total current assets	79,457	136,498
Property and equipment, net	53,643	44,336
Goodwill, net	151,712	118,791
Other intangible assets, net	141,308	158,584
Other	5,298	395
Total assets	$ 431,418	$ 458,604
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$ 22,000	$ 73,000
Merchant processing payable	9,244	8,829
Obligations under capital leases	2,599	2,739
Accounts payable and accrued liabilities	63,162	47,916
Total current liabilities	97,005	132,484
Obligations under capital leases, net of current portion	4,711	1,974
Deferred income taxes	1,788	7,237
Other long-term liabilities	6,385	7,035
Total liabilities	109,889	148,730
Commitments and contingencies (See Note 14)		
Minority interest in equity of subsidiaries	25,241	38,852
Shareholders' equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued	—	—
Common stock, no par value; 200,000,000 shares authorized and 36,787,255 and 36,477,168 shares issued and outstanding at May 31, 2002 and 2001, respectively	—	—
Paid-in capital	280,000	272,243
Retained earnings	20,200	2,217
Deferred compensation	(1,438)	(2,357)
Accumulated other comprehensive income	(2,474)	(1,081)
Total shareholders' equity	296,288	271,022
Total liabilities and shareholders' equity	$ 431,418	$ 458,604

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
GLOBAL PAYMENTS INC.

(In thousands)

	Year Ended May 31,		
	2002	2001	2000
Cash flows from operating activities:			
Net income	$ 23,840	$ 23,668	$ 33,047
Adjustments to reconcile net income to net cash provided by operating activities:			
Effect of cumulative effect of a change in accounting principle, pre tax	24,613	—	—
Restructuring and other charges	4,199	2,197	—
Loss on investment	—	5,000	—
Depreciation and amortization	18,432	10,782	9,688
Amortization of acquired intangibles and goodwill	11,139	10,974	10,340
Deferred income taxes	(6,620)	(3,694)	1,786
Minority interest in earnings	4,482	5,430	4,117
Provision for operating losses and bad debts	7,515	6,586	1,019
Other	(290)	(345)	1,500
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable, net	(4,422)	(6,202)	2,423
Merchant processing, net	69,064	7,562	(22,280)
Inventory	605	728	(2,112)
Prepaid expenses and other assets	(947)	1,505	(1,269)
Accounts payable and accrued liabilities	8,858	14,423	3,037
Net cash provided by operating activities	160,468	78,614	41,296
Cash flows from investing activities:			
Capital expenditures	(22,390)	(13,601)	(6,002)
Other long term assets	(5,000)	—	—
Business acquisitions, net of acquired cash	(60,154)	(23,350)	—
Increase in investments	—	—	(5,000)
Proceeds from divested business	—	3,502	—
Net cash used in investing activities	(87,544)	(33,449)	(11,002)
Cash flows from financing activities:			
Net borrowings from (repayments to) NDC	—	(106,197)	6,750
Net (payments on) proceeds from line of credit	(51,000)	73,000	—
Net decrease in NDC equity investment	—	—	(21,800)
Principal payments under capital lease arrangements and other long-term debt	(3,279)	(3,144)	(9,457)
Stock issued under employees stock plans	6,734	302	—
Dividends paid	(5,857)	(1,459)	—
Distributions to minority interests	(6,431)	(4,330)	(4,377)
Net cash used in financing activities	(59,833)	(41,828)	(28,884)
Increase in cash and cash equivalents	13,091	3,337	1,410
Cash and cash equivalents, beginning of year	6,103	2,766	1,356
Cash and cash equivalents, end of year	$ 19,194	$ 6,103	$ 2,766

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
GLOBAL PAYMENTS INC.

(In thousands, except per share data)

	Number of Shares	NDC Equity Investment	Paid-in Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive	Loss Total Shareholders' Equity
Balance at May 31, 1999	—	$ 107,088	$ —	$ —	$ —	$ (165)	$ 106,923
Comprehensive income							
Net income		33,047					33,047
Foreign currency translation adjustment						(200)	(200)
Total comprehensive income							32,847
Net transactions with NDC		(12,718)					(12,718)
Net distributions to NDC		(7,257)					(7,257)
Balance at May 31, 2000	—	120,160	—	—	—	(365)	119,795
Comprehensive income							
Net income		19,992		3,676			23,668
Foreign currency translation adjustment						(716)	(716)
Total comprehensive income							22,952
Net transactions with NDC		(3,647)					(3,647)
Net distributions to NDC		(2,728)					(2,728)
Distribution of common stock	26,687	(133,777)	137,198		(3,421)		—
Stock issued under employee stock plans	25		1,465				1,465
Stock issued for acquisition	9,765		133,580				133,580
Dividends paid ($0.04 per share)				(1,459)			(1,459)
Amortization of deferred compensation					1,064		1,064
Balance at May 31, 2001	36,477	—	272,243	2,217	(2,357)	(1,081)	271,022
Comprehensive income							
Net income				23,840			23,840
Foreign currency translation adjustment						(1,393)	(1,393)
Total comprehensive income							22,447
Stock issued under employee stock plans	310		6,883		(192)		6,691
Tax benefit from exercise of stock options			2,274				2,274
Final adjustment to spin-off dividend			(1,400)				(1,400)
Dividends paid ($0.16 per share)				(5,857)			(5,857)
Amortization of deferred compensation					1,111		1,111
Balance at May 31, 2002	36,787	$ —	$ 280,000	$ 20,200	$ (1,438)	$ (2,474)	$ 296,288

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SPIN-OFF AND BASIS OF PRESENTATION

Global Payments Inc. ("Global Payments" or the "Company") is an integrated provider of high volume electronic transaction processing and value-added end-to-end information services and systems to merchants, multinational corporations, financial institutions, and government agencies. These services are marketed to customers within the merchant services and the funds transfer businesses through various sales channels.

In December 1999, National Data Corporation, now known as NDCHealth Corporation ("NDC"), announced its intent to spin-off the NDC eCommerce business segment into a separate publicly traded company with its own management and Board of Directors (the "Distribution"). This Distribution occurred on January 31, 2001 (the "Distribution Date") and was accomplished by forming Global Payments on September 1, 2000, transferring the stock of the companies which comprised the NDC eCommerce business segment to the Company and then distributing all of the shares of common stock of Global Payments to NDC's stockholders. NDC stockholders received 0.8 share of Global Payments for each NDC share held as of the Distribution Date. After the Distribution, Global Payments and NDC became two separate public companies.

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. These consolidated financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States, and present the Company's financial position, results of operations, and cash flows. Intercompany transactions have been eliminated in consolidation.

Prior to the Distribution Date, the financial statements included the accounts of the subsidiaries of NDC that comprised its eCommerce business segment. Through the Distribution Date of January 31, 2001, these amounts were derived from NDC's historical financial statements. As further described in Note 4, certain corporate and interest expenses had been allocated to the Company that were not previously allocated to NDC's eCommerce business segment. These allocations were based on an estimate of the proportion of corporate expenses related to the Company, utilizing such factors as revenues, number of employees, number of transactions processed and other applicable factors. In the opinion of management, these allocations have been made on a reasonable basis. The costs of these services charged to the Company may not reflect the actual costs the Company would have incurred for similar services as a stand-alone company.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue—Card information and transaction processing services revenue are primarily based on a percentage of transaction value or on a specified amount per transaction, and is recognized as such services are performed. Revenue for processing services provided directly to merchants is recorded net of interchange fees charged by credit card associations, which are not controlled by the Company.

Check guarantee services include the process of electronically verifying the check being presented to the Company's merchant customer, through an extensive database. The Company generally guarantees the face value of the verified and guaranteed check to the merchant customer. If a verified and guaranteed check is dishonored, the Company reimburses the merchant for the check's guaranteed value, and pursues collection from the delinquent checkwriter. The Company has the right to collect the full amount of the check from the checkwriter

but has historically recovered approximately 50% to 55% of the guaranteed, dishonored checks. The Company establishes a claims receivable from the delinquent checkwriter for the full amount of the guaranteed check and a valuation allowance for this activity based on historical and projected loss experience. See “Reserve for Operating Losses” below.

Revenue for the check guarantee offering is primarily derived from a percentage of the face value of each guaranteed check. The Company recognizes revenue upon satisfaction of its guarantee obligation to the merchant customer. The check guarantee offering also earns revenue based on fees collected from delinquent checkwriters which is recognized when collected, as collectibility is not reasonably assured until that point.

Check verification services are similar to the services provided in the check guarantee offering, except the Company does not guarantee the verified checks. Revenue for this offering is primarily derived from fees collected from delinquent checkwriters and is recognized when collected, as collectibility is not reasonably assured until that point. This offering also earns revenue based on a fixed amount each merchant pays for each check that is verified. This revenue is recognized when the transaction is processed, since the Company has no further obligations associated with the transaction.

Terminal management products and services consist of electronic transaction processing terminal sales and rentals, terminal set-up, telephone training and technical support. Revenue associated with the terminal sale, set-up and telephone training is considered a single earnings process and is recognized when the set-up and telephone training is completed, and the merchant customer can begin processing transactions. Terminal rental revenues are recognized when the service is provided. Revenue associated with technical support is considered an independent earnings process and is recognized based on either a maintenance agreement, which is recognized on a straight-line basis over the maintenance contract term, or based on time and materials when the support is completed.

Cash and cash equivalents—Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased.

Inventory—Inventory, which includes computer hardware and peripheral equipment, and electronic point of sale terminals, is stated at the lower of cost or market. Cost is determined by using the average cost method.

Merchant processing receivable/payable—The merchant processing receivable/payable results from timing differences in the Company’s settlement process with merchants and card sales processed. These timing differences are primarily due to the fluctuations in volume and timing of credit and debit card sales volume funded to merchants and the settlement received from the card associations and debit networks.

Reserve for operating losses—The Company processes credit card transactions for direct merchants. The Company’s merchant customers have the liability for any charges properly reversed by the cardholder. In the event, however, that the Company is not able to collect such amount from the merchants, due to merchant fraud, insolvency, bankruptcy or another reason, the Company may be liable for any such reversed charges. The Company requires cash deposits, guarantees, letters of credit and other types of collateral by certain merchants to minimize any such contingent liability. The Company also utilizes a number of systems and procedures to manage merchant risk.

The Company recognizes revenue based on a percentage of the gross amount charged and has a potential liability for the full amount of the charge. The Company establishes valuation allowances for operational losses based primarily on historical experience and other relevant factors. Economic downturns or increases in merchant fraud may result in significant increases in credit related issues. As of May 31, 2002, $2.1 million has been reserved for losses associated with operating merchant card processing. The expense associated with the valuation allowance is included in cost of service in the accompanying consolidated statements of income. Expenses of $9.8 million, $8.4 million and $3.0 million were recorded for fiscal 2002, 2001 and 2000, respectively, for these losses.

The Company also has a check guarantee business. Similar to the credit card business, the Company charges its merchants a percentage of the gross amount of the check and guarantees payment of the check to the merchant in the event the check is not honored by the checkwriter's bank. The Company has the right to collect the full amount of the check from the checkwriter but has not historically recovered 100% of the guaranteed checks. The Company establishes a valuation allowance for this activity based on historical and projected loss experiences. As of May 31, 2002, the Company had a check guarantee reserve of $3.2 million. Expenses of $12.4 million, $9.9 million and $10.1 million were recorded for fiscal 2002, 2001 and 2000, respectively, for these losses. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the valuation allowance.

Property and equipment—Property and equipment, including equipment under capital leases, are stated at cost. Depreciation and amortization are calculated using the straight-line method. Equipment is depreciated over 2 to 5 year lives. Leasehold improvements and property acquired under capital leases are amortized over the shorter of the useful life of the asset or the term of the lease. The costs of purchased and internally developed software used to provide services to customers or internal administrative services are capitalized and amortized on a straight-line basis over their estimated useful lives, not to exceed 5 years. Maintenance and repairs are charged to operations as incurred.

Goodwill and Other intangible assets—On July 20, 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "*Business Combinations*" ("SFAS No. 141") and No. 142, *"Goodwill and Other Intangible Assets"* ("SFAS No. 142"). SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. SFAS No. 142 eliminates the amortization of goodwill and certain other intangible assets and requires that goodwill be evaluated for impairment by applying a fair value-based test. Global Payments adopted SFAS No. 142 in the first quarter of fiscal 2002. In accordance with this new standard, the Company discontinued the amortization of goodwill and certain intangible assets that were determined to have an indefinite life.

Global Payments completed the testing for impairment of goodwill during the second quarter ending November 30, 2001 using the present value of expected future cash flows. The Company determined that the fair value of the reporting units exceeds the carrying amount of the net assets, including goodwill of the respective reporting units. Therefore, no impairment charge to goodwill is required. No other changes in amortization periods were required for other intangible assets (See Note 7).

Other intangible assets primarily represent customer lists and merchant contracts associated with acquisitions. Customer lists and merchant contracts are amortized using the straight-line method over their estimated useful lives of 10 to 30 years. The useful lives for customer lists/merchant contracts are determined based primarily on information concerning start/stop dates and yearly attrition.

The Company had one indefinite life intangible asset, a trademark with a carrying value at June 1, 2001 of $24.6 million. The trademark was acquired on April 1, 1996 with the purchase of 92.5% ownership interest in MasterCard International's Merchant Automated Point-of-Sale Program, or MAPP. The value of the trademark related to the use of the MAPP name and logo. In connection with the spin-off from NDC, the Company launched a significant rebranding effort under the Global Payments Inc. name and logo. In addition, effective June 1, 2001, the Company purchased MasterCard's remaining minority interest, ending all existing marketing alliances with MasterCard under the MAPP brand and began conducting a study related to the future use of the trademark.

In fiscal 2002, the Company obtained an appraisal from an independent valuation firm of the fair value of the trademark as of June 1, 2001, the implementation date of SFAS No. 142. Based on the lack of continuing use of the MAPP trademark as of June 1, 2001, the fair value of the trademark was determined to be zero. In accordance with SFAS No. 142, the $24.6 million ($16.0 million, net of tax) was written off as of June 1, 2001 and was recorded as a cumulative effect of a change in accounting principle.

Impairment of long-lived assets—The Company regularly evaluates whether events and circumstances have occurred that indicate the carrying amount of property and equipment and other intangible assets may warrant revision or may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, the Company assesses the recoverability by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. In management's opinion, the long-lived assets, including property and equipment and other intangible assets are appropriately valued at May 31, 2002 and May 31, 2001.

Investments—The Company held a $5 million investment in eCharge Corporation, a private company that offers Internet users secure and convenient ways to make purchases over the Internet. During the fourth quarter ending May 31, 2001, the Company completed an evaluation of this investment as it had experienced difficulty securing additional funding. As a result, management determined the carrying value of the investment was not recoverable and recognized a loss on investment of $5.0 million in fiscal 2001.

Income taxes—Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates (see Note 10).

Fair value of financial instruments—Management considers that the carrying amounts of financial instruments, including cash and cash equivalents, receivables, line of credit, accounts payable and accrued liabilities approximate fair value.

Foreign currency translation—The Company has foreign subsidiaries operating in Canada and the United Kingdom, whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period in which exchange rates change. The assets and liabilities of subsidiaries operating in foreign currencies are translated at the year-end rate of exchange, and income statement items are translated at the average rates prevailing during the year. The resulting translation adjustment is recorded as a component of shareholders' equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of shareholders' equity. The effects of foreign currency gains and losses arising from these translations of assets and liabilities are included as a component of other comprehensive income.

Segment disclosure—The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosure About Segments of an Enterprise and Related Information." The Company's chief operating decision making group currently operates one reportable segment—electronic transaction processing—therefore the majority of the disclosures required by SFAS No. 131 do not apply to the Company. The Company's measure of segment profit is operating income. The Company's results of operations and its financial condition are not significantly reliant upon any single customer. Revenues from external customers from the Company's service offerings are as follows:

	2002	2001	2000
		(in thousands)	
Merchant services	$ 449,144	$ 334,979	$ 318,262
Funds transfer	13,682	18,216	21,771
	$ 462,826	$ 353,195	$ 340,033

The Company's operations are provided in the United States, Canada, and Europe. The following is a breakdown of revenues by geographic region:

	2002	2001	2000
		(in thousands)	
United States	$ 340,230	$ 328,054	$ 332,873
Canada	120,815	23,183	4,545
Europe	1,781	1,958	2,615
	$ 462,826	$ 353,195	$ 340,033

Earnings per share—Basic earnings per share is computed by dividing reported earnings available to common shareholders by weighted average shares outstanding during the period. Earnings available to common shareholders are the same as reported net income for all periods presented. For periods prior to the Distribution Date, weighted average shares outstanding is computed by applying the distribution ratio of 0.8 of a share of the Company for each NDC share held to the historical NDC weighted average shares outstanding for the same periods presented.

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by weighted average shares outstanding during the period and the impact of securities that, if exercised, would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period generally are assumed to have a dilutive effect on earning per share. The dilutive effect of stock options was 1.4 million shares and 0.3 million shares in fiscal 2002 and 2001, respectively. No additional securities were outstanding that could potentially dilute basic earnings per share that were not included in the computation of diluted earnings per share. Diluted earnings per share is not presented for the year ended May 31, 2000 as Global Payments stock options did not exist prior to the Distribution Date.

The following table sets forth the computation of basic and diluted earnings per share for the years ended May 31, 2002 and 2001:

	2002			2001		
	Income	**Shares**	**Per Share**	**Income**	**Shares**	**Per Share**
	(in thousands, except per share data)					
Basic EPS:						
Income before cumulative effect of a change in accounting principle	$ 39,839	36,589	$ 1.09	$ 23,668	28,616	$ 0.83
Cumulative effect of a change in accounting principle	(15,999)	36,589	(0.44)	—	28,616	—
Net income available to common shareholders	$ 23,840	36,589	$ 0.65	$ 23,668	28,616	$ 0.83
Diluted EPS:						
Income before cumulative effect of a change in accounting principle	$ 39,839	38,009	$ 1.05	$ 23,668	28,916	$ 0.82
Cumulative effect of a change in accounting principle	(15,999)	38,009	(0.42)	—	28,916	—
Net income available to common shareholders	$ 23,840	38,009	$ 0.63	$ 23,668	28,916	$ 0.82

Impact of new accounting pronouncements—Effective June 1, 2001, Global Payments adopted Statements of Financial Accounting Standard No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* ("SFAS No. 133"). SFAS No. 133 requires that a company recognize derivatives as assets or liabilities on its balance sheet, and also requires that the gain or loss related to the effective portion of derivatives designated as cash flow hedges be recorded as a component of other comprehensive income. The Company has not used any derivative instruments and the adoption of this statement was not material.

In August 2001, the FASB issued Statements of Financial Accounting Standard No. 143, *"Accounting for Asset Retirement Obligations"* ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. Under SFAS No. 143, these legal obligations should be recognized in the period in which they are incurred and amortized to expense over the life of the asset. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002 although earlier application is encouraged. This Statement will be adopted effective June 1, 2002. The Company has not historically incurred nor expects prospectively to incur material obligations associated with the retirement of long-lived assets.

In October 2001, the FASB issued Statements of Financial Accounting Standard No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Asset"* ("SFAS No. 144"). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. This Statement will be adopted effective June 1, 2002. The Company believes that the effects of the adoption of SFAS No. 144 will not be material.

NOTE 3—BUSINESS ACQUISITIONS

During the fiscal years 2002 and 2001, the Company acquired the following businesses and assets:

Business	Date Acquired	Percentage Ownership
2002		
MasterCard International Corporation 7.5% Minority Interest in Global Payment Systems LLC, a subsidiary of the Company	June 1, 2001	100%
National Bank of Canada ("National Bank")—Merchant Acquiring Portfolio	October 1, 2001	100%
2001		
Brennes-Jones Group Merchant Portfolio	November 21, 2000	100%
Canadian Imperial Bank of Commerce ("CIBC") Merchant Acquiring Business	March 20, 2001	100%
Comerica Bank—Imperial Bank Merchant Portfolio	May 31, 2001	51%

These acquisitions have been recorded using the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair value as of the date of acquisition. The operating results are included in the Company's consolidated statements of income from the date of the acquisition.

In August 2001, Global Payments purchased the 7.5% minority interest owned by MasterCard International Corporation in Global Payment Systems LLC. The transaction was effective as of June 1, 2001, with a purchase price of $15.0 million.

On October 1, 2001, the Company acquired National Bank of Canada's merchant acquiring portfolio and formed a ten-year alliance for marketing merchant payment-related products and services to National Bank of Canada's customers. The purchase price was $45.9 million (U.S.), at the then current Canadian exchange rate. This acquisition was completed to compliment the Company's existing Canadian customer portfolio and broaden the Company's presence in Canada.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisitions.

	National Bank Merchant Acquiring Portfolio	MasterCard Minority Interest Buyout
	(in thousands)	
Property and equipment, net	$ 128	$ —
Customer list	18,473	—
Goodwill	28,934	3,338
Total assets acquired	47,535	3,338
Current liabilities	(1,587)	—
Purchased minority interest	—	11,662
Net assets acquired	$ 45,948	$ 15,000

The amount assigned to the customer list for the National Bank merchant acquiring portfolio is being amortized over 17 years. Of the amount assigned to goodwill, 100% is expected to be deductible for tax purposes.

On March 20, 2001, the Company acquired substantially all the net assets of the merchant acquiring business of Canadian Imperial Bank of Commerce, and formed a ten year marketing alliance with CIBC to offer merchant payment-related products and services to CIBC's customers. In exchange for the net assets acquired, the Company issued CIBC approximately 9.8 million unregistered shares of our common stock with a fair value of $133.6 million and paid CIBC a cash purchase price adjustment of $10.1 million. The deferred cash purchase price adjustment was a negotiated, formula driven amount based on the financial performance of business from the date of the definitive agreement to the closing.

The net assets of the CIBC merchant acquiring business consisted of accounts receivable of $60.6 million, property and equipment of $14.1 million, accounts payable and accrued liabilities of $7.5 million, and an obligation under a capital lease of $0.6 million. The difference in total consideration of $143.7 million and the net tangible assets acquired created an excess of $77.1 million. The excess was allocated to merchant contracts in the amount of $44.4 million and goodwill in the amount of $32.7 million, with an estimated useful life of 17 years and 20 years, respectively.

The aggregate cash price paid for the acquisitions in 2001 of $23.4 million is detailed as follows (*in thousands)*:

	2001
Fair value of assets acquired	$ 175,457
Liabilities assumed	(8,445)
Deferred purchase price	(10,082)
Common stock issued (9,764,623 shares)	(133,580)
Cash paid for acquisitions	$ 23,350

The excess of cost over tangible assets acquired totaled $117.0 million, with $52.7 million allocated to goodwill and $64.3 million to customer lists/merchant contracts. The depreciable and intangible assets are being amortized over periods ranging from 2 to 20 years.

The following unaudited pro forma information for the purchase acquisitions discussed above has been prepared as if the 2002 and 2001 acquisitions had occurred on June 1 of the preceding year. The information is based on historical and estimated results of the separate companies and may not necessarily be indicative of the results that would have been achieved or of results that may occur in the future. The pro forma information

includes the expense for amortization of other intangible assets resulting from these transactions and interest expense related to financing costs but does not reflect any synergies or operating cost reductions that may be achieved from the combined operations.

	2002	2001	2000
	(In thousands, except per share data)		
Revenue	$ 473,242	$ 473,218	$ 444,470
Income before cumulative effect of a change in accounting principle	39,236	29,361	39,326
Cumulative effect of a change in accounting principle, net of tax	(15,999)	—	—
Net income	$ 23,237	$ 29,361	$ 39,326
Diluted earnings per share before cumulative effect of a change in accounting principle	$ 1.03	$ 0.76	$ — (1)
Diluted earnings per share after cumulative effect of a change in accounting principle	$ 0.61	$ 0.76	$ — (1)

(1) Diluted earnings per share is not presented for the year ended May 31, 2000 as Global Payments stock options did not exist prior to the Distribution Date.

NOTE 4—TRANSACTIONS WITH NDC

In conjunction with the Distribution, the Company and NDC entered into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the Distribution, including the Distribution Agreement, the Tax Sharing and Indemnification Agreement, the Employee Benefits Agreement, the Lease Agreement for Office Headquarters, the Intercompany Systems/Network Services Agreement, the Batch Processing Agreement and the Transition Support Agreement. In fiscal 2002 and 2001, the Company paid NDC $15.1 million and $2.4 million, respectively, for transitional services.

The Company was charged with incremental corporate costs through the Distribution Date in the amount of $4.7 million in fiscal 2001 and $5.0 million in fiscal 2000. These allocations were based on an estimate of the proportion of corporate expenses related to the Company, utilizing such factors as revenues, number of employees, number of transactions processed and other applicable factors.

The Company was also charged corporate interest expense through January 31, 2001 based on the corporate debt allocations of NDC to the Company at the Distribution Date. The Company utilized a rollback approach to allocate the portion of the NDC consolidated group’s debt and interest expense for all historical periods presented. This treatment records the debt allocation percentage for all historical periods presented. The allocated portion of the consolidated group’s debt was presented as due to NDC. Interest expense recorded by the Company related to this debt was $3.1 million in fiscal 2001 and $4.6 million in fiscal 2000 and is included in interest and other expense. NDC did not charge any incremental interest expense to the Company after the Distribution Date.

NOTE 5—PROPERTY AND EQUIPMENT

As of May 31, 2002 and May 31, 2001, property and equipment consisted of the following:

	2002	2001
	(In thousands)	
Property under capital leases	$ 15,880	$ 11,760
Equipment	52,652	45,454
Software	29,129	20,380
Leasehold improvements	3,451	2,273
Furniture and fixtures	5,625	3,041
Work in progress	10,647	8,749
	117,384	91,657
Less: accumulated depreciation and amortization	63,741	47,321
	$ 53,643	$ 44,336

NOTE 6—SOFTWARE COSTS

The following table sets forth information regarding the Company's costs associated with software development for the years ended May 31, 2002, May 31, 2001 and May 31, 2000. These amounts exclude other expenditures for product improvements, customer requested enhancements, maintenance and Year 2000 remediation.

	2002	2001	2000
		(In thousands)	
Total costs associated with software development	$ 5,790	$ 6,437	$ 2,623
Less: capitalization of internally developed software	1,156	1,891	884
Net research and development expense	$ 4,634	$ 4,546	$ 1,739

The Company capitalizes costs related to the development of computer software developed or obtained for internal use in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Costs incurred in the application development phase are capitalized and amortized over the useful life, not to exceed five years.

Total unamortized capitalized software costs (purchased and internally developed) were approximately $13.4 million and $8.1 million as of May 31, 2002 and May 31, 2001, respectively. Total software amortization expense was $3.4 million, $2.9 million and $2.6 million in fiscal 2002, 2001 and 2000, respectively.

NOTE 7—GOODWILL AND INTANGIBLE ASSETS

In accordance with SFAS No. 142, adopted on June 1, 2001, the Company discontinued the amortization of goodwill and certain intangible assets that were determined to have an indefinite life. As of May 31, 2002, intangible assets consisted of customer lists of $210.1 million and accumulated amortization of $68.8 million. The weighted average amortization period is 18 years.

As of May 31, 2001, goodwill and intangible assets consisted of the following:

	2001
Customer lists/merchant contracts	$ 160,114
Trademarks	28,273
Goodwill	137,281
Other intangibles	32,256
	357,924
Less: accumulated amortization	80,549
	$ 277,375

Amortization expense was $11.1 million, $11.0 million and $10.3 million for fiscal years 2002, 2001 and 2000, respectively.

The estimated amortization expense for the next five fiscal years is as follows (in thousands):

2003	$ 11,497
2004	$ 11,472
2005	$ 11,263
2006	$ 10,948
2007	$ 8,525

The following table discloses the changes in the carrying amount of goodwill for the period ended May 31, 2002:

	Goodwill
	(in thousands)
Balance as of May 31, 2001	$ 118,791
Goodwill acquired during the year	32,272
Adjustments to goodwill for prior year acquisitions	649
Balance as of May 31, 2002	$ 151,712

The impact of the change in accounting principle for fiscal 2002, 2001 and 2000 was as follows:

	2002	2001	2000
		(in thousands)	
Net income:			
Reported net income	$ 23,840	$ 23,668	$ 33,047
Add back: Goodwill amortization, net of tax	—	2,524	1,964
Add back: Trademark amortization, net of tax	—	435	435
Adjusted net income	23,840	26,627	35,446
Add back: Cumulative effect of change in accounting principle, net of tax	15,999	—	—
Adjusted income before cumulative effect of change in accounting principle	$ 39,839	$ 26,627	$ 35,446
Basic earnings per share:			
Reported net income	$ 0.65	$ 0.83	$ 1.24
Adjusted net income	$ 0.65	$ 0.93	$ 1.33
Diluted earnings per share:			
Reported net income	$ 0.63	$ 0.82	$ — (1)
Adjusted net income	$ 0.63	$ 0.92	$ — (1)
Basic per share income before cumulative effect of change in accounting principle			
Reported	$ 1.09	$ 0.83	$ 1.24
Adjusted	$ 1.09	$ 0.93	$ 1.33
Diluted per share income before cumulative effect of change in accounting principle			
Reported	$ 1.05	$ 0.82	$ — (1)
Adjusted	$ 1.05	$ 0.92	$ — (1)

(1) Diluted earnings per share is not presented for the year ended May 31, 2000 as Global Payments stock options did not exist prior to the Distribution Date.

NOTE 8—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of May 31, 2002 and May 31, 2001, accounts payable and accrued liabilities consisted of the following:

	2002	2001
	(In thousands)	
Trade accounts payable	$ 12,133	$ 10,133
Accrued compensation and benefits	9,027	7,667
Deferred purchase price on acquisition	—	10,082
Accrued restructuring	7,304	2,347
Accrued third party processing expenses	8,142	2,951
Accrued transitional services	8,504	2,862
Other accrued liabilities	18,052	11,874
	$ 63,162	$ 47,916

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NOTE 9—RETIREMENT BENEFITS

Prior to the Distribution, the Company participated in the NDC noncontributory defined benefit pension plan (the "NDC Plan") covering substantially all of its United States employees who have met the eligibility provisions of the NDC Plan as of May 31, 1998. During fiscal 1998, NDC made an evaluation of its current retirement plan offerings and decided to provide its employees with a greater emphasis on its deferred compensation 401(k) plan by substantially increasing the employer match of participants' contributions. At the same time, NDC closed the defined benefit pension plan to new participants beginning June 1, 1998. Benefits are based on years of service and the employee's compensation during the highest five consecutive years of earnings of the last ten years of service. Plan provisions and funding meet the requirements of the Employee Retirement Income Security Act of 1974, as amended. Effective on the Distribution Date, the Company established the Global Payments defined benefit pension plan (the "Global Payments Plan") and NDC transferred to this plan a proportionate share of assets allocable to the accrued benefits for the Company's participants under the NDC Plan. The expenses for fiscal 2000 for the NDC Plan were allocated to the Company based on the relative projected benefit obligations for all the Company's employees compared with the obligations for all participants. In the opinion of management, the expenses for fiscal 2000 were allocated on a reasonable basis. Expenses for fiscal 2002 and 2001 were actuarially determined.

The following table provides a reconciliation of the changes in the benefit obligations and fair value of assets over the two-year period ending May 31, 2002 and a statement of funded status at May 31 for each year:

Changes in benefit obligations

	2002	2001
	(In thousands)	
Balance at beginning of year	$ 6,612	$ 6,119
Service cost	—	—
Interest cost	495	474
Amendments	—	31
Benefits paid	(23)	—
Actuarial (gain) or loss	175	(12)
Balance at end of year	$ 7,259	$ 6,612

Changes in plan assets

	2002	2001
	(In thousands)	
Balance at beginning of year	$ 5,031	$ 6,186
Actual return on plan assets	96	(1,155)
Employer contributions	—	—
Benefits paid	(23)	—
Balance at end of year	$ 5,104	$ 5,031

The accrued pension costs recognized in the Consolidated Balance Sheet were as follows:

	2002	2001
	(In thousands)	
Funded status	$ (2,155)	$ (1,581)
Unrecognized net loss	1,884	1,370
Unrecognized prior service cost	33	54
Unrecognized net asset at June 1, 1985, being amortized over 17 years	—	(42)
Accrued pension cost	$ (238)	$ (199)

Net pension expense (income) included the following components for the fiscal years ending May 31:

	2002	2001
	(In thousands)	
Service cost-benefits earned during the period	$ —	$ —
Interest cost on projected benefit obligation	495	474
Expected return on plan assets	(502)	(618)
Net amortization and deferral	(20)	(30)
Recognized actuarial loss	67	—
Net pension expense (income)	$ 40	$ (174)

Significant assumptions used in determining net pension expense and related obligations were as follows:

	2002	2001
Discount rate	7.50%	7.50%
Rate of increase in compensation levels	4.33%	4.33%
Expected long-term rate of return on assets	10.00%	10.00%

Prior to the Distribution, the Company participated in the NDC deferred compensation 401(k) plan. Expenses of $1.0 million and $0.6 million were allocated to the Company in proportion to total payroll for fiscal 2001 (through January 31, 2001) and 2000, respectively. Effective February 1, 2001, the Company established the Global Payments Inc. 401(k) Plan. The plan provides tax deferred amounts for each participant consisting of employee elective contributions and matching Company contributions. In addition to the expense allocations mentioned above, the Company contributed $1.2 million and $0.3 million to the Global Payments Inc. 401(k) Plan in fiscal 2002 and 2001, respectively.

NOTE 10—INCOME TAXES

Prior to the Distribution Date, the Company had been included in the consolidated federal income tax return of NDC. Tax provisions were settled through the intercompany account and NDC made income tax payments on behalf of the Company (See Note 15). The Company's provision for income taxes in the accompanying consolidated statements of income reflects federal and state income taxes calculated on the Company's separate income.

The provision for income taxes includes:

	2002	2001	2000
		(In thousands)	
Current tax expense:			
Federal	$ 20,398	$ 17,200	$ 16,266
State	1,495	1,310	780
	21,893	18,510	17,046
Deferred tax expense (benefit):			
Federal	2,516	(3,402)	3,389
State	215	(292)	290
	2,731	(3,694)	3,679
Total	$ 24,624	$ 14,816	$ 20,725

In addition in fiscal 2002, $8.6 million was recorded as a tax benefit as a result of the cumulative effect of the change in accounting principle (See Note 2). $9.4 million of this amount is a deferred tax benefit, while $0.8 million is a current tax expense.

The Company's effective tax rates differ from federal statutory rates as follows:

	2002	2001	2000
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	1.7	1.7	1.3
Foreign income taxes	1.3	1.0	—
Non-deductible amortization and write-off of intangible assets	0.2	2.3	1.6
Tax credits	(0.4)	(0.8)	(0.5)
Other	.4	(0.7)	1.1
Effective tax rate	38.2%	38.5%	38.5%

Deferred income taxes as of May 31, 2002 and May 31, 2001 reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. As of May 31, 2002 and May 31, 2001, principal components of deferred tax items were as follows:

	2002	2001
	(In thousands)	
Deferred tax assets:		
Accrued expenses and other	$ 1,607	$ 1,751
Accrued restructuring and non-cash loss on investment	4,159	4,233
Bad debt expense	1,140	161
Property and equipment	621	—
	7,527	6,145
Deferred tax liabilities:		
Acquired intangibles	2,457	6,546
Prepaid expenses	569	168
Property and equipment	—	1,550
	3,026	8,264
Net deferred tax asset (liability)	4,501	(2,119)
Less: Current net deferred tax asset	6,289	5,118
Net non-current deferred tax liability	$ (1,788)	$ (7,237)

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has not established valuation allowances for these tax assets.

NOTE 11—SHAREHOLDERS' EQUITY

Stock Options—NDC had certain Stock Option Plans (the "Plan") under which incentive stock options and non-qualified stock options have been granted to officers, key employees and directors of NDC. In connection with the separation of the Company from NDC, stock options under the Plan held by employees of the Company that were not exercised prior to the date of the Distribution were replaced with options of Global Payments. In accordance with the provisions of FASB Interpretation No. 44 ("FIN 44," "Accounting for Certain Transactions Involving Stock Compensation"), NDC stock options were replaced with Global Payments stock options in amounts and at exercise prices intended to preserve the economic benefit of the NDC stock options at such time. No compensation expense resulted from the replacement of the options. The exercise price of such options range from $3.26 to $20.90. As a result, options for 2,364,849 shares of Global Payments common stock were issued to replace NDC options under the Global Payments Inc. 2000 Long-Term Incentive Plan ("The 2000 Plan"). The Company also has a Non-Employee Director Stock Option Plan ("The Director Plan"), which provides for grants

of options to directors who are not employees with the Company. A summary of changes in all outstanding options and the related weighted average exercise price per share is as follows:

	The 2000 Plan		The Director Plan	
	Shares	Weighted Avg. Exercise Price Per Share	Shares	Weighted Avg. Exercise Price Per Share
Outstanding at May 31, 2000	—	—	—	—
Granted:				
Replacement options	2,364,849	$ 12.97	—	$ —
New options	103,301	17.16	23,920	20.90
Cancelled	(8,648)	11.51	—	—
Exercised	(18,499)	7.18	—	—
Outstanding at May 31, 2001	2,441,003	13.20	23,920	20.90
Granted	708,768	26.48	16,808	29.75
Cancelled	(124,999)	13.54	—	—
Exercised	(324,430)	12.83	—	—
Outstanding at May 31, 2002	2,700,342	$ 16.71	40,728	$ 24.55
Shares available for future grant	2,682,806		359,272	

The following table summarizes information about all stock options outstanding at May 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$ 3.26-$4.73	5,244	0.95	$ 4.64	5,244	$ 4.64
$ 5.46	30,763	2.00	5.46	30,763	5.46
$ 9.83-$13.07	1,110,721	5.98	11.49	512,735	11.17
$ 14.66-$19.01	853,097	7.14	16.38	303,189	16.38
$ 20.90-$34.58	741,245	8.99	26.31	4,339	24.63
	2,741,070	7.10	$ 16.83	856,270	$ 12.84

The weighted-average grant-date fair value per share of options granted in 2002 under the 2000 Plan and the Director Plan is $12.70 and $14.39, respectively. The weighted-average grant-date fair value per share of replacement options and options granted in 2001 under the 2000 Plan and the Director Plan is $(10.09) and $11.39, respectively. The negative fair value under the 2000 Plan in fiscal 2001 resulted from the remeasurement and replacement of outstanding options.

The fair value of each option granted in fiscal 2002 and 2001 is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions used for the grants during the respective fiscal year:

	2002	2001
2000 Plan		
Risk-free interest rates	3.75%	4.80%
Expected volatility	45%	45%
Dividend yields	0.7%	0%
Expected lives	7 years	7 years
Director Plan		
Risk-free interest rates	3.75%	5.03%
Expected volatility	45%	45%
Dividend yields	0.7%	0%
Expected lives	7 years	7 years

Employee Stock Purchase Plan—The Company has an Employee Stock Purchase Plan under which the sale of 1,200,000 shares of its common stock have been authorized. Employees may designate up to the lesser of $25,000 or 20% of their annual compensation for the purchase of stock. The price for shares purchased under the plan is the lower of 85% of market value on the first day or the last day of the quarterly purchase period. At May 31, 2002, 79,077 shares have been issued under this plan, with 1,120,923 shares reserved for future issuance.

The weighted-average grant-date fair value per share granted in fiscal 2002 and 2001 under the Employee Stock Purchase Plan is $6.90 and $4.15, respectively.

The fair value of each share granted under the Employee Stock Purchase Plan is estimated on the date of grant using the Black-Scholes option-pricing model using the following assumptions:

	2002	2001
Risk-free interest rates	3.75%	4.68%
Expected volatility	45%	45%
Dividend yields	0.8%	0%
Expected lives	3 months	3 months

The Company has chosen the disclosure option under SFAS No. 123, "Accounting for Stock-Based Compensation" and continues to apply Accounting Principles Board, ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for options granted under the plans. Had compensation cost for these plans been recognized based on the fair value of the options at the replacement date and the grant dates for awards under the plans consistent with the method of SFAS No. 123, the Company's net income and diluted earnings per share would have been reduced to the following pro forma amounts:

	2002	2001	2000
		(In thousands, except per share data)	
Net income:			
As reported	$ 23,840	$ 23,668	$ 33,047
Pro forma	$ 20,853	$ 20,695	$ 31,428
Diluted earnings per share:			
As reported	$ 0.63	$ 0.82	— (1)
Pro forma	$ 0.55	$ 0.72	— (1)

(1) Diluted earnings per share is not presented for the year ended May 31, 2000 as Global Payment stock options did not exist prior to the Distribution Date.

Pro forma income for 2000 noted above is based on the fair value of NDC options held by Global Payments' employees.

Restricted Stock—NDC had performance share plans for certain key officers that provided for distribution of common stock at the end of grant specified measurement periods, in the form of restricted stock. As of the Distribution, the Company's officers that were participants in the NDC Plan were granted 256,565 restricted shares of the Company under the restricted stock program to replace the awards previously granted under the NDC Plan. Shares awarded under the restricted stock program are held in escrow and released to the grantee upon the grantee's satisfaction of conditions of the grantee's restricted stock agreement. Awards are recorded as deferred compensation, a reduction of shareholders' equity based on the quoted fair market value of the Company's common stock at the award date. Compensation expense is recognized ratably during the escrow period of the award. The compensation cost that was charged against income for restricted stock was $1.1 million in both 2002 and 2001.

NOTE 12—RESTRUCTURING AND OTHER

The Company recorded restructuring and other charges in each of the two fiscal years ended May 31, 2002. During the fourth quarter of fiscal 2002, the Company completed plans for the closing of four locations including associated management and staff reductions of 150 personnel. Total charges for the year ended May 31, 2002 are categorized as follows:

	Total	Cash	Non-cash
		(In thousands)	
Closed or planned closings of facilities	$ 1,512	$ 910	$ 602
Severance and related costs	6,715	5,884	831
Other costs	2,766	—	2,766
Totals	$ 10,993	$ 6,794	$ 4,199

During the fourth quarter of fiscal 2001, the Company completed plans for the closing of six locations including associated management and staff reductions. For the year ended May 31, 2001, total charges were $4.9 million and are categorized as follows:

	Total	Cash	Non-cash
		(In thousands)	
Closed facilities	$ 1,416	$ 1,075	$ 341
Severance and related costs	3,466	1,610	1,856
Totals	$ 4,882	$ 2,685	$ 2,197

The charges relating to facilities represent locations that are either already closed or have management approved plans to be closed within twelve months of incurring the charges. These charges included future minimum lease and operating payments, commencing on the planned exit timing, for all noncancelable leases under remaining terms of the locations identified, net of current and estimated future sublease income. The charges also include facility exit costs and an estimate of the net book value of leasehold improvements and furniture and fixtures that will not be realizable when the facilities are vacated. Normal lease payments, operating costs and depreciation will continue to be charged to operating expenses prior to actually vacating the specific facilities.

The severance and related costs arise from the Company's actions to reduce personnel in areas of redundant operations and activities. These operations are those that related to the facility consolidation, recent acquisitions and integration of acquisition functions. The charges reflect specifically identified employees whose employment will be terminated and were informed by the time the charges were incurred. The non-cash costs associated with the severance and related costs reflect compensation expense due to the acceleration of the vesting of certain stock options for those employees that were terminated and had options outstanding.

The other costs incurred in the year ended May 31, 2002 relate to the book value of certain current assets that were deemed to be unrecoverable after the purchase of MasterCard's remaining minority interest in Global Payment Systems LLC (See Note 3).

The cash items were accrued at the time the charges were incurred. As of May 31, 2002, $7.3 million of the cash portion of the restructuring charges from fiscal 2002 and 2001 remains accrued as a current liability in the accrued liabilities section of the balance sheets as follows:

	2002 Charge			2001 Charge		
	Original Total	Payments to Date	Remaining Liability	Original Total	Payments to Date	Remaining Liability
			(In thousands)			
Closed or planned closings of facilities	$ 910	$ 261	$ 649	$ 1,075	$ 1,004	$ 71
Severance and related costs	5,884	—	5,884	1,610	910	700
Totals	$ 6,794	$ 261	$ 6,533	$ 2,685	$ 1,914	$ 771

As of May 31, 2001, $0.3 million of the $2.7 million of the cash portion of the restructuring charge had been paid in severance and related costs. The remaining restructuring charges of $1.1 million relating to facilities closing costs and $1.3 million relating to severance and related costs were accrued as a current liability in the accrued liabilities section of the balance sheet.

NOTE 13—RELATED PARTY TRANSACTIONS

In connection with the fiscal 2001 purchase of CIBC's merchant acquiring business, CIBC holds approximately 26.5% of the Company's outstanding common stock. CIBC provides transition services under an agreement to provide various support services to the merchant acquiring business for a 24-month period commencing on the acquisition date of March 20, 2001. The purpose of the agreement is to facilitate the integration into our existing operations. These services include customer service, credit and debit card processing and settlement functions. For the years ended May 31, 2002 and May 31, 2001, the Company incurred expenses of approximately $31.1 million and $11.2 million, respectively, related to these services.

In addition, the Company has a credit facility from CIBC that provides a line of credit up to $140 million (Canadian dollars), approximately $91 million U.S. dollars. See Note 14.

NOTE 14—COMMITMENTS AND CONTINGENCIES

Leases

The Company conducts a major part of its operations using leased facilities and equipment. Many of these leases have renewal and purchase options and provide that the Company pay the cost of property taxes, insurance and maintenance.

Rent expense on all operating leases for fiscal 2002, 2001 and 2000 was $7.6 million, $4.7 million and $5.8 million, respectively.

Future minimum lease payments for all noncancelable leases at May 31, 2002 were as follows:

	Capital Leases	Operating Leases
	(In thousands)	
2003	$ 3,208	$ 6,791
2004	1,853	6,329
2005	1,461	5,284
2006	1,461	4,776
2007	771	4,346
Thereafter	—	17,070
Total future minimum lease payments	8,754	$ 44,596
Less: amount representing interest	1,444	
Present value of net minimum lease payments	7,310	
Less: current portion	2,599	
Long-term obligations under capital leases at May 31, 2002	$ 4,711	

Legal

The Company is party to a number of claims and lawsuits incidental to its business. In the opinion of management, the ultimate outcome of such matters, individually or in the aggregate, will not have a material adverse impact on the Company's financial position, liquidity or results of operations.

Line of Credit

The Company has a commitment for a $125 million revolving line of credit. It was initially used to fund the cash due to NDC to reflect the Company's share of NDC's pre-distribution debt used to establish the Company's initial capitalization. This line of credit is also available to meet working capital needs and financing acquisitions. This line has a variable interest rate based on a market short-term floating rate plus a margin that varies according to the Company's trailing four quarter leverage ratio. The credit agreement contains certain financial and non-financial covenants customary for financings of this nature. The facility has a three-year term, expiring in January 2004. The full amount outstanding is due upon demand, therefore, the Company classifies the amount as a current liability. As of May 31, 2002 and 2001, the Company had $22 million and $73 million, respectively, outstanding under this facility.

On October 1, 2001, the Company obtained a commitment for a $25 million revolving credit facility to finance working capital and other general corporate purposes. This line has a variable interest rate based a market short-term floating rate plus a margin. The credit agreement contains certain financial and non-financial covenants customary for financings of this nature. The facility has a sixteen-month term, expiring in January 2003. There were no amounts outstanding at May 31, 2002 on this credit facility.

The Company also has a credit facility from CIBC that provides a line of credit up to $140 million (Canadian dollars), approximately $91 million U.S., with an additional overdraft facility available to cover larger advances during periods of peak usage of credit and debit cards. This line has a variable interest rate based on a market short-term floating rate plus a margin. It contains customary covenants and events of default. This line of credit is secured by a first priority security interest in our accounts receivable from VISA Canada/International, and has been guaranteed by our subsidiaries. This guarantee is subordinate to our primary credit facility. The CIBC credit facility had an initial term of 364 days expiring March 19, 2002, and is renewable annually at CIBC's option. The Company renewed the CIBC credit facility for 120 days beginning March 20, 2002 through July 19, 2002. Subsequent to year-end, the Company renewed this facility through November 29, 2002. There are no amounts outstanding under the CIBC credit facility as of May 31, 2002 and 2001.

BIN/ICA Agreements

In connection with the Company's acquisition of merchant credit card operations of banks, the Company has also entered into depository and processing agreements (the "Agreements") with certain of the banks. These Agreements allow the Company to use the banks' identification numbers ("BIN/ICA") to clear credit card transactions through VISA and MasterCard. Certain agreements contain financial covenants, and the Company was in compliance with all such covenants as of May 31, 2002 or had obtained a verbal waiver of such covenants. In management's opinion, the Company would be able to obtain alternative BIN/ICA agreements without material impact to the Company in the event of the termination of these Agreements.

NOTE 15—SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures and non-cash investing and financing activities for the years ended May 31, 2002, May 31, 2001 and May 31, 2000 are as follows:

	2002	2001	2000
		(In thousands)	
Supplemental cash flow information:			
Income taxes paid, net of refunds	$ 22,966	$ 7,718	$ 5,816
Interest paid	3,312	6,015	8,506
Supplemental non-cash investing and financing activities:			
Capital leases entered into in exchange for property and equipment	5,876	—	915
Common stock issued in consideration for acquisitions	—	133,580	—

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Historically through the Distribution Date, the Company’s cash flow had been calculated with and included in the NDC consolidated group’s Supplemental Cash Flows. The Company’s payments for income taxes have been calculated on the Company’s separate income and reflect federal and state income tax payment allocations as if the Company had been operating on a stand-alone basis (Note 10). The Company has utilized a “rollback” approach to allocate the portion of the consolidated group’s interest payments for all historical periods presented (Note 4).

NOTE 16—QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

	Quarter Ended			
	August 31	November 30	February 28	May 31
	(In thousands, except per share data)			
2002				
Revenue	$ 110,955	$ 115,617	$ 115,283	$ 120,971
Operating income	22,687	20,782	17,995	9,954
Income before cumulative effect of a change in accounting principle	12,874	11,643	10,275	5,047
Cumulative effect of a change in accounting principle net of tax benefit of $8,614	(15,999)	—	—	—
Net income (loss)	(3,125)(3)	11,643	10,275	5,047
Basic earnings per share	(0.09)(3)	0.32	0.28	0.14
Diluted earnings per share	(0.09)(3)	0.31	0.27	0.13
2001				
Revenue	$ 87,191	$ 82,631	$ 80,674	$ 102,699
Operating income	16,581	15,972	11,966	8,527
Net income	8,649	8,407	5,846	766
Basic earnings per share	0.33 (1)	0.32(1)	0.22(1)	0.02
Diluted earnings per share	— (2)	— (2)	0.22	0.02

(1) Using the distribution ratio of 0.8 share of Global Payments Inc. common stock for each share of NDC common stock held. Weighted average shares outstanding is computed by applying the distribution ratio to the historical NDC weighted average shares outstanding through January 31, 2001.

(2) Diluted earnings per share is not presented in the Quarterly Consolidated Financial Information for periods prior to November 30, 2000, as Global Payments stock options did not exist prior to the Distribution Date.

(3) The net income and earnings per share data for fiscal 2002 in the above table does not agree to amounts reported in the Company’s unaudited interim financial statements included in the Company’s quarterly report on Form 10-Q for the quarter ended August 31, 2001, due to the cumulative effect of a change in accounting principle of $16.0 million recorded effective June 1, 2001.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements included in Global Payments Inc.'s annual report to shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated July 17, 2001. Our audit was made for the purpose of forming an opinion on those statements taken as a whole. The schedule below is the responsibility of Global Payments' management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
July 17, 2001

EXPLANATORY NOTE REGARDING REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

On May 2, 2002, Global Payments Inc. decided to no longer engage Arthur Andersen LLP as its independent public accountants and engaged Deloitte & Touche LLP to serve as its independent public accountants for the year ending May 31, 2002. More information regarding Global Payments Inc.'s change in independent public accountants is contained in a current report on Form 8-K filed with the SEC on May 7, 2002.

We could not obtain permission of Arthur Andersen LLP to the inclusion in this Annual Report on Form 10-K of the Report of Independent Public Accountants above. Accordingly, the Report of Arthur Andersen LLP above covering the financial statement schedule listed in the Index at Item 14 for the fiscal years ended May 31, 2001 and 2000 is merely reproduced from Global Payments Inc.'s Annual Report on Form 10-K for the year ended May 31, 2001 and does not include the manual signature of Arthur Andersen LLP. See "Risk Factors—The conviction of our former independent auditors, Arthur Andersen LLP, on federal obstruction of justice charges may adversely affect Arthur Andersen LLP's ability to satisfy any claims arising from the provision of auditing services to us and may impede our access to the capital markets."

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GLOBAL PAYMENTS INC.
CONSOLIDATED SCHEDULE II

Valuation & Qualifying Accounts

Column A	Column B	Column C		Column D	Column E
		1	2		
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Acquired Balances	Uncollectible Accounts Write-Off	Balance at End of Period
			(In thousands)		
Trade Receivable Allowances					
May 31, 2000	$ 1,202	$ 1,345	$ —	$ 1,316	$ 1,231
May 31, 2001	1,231	1,970	—	2,003	1,198
May 31, 2002	1,198	1,255	—	1,490	963
Allowance for operational losses—Merchant card Processing (1)					
May 31, 2000	885	2,985	—	3,419	451
May 31, 2001	451	8,398	—	7,306	1,543
May 31, 2002	1,543	9,756	1,659	10,856	2,102

(1) Included in Net Merchant processing receivable/payable

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Acquired Balances	Uncollectible Accounts Write-Off	Balance at End of Period
Allowance for claim losses—Check guarantee Processing					
May 31, 2000	3,708	10,089	—	10,118	3,679
May 31, 2001	3,679	9,949	—	9,183	4,445
May 31, 2002	4,445	12,354	—	13,566	3,233

ITEM 9— CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On May 7, 2002, Global Payments filed a Current Report on Form 8-K. Item 4—*"Changes in Registrant's Certifying Accountant"* was filed as follows:

The Audit Committee of the Board of Directors of Global Payments Inc. annually considers and recommends to the Board the selection of Global Payments' independent public accountants. As recommended by Global Payments' Audit Committee, Global Payments' Board of Directors on May 2, 2002 decided to dismiss Arthur Andersen LLP ("Andersen") as Global Payments' independent public accountants and engaged Deloitte & Touche LLP to serve as Global Payments' independent public accountants for the remainder of the fiscal year ending May 31, 2002 and thereafter.

Andersen's reports on Global Payments' consolidated financial statements for the past two years did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. Andersen recently completed the SAS 71 review Global payments' consolidated financial statements for the third quarter ended February 28, 2002. Global Payments filed its third quarter report on Form 10-Q with the Securities and Exchange Commission on April 5, 2002.

During Global Payments' two most recent fiscal years and through the date of this Form 8-K, there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to Andersen's satisfaction, would have caused Andersen to make reference to the subject matter in connection with their report on Global Payment's consolidated financial statements for such years; and there were no reportable events, as listed in Item 304(a)(1)(v) of Regulation S-K.

Global Payments' provided Andersen with a copy of the foregoing disclosures. Attached as Exhibit 16 is a copy of Andersen's letter, dated May 7, 2002, stating its agreement with such statements.

During Global Payments two most recent fiscal years and through the date of this Form 8-K, Global Payments' did not consult Deloitte & Touche LLP with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Global Payments' consolidated financial statements, or any other matters or reportable events listed in Items 304(a)(1)(iv) and (v) of Regulation S-K.

The exhibit filed with this document, a letter from Arthur Andersen LLP to the Securities and Exchange Commission dated May 7, 2002, has not been included herein. See Current Report on Form 8-K, filed May 7, 2002.

PART III

ITEM 10— DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

We incorporate by reference in this Item 10 information about our directors contained under the heading "Proposal 1—Election of Directors; Nominees—Certain Information Concerning Nominee and Directors" and information about compliance with Section 16(a) of the Securities and Exchange Act of 1934 by our directors and executive officers under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" from our proxy statement to be delivered in connection with our 2002 Annual Meeting of Shareholders to be held on October 22, 2002.

Set forth below is information relating to our executive officers. There is no family relationship between any of our executive officers or directors and there are no arrangements or understandings between any of our executive officers or directors and any other person pursuant to which any of them was elected an officer or director, other than arrangements or understandings with our directors or officers acting solely in their capacities as such. Our executive officers serve at the pleasure of our board of directors.

Name	Age	Current Position(s)	Position with Global Payments and Other Principal Business Affiliations
Paul R. Garcia	50	President and Chief Executive Officer	President and Chief Executive Officer of Global Payments (since September 2000); Chief Executive Officer of NDC eCommerce (July 1999–January 2001); President and Chief Executive Officer of Productivity Point International (March 1997–September 1998); Group President of First Data Card Services (1995–1997); Chief Executive Officer of National Bancard Corporation (NaBANCO) (1989–1995).
James G. Kelly	40	Chief Financial Officer	Chief Financial Officer of Global Payments (since September 2000); Chief Financial Officer of NDC eCommerce (April 2000–January 2001); Managing Director with Alvarez & Marsal (March 1996–April 2000); Director with Alvarez & Marsal (1992–1996) and Associate with Alvarez & Marsal (1990–1992); and Manager with Ernst & Young's mergers and acquisitions/audit groups (1989–1990).
Barry W. Lawson	55	Chief Information Officer	Chief Information Officer of Global Payments (since September 2000); Chief Information Officer of NDC eCommerce (November 1999–January 2001); CEO Systems and Network Consultants (April 1996– October 1999); and Chief Operating Officer of National Bancard Corporation (NaBANCO) (August 1993–March 1996).
Jeffery C. McWey	46	Chief Marketing Officer	Chief Marketing Officer of Global Payments (since October 2001); Former Non-Executive Chairman of Damian Services Corporation, Chicago (2000–2002); Member of the Board of Directors of The Outsourcing Institute, New York (since 2000); Senior Vice President & Group Executive of ChoicePoint Inc. (Formerly part of Equifax) (January 1999–March 2000); President of Elrick & Lavidge, Inc. (Sold from Equifax) (August 1995–June 1998) Senior Vice President & General Manager of The Marketing Services Group of Equifax Inc. (January 1994–August 1995); Vice President of The Dun & Bradstreet Corporation (March 1980–January 1994).

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ITEM 11— EXECUTIVE COMPENSATION

We incorporate by reference in this Item 11 the information relating to executive compensation contained under the heading “Proposal 1—Election of Directors; Nominees—Other Information about the Board and its Committees” and “Compensation and Other Benefits” from our proxy statement to be delivered in connection with our 2002 Annual Meeting of Shareholders to be held on October 22, 2002. The information contained in the proxy statement under the sections entitled “Shareholder Return Analysis” and “Report of the Compensation Committee” is specifically not incorporated by reference in this Item 11.

ITEM 12— SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

We incorporate by reference in this Item 12 the information relating to ownership of our common stock by certain persons contained under the headings “Election of Directors—Common Stock Ownership of Management” and “—Common Stock Ownership by Certain Other Persons” from our proxy statement to be delivered in connection with our 2002 Annual Meeting of Shareholders to be held on October 22, 2002.

The Company has two compensation plans under which equity securities of the Company are authorized for issuance. The Global Payments Inc. 2000 Long-Term Incentive Plan and the Non-Employee Director Stock Option Plan have been approved by security holders. For more information on these plans, see Note 11 to Notes to Consolidated Financial Statements.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:	2,741,070	$ 16.83	3,042,078
Equity compensation plans not approved by security holders:	—	—	—
Total	2,741,070	$ 16.83	3,042,078

ITEM 13— CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We incorporate by reference in this Item 13 the information regarding certain relationships and related transactions between us and some of our affiliates contained under the heading “Certain Transactions” from our proxy statement to be delivered in connection with our 2002 Annual Meeting of Shareholders to be held on October 22, 2002.

PART IV

ITEM 14— EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. **Consolidated Financial Statements**

Our consolidated financial statements listed below are set forth in Item 8 of this report:

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Consolidated Statements of Income for the years ended May 31, 2002, 2001 and 2000	22
Consolidated Balance Sheets as of May 31, 2002 and 2001	23
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Consolidated Statements of Changes in Shareholders' Equity for the years ended May 31, 2002, 2001, 2000 and 1999	25
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(a) 2. **Financial Statement Schedules**

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All other schedules to our consolidated financial statements have been omitted because they are not required under the related instruction or are inapplicable, or because we have included the required information in our consolidated financial statements or related notes.

(a) 3. **Exhibits**

The following exhibits either (i) are filed with this report or (ii) have previously been filed with the Securities and Exchange Commission and are incorporated in this Item 14 by reference to those prior filings.

2.1	Distribution Agreement, Plan of Reorganization and Distribution dated January 31, 2001 by and between National Data Corporation and Global Payments Inc., filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
3.1	Amended and Restated Articles of Incorporation of Global Payments Inc., filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
3.2	Amended and Restated By-laws of Global Payments Inc., filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
4.1	Shareholder Protection Rights Agreement dated January 26, 2001 between Global Payments Inc. and SunTrust Bank, filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K dated February 1, 2001, File No. 001-16111, and incorporated herein by reference.
4.2	Form of certificate representing Global Payments Inc. common stock as amended, filed as Exhibit 4.4 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.

10.1	Tax Sharing and Indemnification Agreement between National Data Corporation and Global Payments Inc. dated as of January 31, 2001, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.2	Employee Benefits Agreement between National Data Corporation and Global Payments Inc. dated as of January 31, 2001, filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.3	Transition Support Agreement between National Data Corporation and Global Payments Inc. dated as of January 31, 2001, filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.4	Intercompany Systems/Network Services Agreement between National Data Corporation and Global Payments Inc. dated as of January 31, 2001, filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.5	Batch Processing Agreement between National Data Corporation and Global Payments Inc. dated as of January 31, 2001, filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.6	Lease Agreement for Office Headquarters between National Data Corporation and Global Payments Inc. dated as of January 31, 2001, filed as Exhibit 10.6 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.7	Sublease Agreement dated as of January 31, 2001 between Global Payment Systems LLC and National Data Corporation, filed as Exhibit 10.7 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.8	Sublease Agreement dated as of January 31, 2001 between National Data Corporation and National Data Payment Systems, Inc., filed as Exhibit 10.8 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.9*	Amended and Restated 2000 Long-Term Incentive Plan, filed as Exhibit 10.9 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.10*	2000 Non-Employee Stock Purchase Plan, filed as Exhibit 99.2 to the Registrant's Registration Statement on Form S-8 dated January 16, 2001, File No. 001-16111, and incorporated herein by reference.
10.11*	Amended or Restated 2000 Employee Stock Purchase Plan filed as Exhibit 99.3 to the Registrant's Registration Statement on Form S-8 dated January 16, 2001, File No. 001-16111, and incorporated herein by reference.
10.12*	Form of Global Payments Inc. Supplemental Executive Retirement Plan as amended, filed as Exhibit 10.12 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.13*	Employment Agreement for Paul R. Garcia, as amended, filed as Exhibit 10.13 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.14*	Employment Agreement for Thomas M. Dunn, as amended, filed as Exhibit 10.14 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.15*	Employment Agreement for James G. Kelly, as amended, filed as Exhibit 10.15 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.

10.16*	Employment Agreement for Barry W. Lawson, as amended, filed as Exhibit 10.16 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.17	Operating Agreement of Global Payment Systems LLC, dated March 31, 1996, as amended, filed as Exhibit 10.17 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.18	Registration Rights Agreements between Global Payment Systems LLC and MasterCard International Incorporated, dated April 1, 1996 as amended, filed as Exhibit 10.18 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.19	Asset Purchase Agreement with Canadian Imperial Bank of Commerce, as amended, filed as Exhibit 10.19 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.20	Investor Rights Agreement with Canadian Imperial Bank of Commerce as amended, filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K dated March 20, 2001, File No. 001-16111, and incorporated herein by reference.
10.21	Form of Marketing Alliance Agreement with Canadian Imperial Bank of Commerce as amended, filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated March 20, 2001, File No. 001-16111, and incorporated herein by reference.
10.22	Transition Agreement with Canadian Imperial Bank of Commerce, filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K dated March 20, 2001, File No. 001-16111, and incorporated herein by reference.
10.23	Stock Purchase Agreement with Canadian Imperial Bank of Commerce filed as Exhibit 10.5 to the Registrant's Current Report on Form 8-K dated March 20, 2001, File No. 001-16111, and incorporated herein by reference.
10.24	Credit Agreement with Canadian Imperial Bank of Commerce filed as Exhibit 10.6 to the Registrant's Current Report on Form 8-K dated March 20, 2001, File No. 001-16111, and incorporated herein by reference.
10.25	Credit Agreement dated as of January 31, 2001, among Global Payments Inc., Bank One, N.A., as Administrative Agent, Wachovia Bank, N.A., as Documentation Agent, and the Lenders named therein, filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.26	First Amendment dated March 20, 2001 to the Credit Agreement dated as of January 31, 2001 among Global Payments Inc., Bank One, N.A., as Administrative Agent, Wachovia Bank, N.A., as Documentation Agent, and the Lenders named therein, filed as Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.27	Second Amendment dated May 14, 2001, among Global Payments Inc., Bank One, N.A., as Administrative Agent, Wachovia Bank, N.A., as Documentation Agent, and the Lenders named therein. filed as Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001, File No. 001-16111, and incorporated herein by reference.
10.28	Third Amendment dated July 25, 2001, among Global Payments Inc., Bank One, N.A., as Administrative Agent, Wachovia Bank, N.A., as Documentation Agent, and the Lenders named therein. filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the fiscal year ended May 31, 2001, File No. 001-16111, and incorporated herein by reference.

10.29**	First Amendment dated May 31, 2001 to the Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce and the Lenders named therein.
10.30**	Credit agreement dated as of September 26, 2001, between Global Payments Inc. and SunTrust Bank.
10.31**	Agreement for Information Technology Services Between Global Payment Systems, LLC and Electronic Data Systems Corp. dated October 1, 2001.
10.32***	Employment Agreement for Jeffery C. McWey dated October 26, 2001.
10.33	Second Amendment dated as of March 20, 2002 to the Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce, and the Lenders named therein, filed as Exhibit 10 to the Registrant's Current Report on Form 10-Q dated February 28, 2002, File No. 001-16111, and incorporated herein by reference.
10.34**	Fourth amendment dated as of April 30, 2002, by and among Global Payments Inc., Bank One, N.A., as Administrative Agent, SunTrust Bank as Documentation Agent, Wachovia Bank, N.A. as Syndication Agent and the Lenders named therein.
10.35**	First amendment dated as of April 30, 2002, by and among Global Payments Inc. and SunTrust Bank.
21**	List of Subsidiaries.
23**	Independent Auditors' Consent.
99.1**	Risk Factors

* Compensatory management agreement
** Filed with this report
*** Compensatory management agreement and filed with this report

(b) **Reports filed on Form 8-K**

On May 7, 2002, Global Payments filed a Current Report on Form 8-K to disclose pursuant to Item 4 of Form 8-K, that on May 2, 2002, the Board of Directors decided to dismiss Arthur Andersen LLP as the Company's independent public accountants and engaged Deloitte and Touche LLP to serve as the Company's independent public accountants for the remainder of the fiscal year ending May 31, 2002 and thereafter.

(c) **Exhibits**

See Item 14(a)(3) above.

(d) **Financial Statement Schedules**

See Item 14(a)(2) above.

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S IGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Global Payments Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 28, 2002.

GLOBAL PAYMENTS INC.

By: /s/ PAUL R. GARCIA

Paul R. Garcia
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ JAMES G. KELLY

James G. Kelly
Chief Financial Officer
(Principal Financial Officer and
Chief Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by a majority of the Board of Directors of the Registrant on the dates indicated.

Signature	Title	Date
/S/ ROBERT A. YELLOWLEES **Robert A. Yellowlees**	Chairman of the Board	August 27, 2002
/S/ C. GARRY BETTY **C. Garry Betty**	Director	August 27, 2002
/S/ EDWIN H. BURBA, JR. **Edwin H. Burba, Jr.**	Director	August 24, 2002
/S/ GILLIAN (JILL) DENHAM **Gillian (Jill) Denham**	Director	August 26, 2002
/S/ PAUL R. GARCIA **Paul R. Garcia**	Director	August 26, 2002
/S/ ALEX W. (PETE) HART **Alex W. (Pete) Hart**	Director	August 26, 2002
/S/ WILLIAM I JACOBS **William I Jacobs**	Director	August 26, 2002
/S/ RICHARD E. VENN **Richard E. Venn**	Director	August 26, 2002

GLOBAL PAYMENTS INC.

FORM 10-K

INDEX TO EXHIBITS

Exhibit Numbers	Description
10.29	First Amendment dated May 31, 2001 to the Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce and the Lenders named therein.
10.30	Credit agreement dated as of September 26, 2001, between Global Payments Inc. and SunTrust Bank.
10.31	Agreement for Information Technology Services Between Global Payment Systems, LLC and Electronic Data Systems Corp. dated October 1, 2001.
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21	List of Subsidiaries
23	Independent Auditors’ Consent
99.1	Risk Factors

EXHIBIT 10.29

FIRST AMENDMENT

FIRST AMENDMENT (this "Amendment"), dated as of May 31, 2001, to the Credit Agreement, dated as of March 20, 2001 (as amended from time to time, the "Credit Agreement"; capitalized terms used but not defined herein shall have the respective meanings specified in the Credit Agreement), among Global Payments Direct, Inc. (formerly known as National Data Payment Systems, Inc.) a New York corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties thereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Administrative Agent and the Lenders have agree to amend certain provisions of the Credit Agreement; and

WHEREAS, the Administrative Agent and the Lenders party hereto are willing to agree to the requested amendments on the terms and conditions contained herein.

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Amendment to Subsection 1.1 of the Credit Agreement. Subsection 1.1 of the Credit Agreement is hereby amended by:

(a) adding the following new definition after the definition of "Canadian Dollars":

" "Canadian Exchange Rate": on a particular date, the rate at which C$ may be exchanged into US$, determined by reference to the Bank of Canada noon rate as published on the Reuters Screen page BOFC. In event that such rate does not appear on such Reuters page, the "Canadian Exchange Rate" shall be determined by reference to any other means (as selected by the Administrative Agent) by which such rate is quoted or published from time to time by the Bank of Canada (in each case as in effect at or about 12:00 Noon, Toronto time, on the Business Day immediately preceding the relevant date of determination); provided, that if at the time of any such determination, for any reason, no such exchange rate is being quoted or published, the Administrative Agent may use any reasonable method as it deems applicable to determine such rate, and such determination shall be prima facie evidence of the accuracy thereof."

(b) adding the following new definition after the definition of "Card":

“ ‘C$ Equivalent’: on any date of determination, with respect to (i) any amount in US$, the equivalent in C$ of such amount determined by the Administrative Agent using the US$ Exchange Rate then in effect and (ii) any amount in C$, such amount.”

(c) adding the following new definition after the definition of “Currency”:

“ ‘Currency’: Canadian Dollars or U.S. Dollars, as the case may be.”

(d) adding the following new definition after the definition of “Plan”:

“ ‘Prime Rate Loans’: the collective reference to Canadian Prime Rate Loans and U.S. Prime Rate Loans.”

(e) adding the following new definitions after the definition of “U.S. Dollars”:

“ ‘US$ Equivalent’: on any date of determination, with respect to (i) any amount in Canadian Dollars, the equivalent in U.S. Dollars of such amount, determined by the Administrative Agent using the Canadian Exchange Rate then in effect and (ii) any amount in U.S. Dollars, such amount.

‘US$ Exchange Rate’: on a particular date, the rate at which US$ may be exchanged into C$, determined by reference to the Bank of Canada noon rate as published on the Reuters Screen page BOFC on the immediately preceding Business Day. In the event that such rate does not appear on such Reuters page, the “US$ Exchange Rate” shall be determined by reference to any other means (as selected by the Administrative Agent) by which such rate is quoted or published from time to time by the Bank of Canada (in each case as in effect at or about 12:00 Noon, Toronto time, on the Business Day immediately preceding the relevant date of determination); provided, that if at the time of any such determination, for any reason, no such exchange rate is being quoted or published, the Administrative Agent may use any reasonable method as it deems applicable to determine such rate, and such determination shall be conclusive absent manifest error.

‘US$ Extensions of Credit’: as to any Lender at any time, an amount equal to the sum of the aggregate principal amount on all US$-denominated Loans held by such Lender then outstanding.

‘U.S. Prime Rate’: at any day, the rate per annum announced by CIBC from time to time (and in effect on such day) as it prime rate for U.S. Dollar commercial loans, as adjusted automatically from time to time and without notice to the Borrower upon change by the Administrative Agent. The U.S. Prime Rate is not intended to be the lowest rate of interest charged by the Administrative Agent in connection with extensions of credit in U.S. Dollars to debtors.

‘U.S. Prime Rate Loans’: all Loans that are bearing interest as a rate based upon the U.S. Prime Rate.”

(f) amending the definition of “Applicable Margin” by (a) deleting the word “Canadian” where it appears before the phrase “Prime Rate Loans”.

(g) amending the definition of “Available Commitment” by adding the phrase “the Canadian Dollar Equivalent of” immediately before clause (a).

(h) moving the definition of “Capital Lease Obligations” to immediately after “Canadian Prime Rate Loans”.

(i) amending the definition of “CIBC Offered Rate” by inserting immediately after the phrase “Canadian Dollars” the phrase “or U.S. Dollars, as the case may be,”.

(j) amending the definition of “Interest Payment Date” by deleting the word “Canadian” where it appears before the phrase “Prime Rate Loan”.

(k) deleting the definition of “LIBOR” in its entirety and inserting in lieu thereof the following:

“LIBOR”: with respect to each day during each Interest Period pertaining to a LIBOR Loan, the rate per annum equal to the rate that appears with respect to such Interest Period on the relevant Reuters Screen LIBOR Page (or on any successor or substitute page of such service, or any successor to or substitute for such service, providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Canadian Dollars or U.S. Dollars, as the case may be, in the London interbank market) as of 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period (or, if such rate does not appear on said page, the rate notified to the Administrative Agent by the Reference Bank as the rate at which the Reference Bank is offered deposits in Canadian Dollars or U.S. Dollars, as the case may be, at or about 11:00 a.m., London time, two Business Days prior to the beginning of such Interest Period in the London interbank eurocurrency market for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its LIBOR Loan to be outstanding during such Interest Period).

(l) amending the definition of “Maturity Date” by deleting the work “Canadian” where it appears before the phrase “Prime Rate Loan” in clause (a).

(m) deleting the definition of "Total Loans" in its entirety and inserting in lieu thereof the following:

" 'Total Loans': at any time, the sum of (a) the aggregate outstanding amount of Loans denominated in Canadian Dollars (other than any Overdraft Loans) held by the Lenders at such time plus (b) the Canadian Dollar Equivalent at such time of the aggregate outstanding amount of Loans denominated in U.S. Dollars (other than any Overdraft Loans) held by the Lenders at such time."

2. Amendment to Section 2.1(a). Subsection 2.1(a) of the Credit Agreement is hereby amended by (i) deleting subsection 2.1(a) in its entirety and (ii) inserting in lieu thereof, the following:

"Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans in C$ or US$ (Loans') to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding which does not exceed the C$ Equivalent amount of such Lender's Commitment. During the Commitment Period the Borrower may use the Commitments by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Loans may from time to time be CIBC Offered Rate Loans or LIBOR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Section 2.2, or Prime Rate Loans, in accordance with Section 2.10. For purposes of this Section 2.1(a), 'Loans' shall not include Overdraft Loans."

3. Amendment to Subsections 2.2(a) and 2.2(b). Subsections 2.2(a) and 2.2(b) of the Credit Agreement are hereby amended, respectively, by (i) deleting subsections 2.2(a) and 2.2(b) in their entirety and (ii) inserting in lieu thereof, the following:

"(a) The Borrower may borrow under the Commitments for CIBC Offered Rate Loans during the applicable Commitment Period on any Business Day. For each borrowing of a CIBC Offered Rate Loan, the Borrower shall give the Administrative Agent notice (which notice must be received by the Administrative Agent prior to 3:00 p.m., New York City time, 2 hours prior to the requested borrowing time) specifying the amount of loans to be borrowed, the Currency of such Loans, and the requested borrowing date and time. Each borrowing of CIBC Offered Rate Loans under the Commitments shall be in an amount equal to at least C$1,000,000 or the US$ Equivalent of C$1,000,000, as the case may be. If no election as to the Currency of a borrowing is specified in the Borrower's notice, then the requested borrowing shall be denominated in C$. The Administrative Agent shall promptly notify each Lender of each such borrowing.

(b) The Borrower may borrow under the Commitments for LIBOR Loans during the applicable Commitment Period on any Business Day. For each borrowing of a LIBOR Loan, the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 3:00 p.m., New York City time, two Business Days prior to the requested borrowing date) specifying (i) the amount of Loans to be borrowed, (ii) the requested borrowing date, (iii) the Currency of such Loans and (iv) the respective amounts of each such Loan and the respective lengths of the Interest Periods therefore. If no election as to the Currency of a borrowing is specified in the Borrower's notice, then the requested borrowing shall be denominated in C$. Each borrowing of LIBOR Loans under the Commitments shall be in an amount equal to C$1,000,000 or a whose multiple of C$500,000 in excess thereof or the US$ equivalent of C$1,000,000 or C$500,000, as the case may be."

4. Amendment to Subsection 2.2(e). Subsection 2.2(e) is hereby amended by inserting after the phrase "interest made thereon," in the second sentence the phrase "the Currency thereof,".

5. Amendment to Subsection 2.4. Subsection 2.4 is hereby amended by inserting the parenthetical "(or the US$ Equivalent of C$1,000,000)" immediately after "C$1,000,000" where it appears in the last sentence of such subsection 2.4.

6. Amendment to Subsection 2.5(a). Subsection 2.5(a) is hereby amended by inserting the parenthetical "(or the US$ Equivalent of C$1,000,000)" immediately after "C$1,000,000" where it appears in the last sentence of such subsection 2.5(a).

7. Amendment to Subsection 2.5(b). Subsection 2.5(b) is hereby amended by (i) deleting the word "Canadian" where it appears before the works "Prime Loans" in each of the first and second sentences of such subsection 2.5(b); (ii) inserting the parenthetical "(or the US$ Equivalent of C$500,000)" immediately after "C$500,000" where it appears in the last sentence of such subsection 2.5(b); and (iii) inserting a "." at the end of such subsection 2.5(b).

8. Amendment to Subsection 2.6(b). Subsection 2.6(b) is hereby amended (i) by deleting the word "Canadian" where it appears before the phrase "Prime Rate Loans" and (ii) inserting the following paragraph immediately after subsection 2.6(b):

"(c) If at any time, Total Loans exceed Total Commitments, the Borrower shall without notice or demand, within three Business Days of such determination by the Administrative Agent, prepay Loans in an aggregate amount such that, after giving effect thereto, Total Loans do not exceed Total Commitments."

9. Amendment to Subsection 2.8(c). Subsection 2.8(c) is hereby amended by (i) deleting 2.8(c) in its entirety and (ii) inserting in lieu thereof:

"(c) Each Prime Rate Loan shall bear interest at a rate per annum equal to the applicable Prime Rate from time to time in effect plus the Applicable Margin."

10. Amendment to Subsection 2.8(f). Subsection 2.8(f) is hereby amended by changing "(c)" where it appears after the word "paragraph" to "(e)".

11. Amendment to Subsection 2.9(a). Subsection 2.9(a) is hereby amended by (i) deleting the word "Canadian" in the first sentences where it appears before "Prime Rate Loans" and (ii) inserting the phrase ",U.S. Prime Rate" in the third sentence, immediately after the phrase "Canadian Prime Rate".

12. Amendment to Subsection 2.11(c). Subsection 2.11(c) is hereby amended by inserting the phrase "(or U.S. Dollars, as the case may be)" in the third sentence, immediately after the phrase "Canadian Dollars".

13. Representations and Warranties. The Borrower represents and warrants to the Administrative Agent and the Lenders that this Amendment has been duly and validly executed and delivered by the Borrower and constitutes the Borrower's legal, valid and binding obligation, enforceable against the Borrower in accordance with its terms.

14. Counterparts. This Amendment may be executed by the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment shall be effective as delivery of a manually executed counterpart of this Amendment.

15. Governing Law. **THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

16. Continuing Effect. Except as expressly amended by this Amendment, the Credit Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

17. Effectiveness. This Amendment shall become effective on the date (the "Effective Date") on which this Amendment is executed by the Borrower, the Administrative Agent and the Required Lenders.

18. Fees and Expenses. The Borrower agrees to pay and reimburse the Administrative Agent and the Lenders for all their reasonable costs and out-of-pocket expenses incurred in connection with the review, execution and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of Simpson Thacher & Bartlett, counsel to the Administrative Agent.

(Signatures Appear on Following Page)

IN WITNESS WHEREOF, the parties have hereto caused this Amendment to be executed by their respective duly authorized officers as of the day first above written.

GLOBAL PAYMENTS DIRECT, INC. (formerly known as National Data Payment Systems, Inc.). as the Borrower

By: /s/ James G. Kelly

James G. Kelly
Chief Financial Officer

CANADIAN IMPERIAL BANK OF COMMERCE, as Administrative Agent

By: /s/ R. Gill

R. Gill
Executive Director

By: /s/ Vlada Dekina

Vlada Dekina
Director

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK AGENCY, as a Lender

By: /s/ Howard Palmer

Howard Palmer
Executive Director
CIBC World Markets Corp. As Agent

Exhibit 10.30

EXECUTION COPY

CREDIT AGREEMENT

THIS CREDIT AGREEMENT dated as of September 26, 2001, between GLOBAL PAYMENTS INC., a Georgia corporation, as Borrower, and SUNTRUST BANK, a Georgia banking corporation, as Lender.

W I T N E S S E T H:

WHEREAS, the Borrower has requested that the Lender establish in its favor a revolving credit facility in order to provide the Borrower a source of working capital and other funds for general corporate purposes of the Borrower and its Subsidiaries; and

WHEREAS, the Lender has agreed to establish such revolving credit facility on the terms, and subject to the conditions and requirements, set forth herein.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1. Definitions. The terms as defined in this Section 1.1 shall, for all purposes of this Agreement and any amendment hereto (except as herein otherwise expressly provided or unless the context otherwise requires), have the meanings set forth herein:

"Acquired Entity" means the assets, in the case of an acquisition of assets, or Capital Stock (or, if the context requires, the Person that is the issuer of such Capital Stock), in the case of an acquisition of Capital Stock, acquired by the Borrower or any of its Subsidiaries pursuant to an Acquisition permitted by Section 5.3 hereof.

"Acquired Entity EBITDA" means, with respect to any Acquired Entity for any period, the net income of such Acquired Entity for such period *plus* to the extent deducted in the determination of such Acquired Entity's net income, the sum of such Acquired Entity's (a) aggregate amount of income tax expense for such period, (b) aggregate amount of interest expense for such period, and (c) aggregate amount of depreciation and amortization, all for such period and as determined in accordance with GAAP, *provided* that there shall be excluded from the determination of such Acquired Entity's net income (x) the net income (or loss) attributable to all joint ventures and non-wholly owned subsidiaries of such Acquired Entity that are subject to restrictions as to distribution of funds from such entities to the Acquired Entity or any of its

wholly owned subsidiaries, to the extent that cash has not actually been distributed to such Acquired Entity or its wholly owned subsidiary, and (y) all non-cash gains or losses.

"Advance" shall mean any portion of the principal balance hereof disbursed to the Borrower hereunder pursuant to the Commitment (and, in the case of a Eurodollar Advance, the conversion or continuation thereof). An Advance may be either a "***Eurodollar Advance***" if interest accrues base on the Eurodollar Rate (except as otherwise provided in Section 2.14) or a "***Base Rate Advance***" if interest accrues based on the Alternate Base Rate.

"Agreement" means this Credit Agreement, together with all amendments and supplements hereto and all restatements hereof.

"Alternate Base Rate" means, for any day, a rate of interest per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of the Federal Funds Effective Rate for such day plus ½%.

"Amendment No. 3" shall mean Amendment No. 3 to the Syndicated Credit Agreement dated as of July 26, 2001.

"Borrower" means Global Payments Inc., a Georgia corporation, and its successors and permitted assigns.

"Borrowing Date" means a date on which an Advance is made hereunder.

"Borrowing Notice" is defined in Section 2.2(e).

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Atlanta and New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market, and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Atlanta for the conduct of substantially all of their commercial lending activities.

"Canadian Receivables Credit Facility" means the documents evidencing the credit facility made available to NDPS by the Canadian Seller providing for short-term advances to NDPS made in respect of the Canadian Receivables, with the obligations of NDPS under such credit facility to be Guaranteed by the Borrower and the Subsidiary Guarantors, together with any refinancings or replacements of such credit facility and any amendments or modifications of such credit facility or refinancing or replacement, in each case to the extent any such refinancing, replacement, amendment or modification is not on terms or otherwise less favorable in any material respect to the Lender.

"Capital Stock" means any nonredeemable capital stock (or in the case of a partnership or limited liability company, the partners' or members' equivalent equity interest) of the Borrower

or any of its Consolidated Subsidiaries (to the extent issued to a Person other than the Borrower), whether common or preferred.

"Capitalized Lease" of a Person means any lease of property, whether real property or personalty, by such Person as lessee that would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

"Closing Date" means January 31, 2001, the date on which all conditions set forth in Section 3.1 of the Syndicated Credit Agreement were fulfilled.

"Commitment" means the obligation of the Lender to make Advances in an aggregate amount equal to $25,000,000, as such amount may be reduced from time to time pursuant to the terms hereof.

"Compliance Certificate" means a compliance certificate, substantially in the form of Exhibit B hereto, signed by the chief financial officer, chief accounting officer, or vice president of finance & planning of the Borrower, showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Event of Default exists, or if any Default or Event of Default exists, stating the nature and status thereof.

"Consolidated Adjusted EBITDA" means, as at any date of determination for any period, with respect to the Borrower and its Consolidated Subsidiaries on a consolidated basis for such period and in accordance with GAAP, the Consolidated Net Income of the Borrower for such period, *plus* (a) to the extent deducted from revenues in determining such Consolidated Net Income, (i) Consolidated Interest Expense for such period, (ii) expense for income taxes paid or accrued during such period, (iii) depreciation during such period, and (iv) amortization for such period, *plus*, without duplication (b) any Acquired Entity EBITDA during such period calculated on a pro forma basis as of the first day of such period.

"Consolidated Debt" means at any date all Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated EBITR" means, as at any date of determination for any period, with respect to the Borrower and its Consolidated Subsidiaries on a consolidated basis for such period and in accordance with GAAP, Consolidated Net Income of the Borrower for such period, *plus* to the extent deducted from revenues in determining such Consolidated Net Income, (i) Consolidated Fixed Charges for such period, and (ii) expenses for income taxes paid or accrued during such period.

"Consolidated Fixed Charges" means, without duplication, as at any date of determination for any period, with respect to the Borrower and its Consolidated Subsidiaries on a consolidated basis for such period and in accordance with GAAP, the sum of (i) Consolidated Interest Expense, and (ii) all payment obligations of the Borrower and its Consolidated Subsidiaries under all Operating Leases.

"Consolidated Interest Expense" means, as at any date of determination for any period, without duplication, interest, whether expensed or capitalized, in respect of outstanding Consolidated Debt of the Borrower and its Consolidated Subsidiaries during such period; *provided* that, in determining Consolidated Interest Expense, interest on Debt referred to in clauses (viii) and (ix) of the definition of Debt shall only be included to the extent that the Borrower's or any Consolidated Subsidiary's obligation to pay such Debt is not contingent in nature, as of any date of determination.

"Consolidated Net Income" means, as at any date of determination for any period, the Net Income of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis for such period, but excluding (i) non-cash gains and losses, and (ii) any equity interests of the Borrower or any Consolidated Subsidiary in the unremitted earnings and losses of any Person that is not a Consolidated Subsidiary.

"Consolidated Net Worth" means, at any date, the shareholders' (or in the case of a partnership or limited liability company, the partners' or the members') equity of the Borrower and its Consolidated Subsidiaries, as set forth or reflected on the most recent consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with GAAP, *but excluding* any Redeemable Preferred Stock of the Borrower or any of its Consolidated Subsidiaries. Shareholders' equity generally would include, but not be limited to (i) the par or stated value of all outstanding Capital Stock, (ii) capital surplus, (iii) retained earnings, and (iv) various deductions such as (A) purchases of treasury stock, (B) valuation allowances, (C) receivables due from an employee stock ownership plan, (D) employee stock ownership plan debt guarantees, and (E) translation adjustments for foreign currency transactions.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Borrower in its consolidated financial statements as of such date; *provided, however*, that Comerica shall be treated as a Consolidated Subsidiary only for purposes of determining the Borrower's Status pursuant to Sections 6.1, 6.2 and 6.3.

"Consolidated Total Debt" means at any date, with respect to the Borrower and its Consolidated Subsidiaries on a consolidated basis as of such date and in accordance with GAAP, Consolidated Debt (excluding therefrom, however, Guarantees of Debt of the Borrower or any of its Consolidated Subsidiaries, respectively, by the Borrower or any such Consolidated Subsidiary).

"Conversion/Continuation Notice" is defined in Section 2.2(f).

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under Capitalized Leases and leases (so-called "synthetic leases") that are treated as finance leases for tax purposes but that do

not constitute Capitalized Leases under generally accepted accounting principles, (v) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person, (vii) all obligations (regardless of whether contingent or absolute) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (viii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (ix) all Debt of others Guaranteed by such Person, (x) all obligations of NDPS, the Borrower and the Subsidiary Guarantors (without duplication) under the Canadian Receivables Credit Facility, (xi) the present value of estimated future payments payable in connection with earn-out agreements executed in connection with Acquisitions by such Person, and (xii) the Net Mark-to-Market Exposure of such Person under all Rate Management Transactions, all as determined in accordance with GAAP.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Dollars" or "$" means dollars in lawful currency of the United States of America.

"Effective Date" means the date on which all conditions set forth in Section 3.1 of this Agreement were fulfilled.

"Eurodollar Base Rate" means, with respect to a Eurodollar Advance for the relevant Eurodollar Interest Period, the applicable British Bankers' Association Interest Settlement Rate for deposits in Dollars appearing on the Reuters Screen FRBD as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Eurodollar Interest Period, and having a maturity equal to such Eurodollar Interest Period, *provided* that (i) if Reuters Screen FRBD is not available to the Lender for any reason, the applicable Eurodollar Base Rate for the relevant Eurodollar Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in Dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two (2) Business Days prior to the first day of such Eurodollar Interest Period, and having a maturity equal to such Eurodollar Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Lender, the applicable Eurodollar Base Rate for the relevant Eurodollar Interest Period shall instead be the rate determined by the Lender to be the rate at which the Lender offers to place deposits in Dollars with first-class banks in the London interbank market at approximately 10:00 a.m. (New York time) two (2) Business Days prior to the first day of such Eurodollar Interest Period, in the approximate amount of the Lender's Eurodollar Advance and having a maturity equal to such Eurodollar Interest Period.

"Eurodollar Interest Period" means, with respect to a Eurodollar Advance, a period of fourteen days or one, two, three or six months commencing on a Business Day selected by the Borrower pursuant to this Agreement. Each Eurodollar Interest Period of one, two, three or six months shall end on the day which corresponds numerically to such date one, two, three or six months thereafter, *provided, however*, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Eurodollar Interest Period shall end on

the last Business Day of such next, second, third or sixth succeeding month. If a Eurodollar Interest Period would otherwise end on a day which is not a Business Day, such Eurodollar Interest Period shall end on the next succeeding Business Day, *provided, however*, that if said next succeeding Business Day falls in a new calendar month, such Eurodollar Interest Period shall end on the immediately preceding Business Day.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Eurodollar Interest Period, the sum of (i) the quotient of (a) the Eurodollar Base Rate applicable to such Eurodollar Interest Period, *divided by* (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Eurodollar Interest Period,*plus* (ii) 1.50% per annum. The Eurodollar Rate shall be rounded to the next higher multiple of 1/16 of 1% if the rate is not such a multiple.

"Event of Default" has the meaning set forth in Section 7.1.

"Facility Termination Date" means (i) January 31, 2003 or any later date to which the Facility Termination Date may be extended in accordance with Section 2.18, or (ii) any earlier date on which the Commitment is reduced to zero or otherwise terminated pursuant to the terms of this Agreement.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11:00 a.m. (Atlanta time) on such day on such transactions received by the Lender from three Federal funds brokers of recognized standing selected by the Lender in its sole discretion.

"Fixed Charge Coverage Ratio" means the ratio, determined as of the end of each Fiscal Quarter of the Borrower, for the Fiscal Quarter just ended and the immediately preceding three Fiscal Quarters, of (i) Consolidated EBITR for such period to (ii) Consolidated Fixed Charges for such period.

"GAAP" means generally accepted accounting principles applied on a basis consistent with those which, in accordance with Section 1.2, are to be used in making the calculations for purposes of determining compliance with the terms of this Agreement.

"Lender" means SunTrust Bank and its successors and permitted assigns.

"Leverage Ratio" means, as of the end of any Fiscal Quarter, the ratio of Consolidated Total Debt as of such date to Consolidated Adjusted EBITDA for such Fiscal Quarter and the immediately preceding three Fiscal Quarters. For purposes of the foregoing calculation, the Debt described in clause (x) of the definition of "Debt" shall be included in Consolidated Total Debt at a level equal to the weighted average outstanding principal amount thereof during the Fiscal Quarter then ending.

"Loan Documents" means this Agreement, the Note, and all other documents and agreements contemplated hereby and executed by the Borrower in favor of the Lender.

"Material Adverse Effect" means, with respect to any event, act, condition or occurrence of whatever nature (including any adverse determination in any litigation, arbitration, or governmental investigation or proceeding), whether singly or in conjunction with any other event or events, act or acts, condition or conditions, occurrence or occurrences, whether or not related, a material adverse change in, or a material adverse effect upon, any of (a) the financial condition, operations, business, properties or prospects of the Borrower and its Consolidated Subsidiaries taken as a whole, (b) the rights and remedies of the Lender under the Loan Documents, or the ability of the Borrower or any of its Subsidiaries to perform its obligations under the Loan Documents to which it is a party (such obligations to include, without limitation, payment of the Obligations and observance and performance of the covenants set forth in Articles 5 and 6 hereof, including any covenants incorporated by reference in Article 5), as applicable, or (c) the legality, validity or enforceability of any Loan Document.

"Net Income" means, as applied to any Person for any period, the aggregate amount of net income of such Person, after taxes, for such period, as determined in accordance with GAAP.

"Net Mark-to-Market Exposure" means, with respect to any Person as of any date of determination, the excess (if any) of all unrealized losses over all unrealized profits of such Person arising from Rate Management Transactions. "*Unrealized losses*" means the fair market value of the cost to such Person of replacing such Rate Management Transaction as of the date of determination and on the same terms thereof (assuming the Rate Management Transaction were to be terminated as of that date), and "*unrealized profits*" means the fair market value of the gain to such Person of replacing such Rate Management Transaction as of the date of determination and on the same terms thereof (assuming such Rate Management Transaction were to be terminated as of that date).

"Net Proceeds of Capital Stock" means any proceeds received or deemed received by the Borrower or its Consolidated Subsidiary in respect of the issuance or sale of Capital Stock or conversion of any Debt to Capital Stock, after deducting therefrom all reasonable and customary costs and expenses incurred by the Borrower or such Consolidated Subsidiary directly in connection with such issuance or sale of such Capital Stock or conversion of such Debt. In the case of an Acquisition where some or all of the consideration for the Acquisition is Capital Stock, the amount of proceeds received or deemed received in respect of such Capital Stock shall be equal to the shareholders' (or in the case of a partnership or limited liability company, the partners' or members') equity of the Acquired Entity immediately following the Acquisition, as determined in accordance with GAAP, *less* all non-cash, non-recurring charges required or appropriate under GAAP to be taken by the Borrower and its Consolidated Subsidiaries as a result of the Acquisition, *provided* that in no instance shall "Net Proceeds of Capital Stock" as so calculated be less than zero.

"Note" means the revolving credit note substantially in the form of Exhibit A attached hereto, as such Note may be amended, amended and restated, supplemented or otherwise modified from time to time.

“Obligations” means all unpaid principal of and accrued and unpaid interest on all Advances, accrued and unpaid fees, and expenses, reimbursements, indemnities and other obligations of the Borrower to the Lender, or any indemnified party hereunder arising under the Loan Documents.

“Payment Date” means the first Business Day of each calendar quarter, beginning with the calendar quarter commencing October 1, 2001.

“Person” means an individual, a corporation, a limited liability company, a partnership, an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or an agency or instrumentality thereof.

“Prime Rate” means a rate per annum equal to the prime rate of interest announced from time to time by the Lender or its parent company (which is not necessarily the lowest charged to any customer), changing when and as said prime rate changes.

“Rate Management Transaction” means any transaction (including an agreement with respect thereto) now existing or hereafter entered into between the Borrower and any counterparty which is a rate swap, basis swap, forward rate transaction, commodity swap, equity or equity index swap, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices or other financial measures.

“Reserve Requirement” means, with respect to a Eurodollar Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on new non-personal time deposits of $100,000 or more with a maturity equal to that of such Eurocurrency liabilities (in the case of Eurodollar Advances).

“Syndicated Credit Agreement” shall mean that certain Credit Agreement dated as of January 31, 2001, among Global Payments Inc., a Georgia corporation, as Borrower, the banks and other financial institutions listed on the signature pages hereof, as Lenders, Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as Administrative Agent, Swing Line Lender and LC Issuer, SunTrust Bank, a Georgia banking corporation, as Documentation Agent, and Wachovia Bank, N.A., a national banking association, as Syndication Agent, as amended by Amendment No. 1 to Credit Agreement effective as of March 20, 2001, Amendment No. 2 to Credit Agreement dated as of May 14, 2001 and Amendment No. 3 dated as of July 26, 2001, as further amended, amended and restated, supplemented or otherwise modified.

SECTION 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be

delivered hereunder shall be prepared in accordance with GAAP, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Lender (or, prior to delivery of the initial set of audited consolidated financial statements of the Borrower, consistent with the most recent audited consolidated financial statements of NDC), unless with respect to any such change concurred in by the Borrower's independent public accountants or required by GAAP, in determining compliance with any of the provisions of this Agreement: (i) the Borrower shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (ii) the Lender shall so object in writing within 30 days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if such objection is made in respect of the first financial statements delivered under Section 5.1, shall mean the financial statements referred to in Section 4.4 of the Syndicated Credit Agreement).

SECTION 1.3. References. Unless otherwise indicated, references in this Agreement to "Articles", "Exhibits", "Schedules", "Sections" and other Subdivisions are references to Articles, exhibits, schedules, sections and other subdivisions hereof.

SECTION 1.4. Use of Defined Terms. All defined terms that are used in this Agreement that are not otherwise defined herein shall have the same meanings set forth in the Syndicated Credit Agreement on the Effective Date; *provided*, that the amendments to the defined terms "*Aggregate Subsidiary Threshold*", "*Single Subsidiary Threshold*" and "*Permitted GPS Investment*" shall automatically be amended to have the meanings set forth in Section 4 of Amendment No. 3 upon the occurrence of the "Amendment No. 3 Prospective Effective Date" (as defined in Amendment No. 3).

SECTION 1.5. Terminology.

(a) General. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

(b) Special Corporate Terminology. All references to corporate nature, the capital stock, stockholders, directors, articles or certificate of incorporation and by-laws, or such similar terms, of any Person shall, if such Person is a limited liability company, refer respectively to the limited liability company nature, the equity interest, members, managing member, articles of organization and operating agreement of such Person. In addition, after a Permitted LLC Conversion, all references to GPS's limited liability status, equity interest, members, managing member, articles of organization and operating agreement shall be deemed to refer respectively to GPS's corporate nature, the capital stock, stockholders, directors, articles or certificate of incorporation and by-laws.

ARTICLE 2

THE FACILITY

SECTION 2.1. Availability of Facility. Subject to the terms and conditions of this Agreement, the revolving credit facility is available from the date of this Agreement to the Facility Termination Date, and the Borrower may borrow, repay and reborrow at any time prior to the Facility Termination Date.

SECTION 2.2. Advances.

(a) Commitment. From and including the date of this Agreement and prior to the Facility Termination Date, the Lender agrees, on the terms and conditions set forth in this Agreement, to make Advances to the Borrower from time to time in amounts not to exceed in the aggregate at any one time outstanding an amount equal to the Commitment.

(b) Required Payments; Termination. The Borrower agrees to pay all outstanding Advances and all other unpaid Obligations in full on the Facility Termination Date. The Commitment shall expire on the Facility Termination Date.

(c) Types of Advances. Advances may be Eurodollar Advances, Base Rate Advances, or a combination thereof, selected by the Borrower in accordance with Sections 2.2(e) and 2.2(f).

(d) Minimum Amount of Each Advance; Maximum Number of Advances. Each Eurodollar Advance shall be in the minimum amount of $1,000,000 (and in multiples of $500,000 if in excess thereof), and each Base Rate Advance shall be in the minimum amount of $500,000 (and in multiples of $100,000 if in excess thereof); *provided, however*, that any Base Rate Advance may be in the amount of the then available Commitment, and any Eurodollar Advance may be in the amount of the then available Commitment so long as such Eurodollar Advance is not less than $1,000,000; and *provided, further*, that the total number of Advances outstanding at any time shall not exceed six (6) (with all Base Rate Advances for purposes of the foregoing limitation being deemed to constitute a single Advance).

(e) Method of Selecting Types and Interest Periods for New Advances. The Borrower shall select whether any Advance shall be a Base Rate Advance or a Eurodollar Advance, and, in the case of each Eurodollar Advance, the Interest Period applicable to each such Eurodollar Advance from time to time. The Borrower shall give the Lender irrevocable notice (a "*Borrowing Notice*") not later than 11:00 a.m. (Atlanta time) of the Borrowing Date of each Base Rate Advance and two Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

(i) the Borrowing Date, which shall be a Business Day, of such Advance,

(ii) the amount of such Advance,

(iii) whether such Advance shall be a Base Rate Advance or a Eurodollar Advance, and

(iv) in the case of a Eurodollar Advance, the Interest Period applicable thereto.

The Lender will make the proceeds of each Advance available to the Borrower not later than 2:00 p.m. (Atlanta time) on such date at any account of the Borrower so designated to the Lender in such Borrowing Notice.

(f) Conversion and Continuation of Outstanding Advances. Base Rate Advances shall continue as Base Rate Advances unless and until such Base Rate Advances are converted into Eurodollar Advances. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Base Rate Advance unless the Borrower shall have given the Lender a Conversion/Continuation Notice requesting that, at the end of such Interest Period, such Eurodollar Advance either continue as a Eurodollar Advance for the same or another Interest Period or be converted into a Base Rate Advance. Subject to the terms of Section 2.2(d), the Borrower may elect from time to time to convert all or any part of a Base Rate Advance into a Eurodollar Advance or a Eurodollar Advance into a Base Rate Advance; *provided* that any conversion of any Eurodollar Advance shall be made on, and only on, the last day of the Interest Period applicable thereto. The Borrower shall give the Lender irrevocable notice (a "*Conversion/Continuation Notice*") of each conversion of an Advance or continuation of a Eurodollar Advance not later than 11:00 a.m. (Atlanta time) at least one Business Day, in the case of a conversion into a Base Rate Advance, or two Business Days, in the case of a conversion into or continuation of a Eurodollar Advance, prior to the date of the requested conversion or continuation, specifying:

(i) the requested date (which shall be a Business Day) of such conversion or continuation;
(ii) the Advance to be converted or continued and whether such Advance is to be converted into a Base Rate Advance or a Eurodollar Advance or continued as a Eurodollar Advance; and
(iii) in the case of a conversion into or continuation of a Eurodollar Advance, the duration of the Interest Period applicable thereto.

SECTION 2.3. Commitment Fee. The Borrower agrees to pay to the Lender a commitment fee equal to the amount of the unused Commitment in effect from time to time *multiplied by* 0.25% per annum, payable quarterly in arrears on each Payment Date commencing October 1, 2001, and on the Facility Termination Date.

SECTION 2.4. Reductions in Commitment. The Borrower may, at its option, permanently reduce the Commitment in whole or in part, in a minimum amount of $1,000,000 and in integral multiples of $500,000, upon at least three Business Days' written notice to the Lender, which notice shall specify the amount of any such reduction; *provided, however*, that the amount of the Commitment may not be reduced below the aggregate Advances outstanding at such time.

SECTION 2.5. Principal Prepayments. The Borrower may, at its option, from time to time pay, without penalty or premium, any outstanding Base Rate Advance in full, or in part in a minimum aggregate amount of $500,000 or any integral multiple of $100,000 in excess thereof, upon one Business Day's prior notice to the Lender. Any Eurodollar Advance may be paid in full, or in part in a minimum aggregate amount of $1,000,000 or any integral multiple of $500,000 in excess thereof, upon two Business Days' prior notice to the Lender (i) without penalty or premium if paid on the last day of an applicable Interest Period, or (ii) with payment of all applicable amounts specified in Section 2.15 if paid on any other day.

SECTION 2.6. Changes in Interest Rate, etc. Each Base Rate Advance shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Base Rate Advance is made or is converted from a Eurodollar Advance into a Base Rate Advance pursuant to Section 2.2(f) to but excluding the date it becomes due or is converted into a Eurodollar Advance pursuant to Section 2.2(f) hereof, at a rate per annum equal to the Base Rate for such day. Changes in the rate of interest on any Base Rate Advance will take effect simultaneously with each change in the Alternate Base Rate. Each Eurodollar Advance shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Eurodollar Advance. No Interest Period may end after the Facility Termination Date.

SECTION 2.7. Rates Applicable After Default. Notwithstanding anything to the contrary contained in Section 2.2, during the continuance of a Default or Event of Default the Lender may, at its option, by notice to the Borrower, declare that no Advance may be made as, converted into or continued as a Eurodollar Advance. During the continuance of an Event of Default, the Lender may, at its option, by notice to the Borrower, declare that (x) each Eurodollar Advance shall bear interest for the remainder of the applicable Interest Period at the rate otherwise applicable to such Interest Period plus 2% per annum, (y) each Base Rate Advance shall bear interest at a rate per annum equal to the Alternate Base Rate plus 2% per annum, *provided* that during the continuance of an Event of Default under Section 7.1(f) or (g), the interest rates and fees set forth in the preceding clauses (x) and (y) shall be applicable to all Advances without any election or action on the part of the Lender.

SECTION 2.8. Method of Payment. All payments of the Obligations hereunder shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Lender at its address specified pursuant to Article 8, or at any other office of the Lender specified in writing by the Lender to the Borrower, by 4:00 p.m. (Atlanta, Georgia time) on the date when due. The Lender is hereby authorized to charge any account of the Borrower maintained with the

Lender for each payment of principal, interest, fees and other Obligations as it becomes due hereunder.

SECTION 2.9. Noteless Agreement; Evidence of Indebtedness.

(a) The Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower resulting from each Advance made by the Lender hereunder from time to time, including the amounts of principal and interest payable and paid to the Lender from time to time hereunder.

(b) The entries maintained in the account or accounts maintained pursuant to paragraph (a) above shall be *prima facie* evidence of the existence and amounts of the Obligations therein recorded; *provided, however*, that the failure of the Lender to maintain such account or accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Obligations in accordance with their terms.

(c) The Lender may, at any time, request that the Advances be evidenced by the Note. In such event, the Borrower shall prepare, execute and deliver to the Lender the Note. Thereafter, the Advances evidenced by the Note and interest thereon shall at all times (including after any assignment pursuant to Section 8.6) be represented by one or more Notes payable to the order of the payee named therein or any assignee pursuant to Section 8.6, except to the extent that the Lender or assignee subsequently returns such Note for cancellation and requests that its Commitment (and the Advances made thereunder) once again be evidenced as described in paragraphs (a) and (b) above.

SECTION 2.10. Telephonic Notices. The Borrower hereby authorizes the Lender to extend, convert or continue Advances and to transfer funds based on telephonic notices made by any person or persons the Lender in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Lender a written confirmation of each telephonic notice signed by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Lender, the records of the Lender shall govern absent manifest error.

SECTION 2.11. Interest Payment Dates; Interest and Fee Basis. The Borrower agrees to pay interest accrued on each Base Rate Advance on each Payment Date, commencing with the first such date to occur after the date hereof, on any date on which the Base Rate Advance is paid, whether due to acceleration or otherwise, and at maturity. Interest accrued on that portion of the outstanding principal amount of any Base Rate Advance converted into a Eurodollar Advance on a day other than a Payment Date shall be payable on the date of conversion. The Borrower agrees to pay interest accrued on each Eurodollar Advance on the last day of its applicable Interest Period, on any date on which the Eurodollar Advance is paid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on Eurodollar Advances and

commitment fees shall be calculated for actual days elapsed on the basis of a 360-day year; interest on Base Rate Advances shall be calculated for actual days elapsed on the basis of a 365 or 366-day year, as applicable. Interest shall be payable for the day an Advance is made but not for the day of any payment on the amount paid if payment is received prior to noon (local time) at the place of payment. If any payment of principal of or interest on an Advance or any fees or other Obligations hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

SECTION 2.12. Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof, or the compliance of the Lender therewith,

(i) subjects the Lender or its applicable lending office to any tax, duty, charge or withholding on or from payments due from the Borrower (excluding taxation of the overall net income of the Lender or its applicable lending office imposed by the jurisdiction or taxing authority in which its principal executive office or such lending office is located), or changes the basis of taxation of payments to the Lender in respect of the Advances or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Lender or its applicable lending office (other than reserves and assessments taken into account in determining the interest rate applicable to Eurodollar Advances), or

(iii) imposes any other condition the result of which is to increase the cost to the Lender or its applicable lending office of making, funding or maintaining the Advances, or reduces any amount receivable by the Lender or its applicable lending office in connection with the Advances, or requires the Lender or its applicable lending office to make any payment calculated by reference to the amount of Advances held or interest received by it, by an amount deemed material by it,

and the result of any of the foregoing is to increase the cost to the Lender or its applicable lending office, as the case may be, of making or maintaining Eurodollar Advances or the Commitment or to reduce the return received by the Lender or its applicable lending office, as the case may be, in connection with Eurodollar Advances or the Commitment, then, within 15 days of demand by the Lender, the Borrower shall pay the Lender such additional amount or amounts as will compensate it for such increased cost or reduction in amount received.

SECTION 2.13. Changes in Capital Adequacy Regulations. If the Lender determines the amount of capital required or expected to be maintained by the Lender, or its applicable lending office, or any corporation controlling the Lender is increased as a result of a Change, then, within 15 days of demand by the Lender, the Borrower shall pay the Lender the

amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which the Lender determines is attributable to this Agreement, the outstanding Advances or the Commitment hereunder (after taking into account the Lender's, policies as to capital adequacy). "*Change*" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines, or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement which affects the amount of capital required or expected to be maintained by the Lender or its applicable lending office or any corporation controlling the Lender. "*Risk-Based Capital Guidelines*" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States implementing the July 1988 report of the Basle Committee on Banking Regulation and Supervisory Practices Entitled "International Convergence of Capital Measurements and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

SECTION 2.14. Availability of Types of Advances. If the Lender determines that maintenance of its Eurodollar Advances at a suitable lending office would violate any applicable law, rule, regulation, or directive, whether or not having the force of law, or if the Lender determines that (i) deposits of a type and maturity appropriate to match fund Eurodollar Advances are not available or (ii) the interest rate applicable to a Eurodollar Advance does not accurately reflect the cost of making or maintaining such Eurodollar Advance, then the Lender shall suspend the availability of the Eurodollar Advance and require any Eurodollar Advances to be repaid or promptly converted into a Base Rate Advance.

SECTION 2.15. Funding Indemnification. If any payment of a Eurodollar Advance occurs on a date which is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise, or if the Borrower fails to make a prepayment of a Eurodollar Advance on the date specified in any notice given in respect of such prepayment, or if a Eurodollar Advance is not made on the date specified by the Borrower in any notice given in respect of such Eurodollar Advance for any reason other than default by the Lender, the Borrower will indemnify the Lender for any loss or cost incurred by it resulting therefrom, including, without limitation, any lost profits and any loss or cost in liquidating or employing deposits acquired to fund or maintain the Eurodollar Advance.

SECTION 2.16. Lending Offices; Lender Statements; Survival of Indemnity. To the extent reasonably possible, the Lender shall designate an alternate lending office with respect to its Eurodollar Advances to reduce any liability of the Borrower to it under Sections 2.12 and 2.13 or to avoid the unavailability of a type of Advance under Section 2.14, so long as such designation is not disadvantageous to it in its reasonable judgment. The Lender shall deliver a written statement to the Borrower as to the amount due, if any, under Section 2.12, 2.13, or 2.15. Such written statement shall set forth in reasonable detail the calculations upon which it determined such amount and shall be conclusive in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Advance shall be calculated as though the Lender funded its Eurodollar Advance through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the

Eurodollar Rate applicable to such Advance, whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in the written statement of the Lender shall be payable on demand after receipt by the Borrower of such written statement. The obligations of the Borrower under Sections 2.12, 2.13, and 2.15 shall survive payment of the Obligations and termination of this Agreement.

SECTION 2.17. Taxes.

(a) All payments by the Borrower to or for the account of the Lender hereunder or under the Note or any Advance shall be made free and clear of and without deduction for any and all Taxes. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to the Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) the Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant authority in accordance with applicable law and (iv) the Borrower shall furnish to the Lender the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(b) In addition, the Borrower hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Note or any Advance or from the execution or delivery of, or otherwise with respect to, this Agreement or the Note ("*Other Taxes*").

(c) The Borrower hereby agrees to indemnify the Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 2.17) paid by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Lender makes demand therefor pursuant to this Section 2.17.

SECTION 2.18. Extension of Facility Termination Date. The Borrower may request a 180-day extension of the Facility Termination Date by submitting a request for an extension to the Lender (an "*Extension Request*") no more than 60 days and no less than 45 days prior to the first anniversary of the Closing Date. The Lender may approve in its sole discretion such Extension Request and shall notify the Borrower within 30 days prior to such first anniversary of the Closing Date of the new Facility Termination Date; *provided*, that the failure of the Lender to notify the Borrower shall be deemed to be a denial of such extension request.

ARTICLE 3

CONDITIONS TO ADVANCES

SECTION 3.1. Conditions to First Advance. The obligation of the Lender to make the first Advance is subject to the satisfaction of the conditions set forth in this Section 3.1 and in Section 3.2, and receipt by the Lender of the following:

(a) this Agreement, duly executed by the Borrower;

(b) a duly executed Note for the account of the Lender;

(c) the opinions of (i) Suellyn P. Tornay, general counsel of the Borrower, and (ii) Alston & Bird, LLP, special counsel for the Borrower, in each case dated as of the date hereof, substantially in the forms of their respective opinions delivered pursuant to the Syndicated Credit Agreement, and covering such additional matters relating to the transactions contemplated hereby as the Lender may reasonably request;

(d) a certificate, dated as of the date hereof, signed on behalf of the Borrower by its principal financial officer, to the effect that (i) no Default or Event of Default has occurred and is continuing on such date, (ii) the representations and warranties of the Borrower contained in Article 4 (including those representations and warranties incorporated by reference from the Syndicated Credit Agreement) are true on and as of such date, and (iii) all conditions to such Advance pursuant to this Article 3 have been satisfied as of such date;

(e) all documents which the Lender may reasonably request relating to the existence of the Borrower, the authority for and the validity of this Agreement and the Note, and any other matters relevant hereto, all in form and substance satisfactory to the Lender, including, without limitation, a certificate of the Borrower signed by the Secretary or an Assistant Secretary of the Borrower, certifying as to the names, true signatures and incumbency of the officer or officers of the Borrower authorized to execute and deliver the Loan Documents, and certified copies of the following items: (i) the certificate of incorporation of the Borrower (or a statement to the effect that such certificate has not been amended since the Closing Date and remains in full force and effect in the exact form as delivered pursuant to the Syndicated Credit Agreement), (ii) the by-laws of the Borrower (or a statement to the effect that such by-laws have not been amended since the Closing Date and remain in full force and effect in the exact form as delivered pursuant to the Syndicated Credit Agreement), (iii) a certificate of the Secretary of State of the jurisdiction of organization of the Borrower as to the good standing of the Borrower in such jurisdiction and a certificate of the Secretary of State of Georgia as to the Borrower's good standing in such jurisdiction, and (iv) the action taken by the board of directors of the Borrower authorizing the execution, delivery and performance of this Agreement, the Note and the other Loan Documents to which it is a party;

(f) the Lender's form disbursement/transfer agreement, duly completed and executed by the Borrower;

(g) all other documents, certificates, and other information as the Lender may reasonably request.

In addition, each of the following conditions shall have been satisfied on such date:

(h) since May 31, 2001, there shall have occurred no events, acts, conditions or occurrences of whatever nature, singly or in the aggregate, that have had, or are reasonably expected to have, a Material Adverse Effect (and for purposes of the foregoing, an Acquisition by the Borrower otherwise permitted by the terms of this Agreement shall not be deemed to have had such a Material Adverse Effect at the time of the Acquisition);

(i) all fees, costs and expenses (including the closing fee agreed to by the Borrower and all fees and expenses of counsel to the Lender (not to exceed $10,000)) required to be paid on the date of this Agreement shall have been paid and satisfied in full.

SECTION 3.2. Conditions to All Advances. The obligation of the Lender to make any Advance is subject to the satisfaction of the following conditions:

(a) receipt by the Lender of a Borrowing Notice;

(b) the fact that, immediately after such Advance, no Default or Event of Default shall have occurred and be continuing;

(c) the fact that the representations and warranties of the Borrower contained in Article 4 of this Agreement (including those representations and warranties incorporated by reference from the Syndicated Credit Agreement) shall be true on and as of the date of such Advance except for changes expressly permitted herein and except to the extent that such representations and warranties relate solely to an earlier date;

(d) the fact that, immediately after such Advance, the aggregate outstanding Advances will not exceed the Commitment; and

(e) since May 31, 2001, there shall have been no events, acts, conditions or occurrences of whatever nature, singly or in the aggregate, which have had, or could reasonably be expected to have, a Material Adverse Effect (and for purposes of the foregoing, an Acquisition by the Borrower otherwise permitted by the terms of this Agreement shall not be deemed to have such a Material Adverse Effect at the time of the Acquisition thereof).

Each request for an Advance hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such request and the date of such Advance as to the facts specified in paragraphs (b), (c), (d) and (e) of this Section 3.2.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

On the Effective Date, and at such other times as specified in Section 3.2, the Borrower represents and warrants to the Lender that:

SECTION 4.1. Existence and Power. The Borrower (i) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, (ii) is duly qualified to transact business in every jurisdiction set forth on Schedule 4.1 attached to the Syndicated Credit Agreement, and the failure of the Borrower to be so qualified in any other jurisdiction could not reasonably be expected to have or cause a Material Adverse Effect, and (iii) has all powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to have any such licenses, authorizations, consents and approvals could not reasonably be expected to have or cause a Material Adverse Effect.

SECTION 4.2. Organizational and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrower of this Agreement, the Note and the other Loan Documents (i) are within the Borrower's powers as a corporation or limited liability company, as the case may be, (ii) have been duly authorized by all necessary organizational action, (iii) require no action by or in respect of or filing with, any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Borrower's organizational documents or of any material agreement (including without limitation the Syndicated Credit Agreement), judgment, injunction, order, decree or other instrument binding upon the Borrower or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 4.3. Binding Effect. This Agreement constitutes a valid and binding agreement of the Borrower enforceable in accordance with its terms, and the Note and the other Loan Documents to which the Borrower is a party, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower, enforceable in accordance with its terms, *provided* that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency, fraudulent transfer, and similar laws affecting the enforcement of creditors' rights generally.

SECTION 4.4. Representations Incorporated By Reference. The representations and warranties made by the Borrower in Sections 4.4 through 4.10, Sections 4.13 through 4.15 and Section 4.17 of the Syndicated Credit Agreement (including all schedules attached thereto that are referenced therein) shall be incorporated into this Agreement by reference and shall be deemed made on and as of the Effective Date as if set forth herein; *provided*, that any references to "Material Adverse Effect" in such incorporated provisions shall mean a "Material Adverse Effect" as defined herein.

SECTION 4.5. <u>No Default</u>. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could reasonably be expected to have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 4.6. <u>Full Disclosure</u>. All financial statements, reports, certificates, and other information (whether written or, in the case of information furnished by any Designated Officer, oral) heretofore furnished by or on behalf of the Borrower to the Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby (excluding any superseded information corrected or updated by delivery to the Lender, prior to the Effective Date, of corrected, updated or restated information) is, and all such information hereafter furnished by such representatives of the Borrower to the Lender will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. The Borrower has disclosed to the Lender in writing any and all facts known to the Borrower, after due inquiry, which could reasonably be expected to have or cause a Material Adverse Effect.

SECTION 4.7. <u>Insolvency</u>. After giving effect to the execution and delivery of this Agreement and the Note and the making of the Advances under this Agreement, the Borrower will not be "insolvent," within the meaning of such term as used in O.C.G.A. § 18-2-22 or as defined in § 101 of Title 11 of the United States Code, as amended from time to time, or be unable to pay its debts generally as such debts become due, or have an unreasonably small capital to engage in any business or transaction, whether current or contemplated.

ARTICLE 5

<u>AFFIRMATIVE COVENANTS</u>

The Borrower agrees that, from and after the Effective Date and for so long as the Commitment is outstanding, or any amount payable under any Obligation hereunder remains unpaid,

SECTION 5.1. <u>Information</u>. The Borrower will deliver to the Lender:

(a) the financial statements and all other information required to be delivered pursuant to Sections 5.1(a), (b) and (d) through (l) of the Syndicated Credit Agreement at the same time as required therein; *provided*, that as long as the Lender is a lender under the Syndicated Credit Agreement, the Borrower may satisfy the requirements of this provision by delivery of said financial statements and such other information under the Syndicated Credit Agreement; *provided further*, that any references to "Default" or "Event of Default" in such incorporated provisions shall, for purposes hereof, refer to a "Default" or "Event of Default" under this Agreement;

(b) simultaneously with the delivery of each set of financial statements referred to in subsection (a) above, a Compliance Certificate (i) setting forth in reasonable detail the

calculations required to establish compliance with the requirements of Sections 6.1, 6.2 and 6.3 hereof on the date of such financial statements and (ii) stating whether any Default or Event of Default exists on the date of such certificate and, if any Default or Event of Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

SECTION 5.2. Use of Proceeds. The proceeds of the Advances shall be used for working capital and othergeneral corporate purposes, in each case to the extent not otherwise prohibited herein (including, without limitation, pursuant to Section 5.3(b) hereof). No portion of the proceeds of the Advances will be used by the Borrower (i) in connection with any hostile tender offer for, or other hostile acquisition of, stock (or in the case of a limited liability company, the members' equivalent equity interest) of any corporation or limited liability company with a view towards obtaining control of such other corporation or limited liability company, (ii) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock, or (iii) for any purpose in violation of any applicable law or regulation.

SECTION 5.3. Investments; Acquisitions.

(a) Neither the Borrower nor any of its Subsidiaries shall make Investments in any Person except as permitted by Section 6.5 of the Syndicated Credit Agreement and except the following Investments (provided such Investments do not violate Section 5.3(b) hereof):

(i) absent the existence of a Default or Event of Default, Restricted Investments;

(ii) Investments in Subsidiaries (including, without limitation, any Person becoming a Subsidiary as a result of such Investment pursuant to an Acquisition otherwise permitted pursuant to Section 5.3(b) hereof) other than members of the GPS Group; provided, that on and as of the "Amendment No. 3 Prospective Effective Date" (as defined in Amendment No. 3), the words "other than members of the GPS Group" shall automatically be deleted.

(iii) Guarantees (A) by the Borrower and NDC for the benefit of GPS and Comerica in existence as of August 31, 1997, of obligations in amounts not greater than the amounts guaranteed thereunder as of August 31, 1997, (B) by the Borrower and NDC for certain obligations of Technology Sales and Leasing Co., Inc., and any other Subsidiary (other than a Subsidiary that is a member of the GPS Group) in connection with the Equipment Lease Agreements, but solely to the extent that such Guarantees and the Debt Guaranteed pursuant thereto are not prohibited by any other terms of this Agreement, (C) by the Borrower and its Subsidiaries of obligations of other Subsidiaries of the Borrower (other than Subsidiaries that are members of the GPS Group) of Debt that is not of the types described in clauses (i) through (iv) of the definition of the term "Debt", *provided* that the obligations that are being Guaranteed are not prohibited by the terms of this Agreement, (D) by GPS of obligations of other members of the GPS Group, and (E) by the Borrower and the Subsidiary Guarantors in respect of the Obligations

hereunder; ***provided*** that (1) with respect to clause (A), the Borrower shall be obligated to obtain a release of such Guarantees without any further liability thereunder upon the Borrower and its Subsidiaries ceasing to be the Majority in Interest members of GPS, and (2) with respect to the preceding clauses (B), (C), and (D), no Default or Event of Default is in existence before or upon or after giving effect thereto;

(iv) an Investment in Comerica not exceeding an aggregate amount outstanding of (A) $18,000,000 *minus* (B) outstanding loans or advances made under Section 6.5 (vi) of the Syndicated Credit Agreement;

(v) capital contributions of assets as permitted by Section 6.9(a) of the Syndicated Credit Agreement;

(vi) Investments made in Subsidiaries of GPS by GPS or by other Subsidiaries of GPS;

(vii) Investments made pursuant to an Acquisition otherwise permitted pursuant to Section 5.3(b) hereof; *provided*, that on and as of the "Amendment No. 3 Prospective Effective Date" (as defined in Amendment No. 3), this clause shall read as follows: "Investments made pursuant to the GPS Buyout and any Acquisition otherwise permitted by Section 5.3(b) hereof";

(viii) Investments in any members of the GPS Group made as a portion of the Permitted GPS Investment;

(ix) Investments in existence on the Closing Date and described on Schedule 6.6 attached to the Syndicated Credit Agreement; and

(x) Other Investments not described in the preceding clauses (i) through (viii) made in an aggregate amount not to exceed (x) for the period from the Closing Date through the end of the Borrower's 2001 Fiscal Year, $10,000,000, and (y) for each subsequent Fiscal Year, the sum of (A) $10,000,000, and (B) the amount, if any, by which $10,000,000 exceeds the actual aggregate Investments made by the Borrower and its Subsidiaries pursuant to this clause (x) in the immediately preceding Fiscal Year (or, where such preceding Fiscal Year is the 2001 Fiscal Year, the period from the Closing Date through the end of such 2001 Fiscal Year).

(b) Without the prior written consent of the Lender, the Borrower will not, nor will it permit any of its Subsidiaries to, acquire, whether directly or through the purchase of stock, convertible notes or otherwise, effect an Acquisition, or otherwise acquire any assets other than the loans, advances and investments permitted by Section 6.5 of the Syndicated Credit Agreement or Section 5.3(a) hereof, the assets of one of its Subsidiaries, or of fixed assets (which fixed assets do not constitute all or substantially all of the assets of the Person from whom such assets are acquired), *unless* in each case (i) such acquisition is of a business which is similar (as to product sold or service rendered) to the Borrower's or any relevant Subsidiary's, (ii) such acquisition is to be made upon a negotiated basis with the approval of the board of

directors of the Person to be acquired, or of the percentage of ownership interests required by the charter documents of such Person to approve any such acquisition, (iii) for the Fiscal Year ending May 31, 2002, the Leverage Ratio on a pro forma basis for the most recent four Fiscal Quarters of the Borrower (after giving effect to such acquisition as of the first day of such period) is equal to or less than 1.75 to 1.00 (and, if requested by the Lender, the Borrower has provided to the Lender a certificate to such effect with supporting calculations) and the total amount of cash consideration paid (excluding cash consideration paid to National Bank of Canada in the NBC Acquisition), and Debt assumed or otherwise becoming part of Consolidated Total Debt (excluding Debt of NDPS arising pursuant to the Canadian Receivables Credit Facility or the CIBC/NDPS Acquisition Note), in such acquisition, together with the aggregate amount of such cash consideration and Debt in respect of all other acquisitions made during the then-current Fiscal Year shall not exceed $10,000,000, (iv) for the Fiscal Year ending May 31, 2003, the total amount of cash consideration paid (excluding cash consideration paid to National Bank of Canada in the NBC Acquisition), and Debt assumed or otherwise becoming part of Consolidated Total Debt (excluding Debt of NDPS arising pursuant to the Canadian Receivables Credit Facility or the CIBC/NDPS Acquisition Note), in such acquisition, together with the aggregate amount of such cash consideration and Debt in respect of all other acquisitions made during the then-current Fiscal Year, shall not exceed the following amounts based on the Leverage Ratio on a pro forma basis set forth below for the most recent four Fiscal Quarters of the Borrower after giving effect to such acquisition as of the first day of such period (and, if requested by the Lender, the Borrower shall provide to the Lender a certificate to such effect with supporting calculations):

Leverage Ratio	**Aggregate Amount**
>1.50 and £1.75	$10,000,000
>1.25 and £1.50	$25,000,000
³1.25	$40,000,000

provided, that, in any case, the aggregate amount of such cash consideration and Debt in respect of all such acquisitions for the Fiscal Year ending May 31, 2003 shall not exceed $40,000,000; and (v) no Default or Event of Default shall be in existence or be caused thereby (which has not been specifically waived in writing pursuant to Section 8.5). If the Lender agrees (by waiver, amendment or otherwise) to permit such transactions hereunder to exceed the amounts set forth herein, the Lender agrees that it will not require the payment of any fee as a condition to such waiver or amendment.

SECTION 5.4. Covenants Incorporated by Reference. So long as the Commitment remains outstanding or any principal of and interest on any Advance or any other Obligation remains unpaid or unsatisfied, the Borrower hereby covenants and agrees that it shall comply with all covenants and agreements applicable to it contained in Sections 5.2, 5.4, 5.6 through 5.10, 6.4, 6.5, and 6.7 through 6.15 of the Syndicated Credit Agreement, which covenants and agreements are hereby incorporated by reference into this Agreement (other than the existing Section 6.9(a)(B) of the Syndicated Credit Agreement, which is specifically not incorporated by reference into this Agreement until such time as the "Amendment No. 3 Prospective Amendments" (as defined in Amendment No. 3) become effective, at which time the amended Section 6.9(a)(B) shall automatically become incorporated by reference into this Agreement).

Waivers and/or amendments of such covenants and agreements by the Lenders (or the Required Lenders) and/or Administrative Agent (on behalf of the Lenders or the Required Lenders) under the Syndicated Credit Agreement shall not operate to amend or waive such covenants and agreements as incorporated by reference herein unless the Lender, as a "Lender" under the Syndicated Credit Agreement, has agreed to any such waiver and/or amendment, in which case such waiver and/or amendment shall be automatically incorporated herein by reference (including without limitation the "Amendment No. 3 Prospective Amendments" (as defined in Amendment No. 3)). Such covenants and agreements shall survive any termination, cancellation, discharge or replacement of the Syndicated Credit Agreement, and if this Agreement remains outstanding after the Syndicated Credit Agreement has been cancelled or otherwise terminated or if the Lender is no longer a "Lender" thereunder for any reason, the Borrower shall, upon the request of the Lender, enter into an amendment to this Agreement to add (i) such covenants (with any amendments thereto that the Lender deems necessary and which are agreed upon by the Borrower), (ii) such additional Events of Default (to be substantially similar to those "Events of Default" in the Syndicated Credit Agreement, and (iii) such definitions that have been incorporated by reference pursuant to Section 1.4 to the Agreement.

ARTICLE 6

FINANCIAL COVENANTS

The Borrower agrees that, from and after the Effective Date and for so long as the Commitment is outstanding, or any amount payable under any Loan or any other Obligation hereunder remains unpaid:

SECTION 6.1. Leverage Ratio. The Leverage Ratio at the end of each Fiscal Quarter shall not be greater than 2.00 to 1.00 for the Fiscal Quarter just ended.

SECTION 6.2. Minimum Consolidated Net Worth. Consolidated Net Worth, as at the end of each Fiscal Quarter, will not be less than the sum of (i) $117,000,000 *plus* (ii) 50% of cumulative Consolidated Net Income of the Borrower earned in each Fiscal Quarter beginning with the first Fiscal Quarter ending after the Closing Date (taken as one accounting period), but excluding from such calculations of Consolidated Net Income for purposes of this clause (ii), any Fiscal Quarter in which the Consolidated Net Income of the Borrower and its Consolidated Subsidiaries is negative, *plus* (iii) 100% of the cumulative Net Proceeds of Capital Stock received or deemed received during any period after the Closing Date, calculated quarterly at the end of each Fiscal Quarter, *plus* (iv) 100% of the increase to Consolidated Net Worth resulting from the conversion of Debt into equity interests.

SECTION 6.3. Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio at the end of each Fiscal Quarter shall not be less than 2.75 to 1.00 for the Fiscal Quarter just ended.

ARTICLE 7

DEFAULTS

SECTION 7.1. Events of Default. Each of the following events ("Events of Default") shall constitute an Event of Default under this Agreement:

(a) the Borrower shall fail to pay when due any principal of any Advance, or shall fail to pay any interest on any Advance within three Business Days after such interest shall become due, or shall fail to pay any fee or other amount payable hereunder within five Business Days after such fee or other amount becomes due; or

(b) the Borrower shall fail to observe or perform any covenant contained in Section 5.3 or Sections 6.1 through 6.3 inclusive;

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by paragraph (a) or (b) above) and such failure shall not have been cured within 30 days after the earlier to occur of (i) written notice thereof has been given to the Borrower by the Lender or (ii) the Borrower otherwise becomes aware of any such failure; or

(d) any representation, warranty, certification or statement made or incorporated by reference in Article 4 hereof, or in any certificate, financial statement or other document delivered (or deemed delivered) pursuant to this Agreement shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or

(e) an "Event of Default" shall occur under the Syndicated Credit Agreement (regardless of whether any such "Event of Default" was waived by the "Required Lenders" or, if so required, by all "Lenders" thereunder, *unless* such waiver was consented to by SunTrust Bank, as a "Lender" thereunder); or

(f) the Borrower or any of its Subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(g) an involuntary case or other proceeding shall be commenced against the Borrower or any of its Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any of its Subsidiaries under the federal bankruptcy laws as now or hereafter in effect.

SECTION 7.2. Termination of Commitment; Acceleration. If any Default or Event of Default described in Section 7.1(f) or 7.1(g) occurs with respect to the Borrower, the obligations of the Lender to make Advances hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Lender. If any other Default or Event of Default occurs, the Lender may (i) terminate or suspend the obligations of the Lender to make Advances hereunder, or declare the Obligations to be due and payable, or both, whereupon the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

ARTICLE 8

MISCELLANEOUS

SECTION 8.1. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopier or similar writing) and shall be given to such party at its address or telecopier or telex number set forth on the signature pages hereof or such other address or telecopier or telex number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopier is transmitted to the telecopier number specified in this Section and the appropriate confirmation is received, (ii) if given by certified mail return-receipt requested, on the date set forth on the receipt (provided, that any refusal to accept any such notice shall be deemed to be notice thereof as of the time of any such refusal), addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; *provided* that notices to the Lender under Article 2 shall not be effective until received.

SECTION 8.2. No Waivers. No failure or delay by any party to this Agreement in exercising any right, power or privilege hereunder or under the Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 8.3. Expenses; Documentary Taxes. The Borrower shall pay (i) all reasonable out-of-pocket costs and expenses of the Lender, including the fees and disbursements of the Lender's counsel (including in-house counsel), in connection with the preparation of this Agreement and the other Loan Documents, any waiver or consent hereunder or thereunder or any amendment hereto or thereto, and (ii) if a Default or Event of Default occurs, all reasonable out-of-pocket expenses incurred by the Lender, including reasonable fees and disbursements of counsel, in connection with such Default and collection and other enforcement proceedings resulting therefrom, including reasonable out-of-pocket expenses incurred in enforcing this Agreement and the other Loan Documents. The Borrower shall indemnify the Lender against any transfer taxes, documentary taxes, assessments or charges made by any governmental

authority by reason of the execution and delivery of this Agreement or any other Loan Documents.

SECTION 8.4. Indemnification.

(a) The Borrower shall indemnify the Lender and each affiliate of the Lender and their respective directors, officers, and employees (each an "*Indemnified Party*") from, and hold each of them harmless against, any and all losses, liabilities, claims or damages to which any of them may become subject, insofar as such losses, liabilities, claims or damages arise out of or result from any actual or proposed use by the Borrower of the proceeds of any Advance hereunder or breach by the Borrower of this Agreement or any other Loan Document or from any investigation, litigation or other proceeding (including any threatened investigation or proceeding) relating to the foregoing (an "*Indemnity Proceeding*"), and the Borrower shall reimburse each Indemnified Party, upon demand (but no more frequently than every Fiscal Quarter) for any reasonable expenses (including, without limitation, reasonable legal fees) incurred in connection with any such investigation or proceeding ("*Claims and Expenses*"); but excluding any such losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Indemnified Party; *provided*, that should the Borrower pay any amounts to the Lender due to this Section, and it shall be determined that the harm being indemnified against resulted from the Lender's gross negligence or willful misconduct, then such party receiving such payment shall rebate such payment to the Borrower, together with interest thereon accruing at the Federal Funds Rate from the date such payment was made until the date such rebate is received by the Borrower (calculated for the actual number of days elapsed on the basis of a 365-day year).

(b) If the Borrower is required to indemnify an Indemnified Party pursuant hereto and have provided evidence reasonably satisfactory to such Indemnified Party that the Borrower has the financial wherewithal to reimburse such Indemnified Party for any amount paid by such Indemnified Party with respect to such Indemnity Proceeding, such Indemnified Party shall not settle or compromise any such Indemnity Proceeding without the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed).

(c) If a claim is to be made by an Indemnified Party under this Section, the Indemnified Party shall give written notice to the Borrower promptly after the Indemnified Party receives actual notice of any Claims and Expenses incurred or instituted for which the indemnification is sought; *provided*, that, the failure to give such prompt notice shall not decrease the Claims and Expenses payable by the Borrower, except to the extent that such failure has caused the Borrower to forfeit any substantive right of a material nature. If requested by the Borrower in writing, and so long as (i) no Event of Default shall have occurred and be continuing and (ii) the Borrower has acknowledged in writing to the Indemnified Party that the Borrower shall be obligated under the terms of its indemnity hereunder in connection with such Indemnity Proceeding (subject to the exclusion of any losses, liabilities, claims, damages or expenses incurred by reason of the gross negligence or willful misconduct of the Indemnified Party), the Borrower may, at its election, conduct the defense of any such Indemnified Proceeding to the extent such contest may be conducted in good faith on legally supported grounds. If any lawsuit or enforcement action is filed against any Indemnified Party entitled to the benefit of indemnity

under this Section, written notice thereof shall be given to the Borrower as soon as practicable (and in any event within 15 days after the service of the citation or summons). Notwithstanding the foregoing, the failure so to notify the Borrower as provided in this Section will not relieve the Borrower from liability hereunder. After such notice, the Borrower shall be entitled, if they so elect, to take control of the defense and investigation of such lawsuit or action and to employ and engage counsel of their own choice reasonably acceptable to the Indemnified Party to handle and defend the same, at the Borrower's cost, risk and expense; *provided however*, that the Borrower and its counsel shall proceed with diligence and in good faith with respect thereto. If (i) the engagement of such counsel by the Borrower would present a conflict of interest which would prevent such counsel from effectively defending such action on behalf of the Indemnified Party, (ii) the defendants in, or targets of, any such lawsuit or action include both the Indemnified Party and Borrower, and the Indemnified Party reasonably concludes that there may be legal defenses available to it that are different from or in addition to those available to the Borrower, (iii) the Borrower fails to assume the defense of the lawsuit or action or to employ counsel reasonably satisfactory to such Indemnified Party, in either case in a timely manner, or (iv) an Event of Default shall occur and be continuing, then such Indemnified Party may employ separate counsel to represent or defend it in any such action or proceeding and the Borrower will pay the fees and disbursements of such counsel; *provided, however* that each Indemnified Party shall, in connection with any matter covered by this Section which also involves other Indemnified Parties, use reasonable efforts to avoid unnecessary duplication of efforts by counsel for all indemnities. Should the Borrower be entitled to conduct the defense of any Indemnity Proceeding pursuant to the terms of this Section, the Indemnified Party shall cooperate (with all Claims and Expenses associated therewith to be paid by the Borrower) in all reasonable respects with the Borrower and such attorneys in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom; *provided, however* that the Indemnified Party may, at its own cost (except as set forth in, and in accordance with, the foregoing sentence), participate in the investigation, trial and defense of such lawsuit or action and any appeal arising therefrom.

(d) The Lender agrees that in the event that any Indemnity Proceeding is asserted or threatened in writing or instituted against it or any other party entitled to indemnification hereunder, the Lender shall promptly notify the Borrower thereof in writing and agree, to the extent appropriate, to consult with the Borrower with a view to minimizing the cost to the Borrower of its obligations under this Section; *provided* that the failure to so notify the Borrower will not relieve the Borrower from liability hereunder except to the extent such failure has caused the Borrower to forfeit any substantive right of a material nature.

SECTION 8.5. Amendments and Waivers. Except as otherwise specifically provided herein, any provision of this Agreement or any other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Lender.

SECTION 8.6. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns;*provided* that the Borrower may

not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of the Lender.

(b) The Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of the Commitment and the Advances at the time owing to it); *provided*, that the Borrower must give its prior written consent (which consent shall not be unreasonably withheld or delayed) to any assignment, except an assignment to an Affiliate of the Lender or during the occurrence and continuation of a Default or an Event of Default. Upon the execution and delivery of an assignment agreement by the Lender and such assignee and payment by such assignee of an amount equal to the purchase price agreed between the Lender and such assignee, such assignee shall become a party to this Agreement and the other Loan Documents and shall have the rights and obligations of a Lender under this Agreement, and the Lender shall be released from its obligations hereunder to a corresponding extent. Upon the consummation of any such assignment hereunder, the Lender, the assignee and the Borrower shall make appropriate arrangements to have new Notes issued to reflect such assignment.

(c) The Lender may at any time sell to one or more Persons (each a "*Participant*") participating interests in any Advance, the Note, the Commitment or any other interest of the Lender hereunder. In the event of any such sale by the Lender of a participating interest to a Participant, the Lender's obligations under this Agreement shall remain unchanged, the Lender shall remain solely responsible for the performance thereof, the Lender shall remain the holder of any such Advance and the Note for all purposes under this Agreement, and the Borrower shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under this Agreement. In no event shall the Lender that sells a participation be obligated to the Participant to take or refrain from taking any action hereunder except that the Lender may agree that it will not (except as provided below), without the consent of the Participant, agree to (i) the extension of any date fixed for the payment of principal of or interest on the related Advance or Advances, (ii) the reduction of the amount of any principal, interest or fees due on any date fixed for the payment thereof with respect to the related Advance or Advances, or (iii) the reduction in the rate at which either interest is payable thereon or (if the Participant is entitled to any part thereof) commitment fee is payable hereunder from the rate at which the Participant is entitled to receive interest or commitment fee (as the case may be) in respect of such participation. The Lender shall, within 10 Business Days of such sale of a participation, provide the Borrower with written notification stating that such sale has occurred and identifying the Participant and the interest purchased by such Participant. The Borrower acknowledges and agrees that the benefits of Sections 2.12 through 2.15 shall continue in effect with respect to the full amount of the Lender's Advances and Commitment, notwithstanding its sale of participating interests therein as contemplated hereby.

(d) Subject to the provisions of Section 8.7, the Borrower authorizes each Lender to disclose to any Participant, Assignee or other transferee (each a "*Transferee*") and any prospective Transferee any and all financial information in such Lender's possession concerning the Borrower which has been delivered to such Lender by the Borrower pursuant to this Agreement or which has been delivered to such Lender by the Borrower in connection with such Lender's credit evaluation prior to entering into this Agreement.

(e) Transferees shall be entitled to receive a greater payment under Section 2.12 or 2.13 than the Lender would have been entitled to receive with respect to the rights transferred, only if such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 2.16 requiring the Lender to designate a different lending office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

(f) Anything in this Section 8.6 to the contrary notwithstanding, the Lender may assign and pledge all or any portion of the Advances owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned Advances made by the Borrower to the Lender in accordance with the terms of this Agreement shall satisfy the Borrower's obligations hereunder in respect of such assigned Advances to the extent of such payment. No such assignment shall release the Lender from its obligations hereunder.

SECTION 8.7. Confidentiality. The Lender agrees to exercise its reasonable efforts and in any event not less than the same degree of care as it uses to maintain its own confidential information in maintaining the confidentiality of any information delivered or made available by the Borrower to it which is clearly indicated to be confidential information from any one other than persons employed or retained by the Lender who are or are expected to become engaged in evaluating, approving, structuring or administering the Advances; *provided, however* that nothing herein shall prevent the Lender from disclosing such information (i) upon the order of any court or administrative agency, (ii) upon the request or demand of any regulatory agency or authority having jurisdiction over the Lender, (iii) which has been publicly disclosed by means which are not violative of this Section 8.7, (iv) to the extent reasonably required in connection with any litigation to which the Lender or any of its Affiliates may be a party, (v) to the extent reasonably required in connection with the exercise of any right, power of remedy hereunder or under any of the other Loan Documents, (vii) to the Lender's legal counsel and independent auditors and (vii) to any actual or proposed Participant, Assignee or other Transferee of all or part of its rights hereunder which has agreed in writing (x) to be bound by the provisions of this Section 8.7 and (y) that the Borrower is a third party beneficiary of such agreement, and (z) to return all copies of the confidential information to the Lender if the proposed assignment or participation is not consummated.

SECTION 8.8. Georgia Law. This Agreement and all other Loan Documents shall be construed in accordance with and governed by the law of the State of Georgia without regard to the effect of conflicts of laws.

SECTION 8.9. Interpretation. No provision of this Agreement or any of the other Loan Documents shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or dictated such provision.

SECTION 8.10. WAIVER OF JURY TRIAL; CONSENT TO JURISDICTION. EACH OF THE BORROWER AND THE LENDER (A) IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, (B) SUBMITS TO THE NONEXCLUSIVE PERSONAL JURISDICTION IN THE STATE OF GEORGIA, THE COURTS THEREOF AND THE UNITED STATES DISTRICT COURTS SITTING THEREIN, FOR THE ENFORCEMENT OF THIS AGREEMENT, THE NOTES AND THE OTHER LOAN DOCUMENTS, AND (C) WAIVES ANY AND ALL PERSONAL RIGHTS UNDER THE LAW OF ANY JURISDICTION TO OBJECT ON ANY BASIS (INCLUDING, WITHOUT LIMITATION, INCONVENIENCE OF FORUM) TO JURISDICTION OR VENUE WITHIN THE STATE OF GEORGIA FOR THE PURPOSE OF LITIGATION TO ENFORCE THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS. NOTHING HEREIN CONTAINED, HOWEVER, SHALL PREVENT THE LENDER FROM BRINGING ANY ACTION OR EXERCISING ANY RIGHTS AGAINST THE BORROWER PERSONALLY, AND AGAINST ANY ASSETS OF THE BORROWER, WITHIN ANY OTHER STATE OR JURISDICTION.

SECTION 8.11. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 8.12. Severability. In case any one or more of the provisions contained in this Agreement or the Note or any of the other Loan Documents should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby and shall be enforced to the greatest extent permitted by law.

SECTION 8.13. Interest. In no event shall the amount of interest, and all charges, amounts or fees contracted for, charged or collected pursuant to this Agreement, the Note or the other Loan Documents and deemed to be interest under applicable law (collectively, "*Interest*") exceed the highest rate of interest allowed by applicable law (the "*Maximum Rate*"), and in the event any such payment is inadvertently received by the Lender, then the excess sum (the "*Excess*") shall be credited as a payment of principal, unless the Borrower shall notify the Lender in writing that it elects to have the Excess returned forthwith. It is the express intent hereof that the Borrower not pay and the Lender not receive, directly or indirectly in any manner whatsoever, interest in excess of that which may legally be paid by the Borrower under applicable law. The right to accelerate maturity of any of the Advances and other Obligations does not include the right to accelerate any interest that has not otherwise accrued on the date of such acceleration, and the Lender does not intend to collect any unearned interest in the event of any such acceleration. All monies paid to the Lender hereunder or under the Note or the other Loan Documents, whether at maturity or by prepayment, shall be subject to rebate of unearned interest as and to the extent required by applicable law. By the execution of this Agreement, the Borrower covenants, to the fullest extent permitted by law, that (i) the credit or return of any Excess shall constitute the acceptance by the Borrower of such Excess, and (ii) the Borrower shall not seek or pursue any other remedy, legal or equitable, against the Lender, based in whole

or in part upon contracting for charging or receiving any Interest in excess of the Maximum Rate. For the purpose of determining whether or not any Excess has been contracted for, charged or received by the Lender, all interest at any time contracted for, charged or received from the Borrower in connection with this Agreement, the Note or any of the other Loan Documents shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Commitment. The Borrower and the Lender shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium rather than as Interest and (ii) exclude voluntary prepayments and the effects thereof. The provisions of this Section shall be deemed to be incorporated into the Note and each of the other Loan Documents (whether or not any provision of this Section is referred to therein). All such Loan Documents and communications relating to any Interest owed by the Borrower and all figures set forth therein shall, for the sole purpose of computing the extent of obligations hereunder and under the Note and the other Loan Documents be automatically recomputed by the Borrower, and by any court considering the same, to give effect to the adjustments or credits required by this Section.

SECTION 8.14. LIMITATION OF DAMAGES. THE LENDER SHALL NOT BE RESPONSIBLE OR LIABLE TO ANY PERSON OR ENTITY FOR ANY PUNITIVE OR EXEMPLARY DAMAGES WHICH MAY BE ALLEGED AGAINST IT AS A RESULT OF THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

[The remainder of this page has been intentionally left blank. The signatures appear on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

GLOBAL PAYMENTS INC.

By: /s/ JAMES G. KELLY

James G. Kelly
Chief Financial Officer

Address for Notices:

Four Corporate Square
Atlanta, Georgia 30329-2009
Attention: Suellyn P. Tornay, Esq.
Telecopier No.: 404/728-2990

SUNTRUST BANK

By: /s/ BRIAN K. PETERS

Brian K. Peters
Managing Director

Address for Notices:

SunTrust Plaza
303 Peachtree Street, NE
2nd Floor, MC-1921
Atlanta, GA 30308
Attention: Brian Peters
Telecopier No.: 404/588-8833

EXHIBIT A

FORM OF
REVOLVING CREDIT NOTE

U.S. $25,000,000

September 26, 2001
Atlanta, Georgia

FOR VALUE RECEIVED, the undersigned **GLOBAL PAYMENTS INC.,** a Georgia corporation (herein called the "Borrower"), hereby promises to pay to the order of **SUNTRUST BANK** (herein, together with any subsequent holder hereof, called the "Lender"), the lesser of (i) the principal sum of TWENTY FIVE MILLION AND NO/100 DOLLARS ($25,000,000.00), and (ii) the outstanding principal amount of the Advances made by Lender to the Borrower pursuant to the terms of the Credit Agreement referred to below on the earlier of (x) the Facility Termination Date, and (y) the date on which all amounts outstanding under this Revolving Credit Note have become due and payable pursuant to the provisions of Article 7 of the Credit Agreement. The Borrower likewise promises to pay interest on the outstanding principal amount of each such Advance, at such interest rates, payable at such times, and computed in such manner, as are specified for such Advance in the Credit Agreement in strict accordance with the terms thereof.

The Lender shall record all Advances made pursuant to the Commitment under the Credit Agreement and all payments of principal of such Advances and, prior to any transfer hereof, shall endorse such Advances and payments on the schedule annexed hereto and made a part hereof, or on any continuation thereof which shall be attached hereto and made a part hereof, which endorsement shall constitute prima facie evidence of the accuracy of the information so endorsed; provided, however, that delay or failure of the Lender to make any such endorsement or recordation shall not affect the obligations of the Borrower hereunder or under the Credit Agreement with respect to the Advances evidenced hereby.

Any principal or, to the extent not prohibited by applicable law, interest due under this Revolving Credit Note that is not paid on the due date therefor, whether on the Facility Termination Date, or resulting from the acceleration of maturity upon the occurrence of an Event of Default, shall bear interest from the date due to payment in full at the rate as provided in Section 2.7 of the Credit Agreement.

All payments of principal and interest shall be made in lawful money of the United States of America in immediately available funds at the office of the Lender specified in the Credit Agreement.

This Revolving Credit Note is issued pursuant to the Credit Agreement dated as of September 26, 2001, between the Borrower and the Lender (as the same may be further

amended, modified or supplemented from time to time, the "Credit Agreement") and each assignee thereof becoming a "Lender" as provided therein, and the Lender is and shall be entitled to all benefits thereof. Except as otherwise expressly defined herein, capitalized terms defined in the Credit Agreement are used herein with the same meanings. The Credit Agreement, among other things, contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and for mandatory prepayments upon the occurrence of certain events.

The Borrower agrees to make payments of principal on the Advances outstanding hereunder on the dates and in the amounts specified in the Credit Agreement for such Advances in strict accordance with the terms thereof.

This Revolving Credit Note may be prepaid in whole or in part, without premium or penalty but with accrued interest on the principal amount prepaid to the date of prepayment, and otherwise in accordance with the terms and conditions of Section 2.5 of the Credit Agreement.

In case an Event of Default shall occur and be continuing, the principal of and all accrued interest on this Revolving Credit Note may automatically become, or be declared, due and payable in the manner and with the effect provided in the Credit Agreement. The Borrower agrees to pay, and save the Lender harmless against any liability for the payment of, all reasonable out-of-pocket costs and expenses, including reasonable attorneys' fees actually incurred by or on behalf of the Lender, arising in connection with the enforcement by the Lender of any of its rights under this Revolving Credit Note or the Credit Agreement.

This Revolving Credit Note has been executed and delivered in Georgia and the rights and obligations of the Lender and the Borrower hereunder shall be governed by and construed in accordance with the laws (without giving effect to the conflict of law principles thereof) of the State of Georgia.

The Borrower expressly waives any presentment, demand, protest or notice in connection with this Revolving Credit Note, now or hereafter required by applicable law. TIME IS OF THE ESSENCE OF THIS REVOLVING CREDIT NOTE.

IN WITNESS WHEREOF, the Borrower has caused this Revolving Credit Note to be executed and delivered by its duly authorized officer as of the date first above written.

GLOBAL PAYMENTS INC.

By: ______________________________

Name:
Title:

SCHEDULE OF LOANS AND PAYMENTS OF PRINCIPAL
TO
REVOLVING CREDIT NOTE OF
SUNTRUST BANK
DATED SEPTEMBER 26, 2001

Date	Amount of Syndicated Loan	Amount of Interest Period	Amount Paid	Unpaid Balance

EXHIBIT B

FORM OF
COMPLIANCE CERTIFICATE

To: SunTrust Bank

This Compliance Certificate is furnished pursuant to that certain Credit Agreement dated as of September 26, 2001 (which, as it may be amended or modified and in effect from time to time, is herein called the "Agreement") between Global Payments Inc. and SunTrust Bank. Capitalized terms used herein and not otherwise defined herein shall have the meanings attributed to such terms in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected ______________ of the Borrower;

2. I have reviewed the terms of the Agreement, and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and its Consolidated Subsidiaries during the accounting period covered by the attached financial statements;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or an Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule I attached hereto sets forth financial data and computations evidencing compliance with Section 5.3 and Sections 6.1 through 6.3, inclusive, of the Agreement, all of which data and computations are true, complete and correct.

5. Schedule II attached hereto sets forth the various financial statements, reports and deliveries which are required under the Agreement and the status of compliance.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which has been taken, is being taking, or is being proposed to be taken with respect to each such condition or event:

____

____

____

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements and reports set forth on Schedule II hereto delivered with this Certificate in support hereof, are made and delivered this __ day of __________.

____

Name: ______________________________

Title: ______________________________

SCHEDULE I TO COMPLIANCE CERTIFICATE

Compliance as of ___________ with
Sections 5.3 and 6.1 through 6.3 inclusive, of the Agreement

SCHEDULE II TO COMPLIANCE CERTIFICATE

Financial Statements, Reports and Deliveries

Exhibit 10.31

AGREEMENT

FOR

INFORMATION TECHNOLOGY SERVICES

between

GLOBAL PAYMENT SYSTEMS, LLC

and

ELECTRONIC DATA SYSTEMS CORPORATION

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AGREEMENT FOR INFORMATION TECHNOLOGY SERVICES

THIS AGREEMENT, dated as of October 1, 2001, between GLOBAL PAYMENT SYSTEMS, LLC, a limited liability company chartered under the laws of the State of Georgia (hereinafter referred to as "GLOBAL"), and ELECTRONIC DATA SYSTEMS CORPORATION, a Delaware corporation (hereinafter referred to as "EDS").

RECITALS

WHEREAS, EDS is in the business of providing information technology services to financial institutions and other service providers to service and process VISA and/or MasterCard related bank card cardholder account, commercial cardholder account, off-line debit, debit gateway and merchant account transactions; and

WHEREAS, GLOBAL desires to obtain, and EDS desires to furnish, information technology services for the merchant account processing business of GLOBAL (both currently owned by GLOBAL and acquired by GLOBAL during the term of this Agreement) all on the terms and subject to the conditions set forth herein; and

WHEREAS, GLOBAL and EDS entered into an Agreement for Information Technology Services as of December 18, 1996 (the "Original Agreement") for the purpose of GLOBAL receiving and EDS furnishing certain services based on the terms and conditions described in this Agreement; and

WHEREAS, GLOBAL and EDS have negotiated and agreed to numerous amendments to the Original Agreement; and

WHEREAS, the amendments that have been agreed to are of such a nature and extent as to make it desirable for GLOBAL and EDS to restate their entire Agreement but such new Agreement shall remain to be the Processing Services Agreement contemplated under the Asset Purchase Agreement entered into between the parties as of December 19, 1996;

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

ARTICLE I.
DEFINITIONS

1.1 Certain Definitions. As used in this Agreement:

(a) "Account Executives" shall mean the EDS Account Executive and the GLOBAL Account Executive.

(b) "Advisory Panel" shall mean a panel composed of members from EDS and from GLOBAL, which shall be formed and which shall operate in accordance with the provisions of Section 2.5 of this Agreement.

(c) "Bank" shall mean a financial institution designated by GLOBAL.

(d) "Base Services" shall mean the information technology services and applications related to Merchant Data Processing and included in the Base Price and generally described in Schedule A of this Agreement.

(e) "Business Day" shall mean any weekday, Monday through Friday, except where any such day is a federal holiday.

(f) "Debit services" shall mean off-line and debit gateway services.

(g) "Documentation" shall mean, to the extent provided to GLOBAL, written and electronic documents, manuals (including user manuals), and reference materials which collectively contain a description

and/or definition of basic or necessary operating conditions, characteristics, capabilities, and specifications of the Base Services.

(h) “GLOBAL” shall mean GLOBAL PAYMENT SYSTEMS, LLC, a Georgia limited liability company.

(i) “GLOBAL Account Executive” shall mean a representative of GLOBAL assigned to work with the EDS Account Executive. Until GLOBAL notifies EDS otherwise, the GLOBAL Account Executive shall be Tom Davis.

(j) “EDS” shall mean Electronic Data Systems Corporation, a Delaware corporation.

(k) “EDS Account Executive” shall mean an EDS account executive assigned to act as GLOBAL’s primary point of contact regarding this Agreement. Until EDS notifies GLOBAL otherwise, the EDS Account Executive shall be Timothy Cunnane.

(l) “EDS Owned Systems” shall mean EDS Systems that are owned by EDS, including, without limitation, MAS.

(m) “EDS Systems” shall mean any System utilized by EDS to provide the Base Services under this Agreement.

(n) “Effective Date” shall mean 12:01 a.m. Eastern Time, October 1, 2001.

(o) “Enhancement Services” shall mean those services described in Section 2.1(k) of this Agreement, relating to modifications of the MAS System.

(p) “Expiration Date” shall mean September 30, 2006.

(q) “Installation Date” shall mean the date on which GLOBAL completes the installation of the NDC Merchant Accounts to the Base Services.

(r) “MasterCard” shall mean MasterCard International, Incorporated.

(s) “MAS” shall mean EDS’ proprietary Merchant Accounting System.

(t) “License Agreements” shall mean the software license agreements between EDS and Global relating to (a) the MAS system and (b) the distribution and exception processing system.

(u) “Other Services” shall mean all services other than the Base Services described in Schedule A, and shall include without limitation (i) systems engineering and telecommunications engineering services not specifically described or referred to in Schedule A, (ii) special computer runs or reports, and special accounting information applications, (iii) data processing-related forms, supplies, and equipment, and (iv) custom or special enhancements to the EDS System.

(v) “Program” shall mean the information technology services for the merchant processing business of GLOBAL.

(w) “Services” shall mean Base Services and Other Services.

(x) “System” or “Systems” means and includes (i) computer programs, including without limitation software, firmware, application programs, operating systems, files and utilities, (ii) supporting documentation for such computer programs, including without limitation input and output formats, program listings, narrative descriptions, operating instructions and programming instructions, and (iii) the tangible media upon which such programs are recorded, including without limitation chips, tapes, disks and diskettes. “System” or “Systems” shall include computer programs and documentation, as described above, which exists as of the date of this Agreement as well as any future modifications, changes, additions, or enhancements throughout the term of this Agreement.

(y) “VISA” shall mean Visa U.S.A., Inc.

ARTICLE II.
AGREEMENT AND TERM

2.1 Agreement. Subject to the terms and upon the conditions specified in this Agreement, during the term of this Agreement EDS will supply to GLOBAL, and GLOBAL will purchase from EDS all of the third party provided Base Services requirements of GLOBAL.

2.2 Term. The term of this Agreement shall be for the period commencing on the Effective Date and ending on the Expiration Date or on such earlier date upon which this Agreement is terminated in accordance with the provisions of Sections 7.2, 7.3, or 7.4 of this Agreement. Notwithstanding the foregoing, GLOBAL shall be able to discontinue any of the Other Services at any time upon written notice to EDS. The term of this Agreement will automatically extend for a period of one (1) year after the Expiration Date and each subsequent one-year anniversary thereafter, unless GLOBAL gives EDS notice at least six (6) months prior to the date this Agreement would otherwise terminate that it does not wish to further extend the term of this Agreement; or EDS gives GLOBAL notice at least eighteen (18) months prior to the date this Agreement would otherwise terminate that it does not wish to further extend the term of this Agreement.

2.3 Marketing and Product Focus. The parties may work together to develop a joint marketing plan for the joint marketing and sales activities contemplated under the Purchase Agreement. In the event EDS establishes a product focus group, EDS will ensure that GLOBAL participates.

2.4 Advisory Panel. Promptly following the Effective Date, EDS and GLOBAL shall establish the Advisory Panel, which shall consist of the Account Executives and additional members each from EDS and GLOBAL as the parties shall determine. The Advisory Panel shall meet no less often than quarterly.

2.5 International Cooperation. GLOBAL and EDS agree to continue their ongoing good-faith discussions to extend their business relationship to international opportunities in appropriate circumstances, subject to agreement upon mutually acceptable terms and conditions by both EDS and GLOBAL.

ARTICLE III.
EDS OBLIGATIONS AND REPRESENTATIONS

3.1 Base Services. Except as otherwise provided in Section 3.1.1, during the term of this Agreement, EDS will be the exclusive third party provider to GLOBAL of Base Services, In connection with the provision of Base Services hereunder, EDS will:

(a) Operate the appropriate equipment and EDS Systems so as to furnish (i) daily and other periodic reports listed in the documentation relating to the Services (examples of which have been provided to GLOBAL prior to the Effective Date), and (ii) such other reports as may reasonably be requested from time to time by GLOBAL, subject to the limitations of the EDS Systems and available EDS personnel, and subject to the imposition of additional charges for custom reports.

(b) Provide in a timely manner the information necessary to enable GLOBAL's customers to settle or cause to be settled all merchant account transactions with the appropriate networks.

(c) Electronically accept input and deliver output of data at EDS's designated locations.

(d) Make routine modifications and ordinary day-to-day changes and corrections to the EDS Owned Systems and make routine modifications and ordinary changes and corrections to all other EDS Systems as soon as practicable after EDS receives same.

(e) Store and safeguard magnetic tapes and disc packs containing data of GLOBAL or of GLOBAL's customers in accordance with the data integrity safeguards specified in Section 6.2.

(f) Provide GLOBAL with one (1) complete electronic set of Documentation used by EDS in performing the Base Services, together with updates as they are developed by EDS.

(g) With the cooperation of GLOBAL, develop, maintain and, as necessary in the event of a disaster, execute a disaster recovery plan in accordance with Section 6.7.

(h) Perform the Services in accordance with the Service Levels ("Service Levels"), which are set forth on Schedule B. EDS shall provide GLOBAL on or before the tenth day of each month with a report demonstrating how EDS performed against each of the Service Levels during the prior month. Until otherwise agreed, Service Levels shall in all cases be at least equal to EDS' actual monthly average performance levels as measured during the three (3) months prior to the Effective Date.

(i) In accordance with the terms of Section 5.5, at no additional cost to GLOBAL other than as provided in Schedule A, perform conversion services to convert GLOBAL's existing and future portfolio of merchant accounts to EDS' Systems.

3.1.1 It is understood and agreed that the exclusivity provisions of this Agreement relative to EDS as GLOBAL's exclusive third party provider of Base Services shall not apply in the following instances:

(a) Where (i) Base Services are provided under an existing agreement with another third party service provider, or (ii) GLOBAL acquires merchant accounts that are subject to other contractual requirements relative to the provision of Base Services to such accounts that GLOBAL is in its sole judgment unable to terminate.

(b) Where GLOBAL enters into a joint venture or alliance with another party in which the merchant and/or cardholder accounts are subject to other contractual requirements relative to the provision of Base Services to such accounts that GLOBAL is in its sole judgment unable to terminate.

3.2 Other Services. GLOBAL may from time to time request Other Services. All Other Services provided to GLOBAL will be billed at the price set forth in Schedule A or, if not, at a mutually agreeable price. To obtain Other Services which are not mentioned on Schedule A, GLOBAL shall present to EDS a written proposal or inquiry. EDS shall respond in writing to such proposal or inquiry within twenty (20) business days after receipt thereof. If EDS indicates it is willing and able to undertake to provide such Other Services, EDS and GLOBAL shall specify in detail such Other Services in one or more written addenda to this Agreement. Unless otherwise agreed in advance, EDS shall own the intellectual property rights to the products of such Other Services, and all development projects will be performed in accordance with the procedures prescribed in EDS's then-current Systems Life Cycle. Notwithstanding the foregoing, EDS shall assign its copyrights exclusively to GLOBAL for all code developed by EDS specifically for GLOBAL as enhancements or modifications to the MAS system and the distribution and exception processing system for the purpose of providing Services to GLOBAL hereunder.

3.3 Training. In the event GLOBAL requests that EDS conduct any training concerning the use of EDS' procedures, systems, and reports and EDS is willing to do so, EDS will conduct such training as an Other Service.

3.4 Operating Instructions, System Changes. GLOBAL agrees to comply with and to cause its customers to comply with all operating instructions pertaining to the Services as issued by EDS from time to time provided that any such change does not require a material change in the way GLOBAL or its customers does business. In order to continuously improve the efficiency and quality of the Services, EDS reserves the right to make such software, hardware, and operational changes as it shall reasonably deem necessary provided that any such change does not require a material change in the way GLOBAL or its customers does business.

GLOBAL shall be notified in advance of any changes affecting the Services to GLOBAL. GLOBAL acknowledges that EDS shall provide the Services using such software, whether owned by EDS or others, as EDS in its sole discretion determines appropriate for GLOBAL's business requirements, so long as any change due to such determination has no adverse effect upon the business of GLOBAL or its customers.

3.5 EDS will (i) comply with (A) all state and federal laws and regulations which affect the Program, (B) applicable by-laws and regulations of VISA, Visa International and MasterCard, and (c) EDS' operating policies and procedures set forth in the Documentation.

3.6 EDS Account Executive. EDS shall assign to GLOBAL an EDS Account Executive who shall be responsible for directing all EDS activities affecting the provision of information technology services hereunder. The EDS Account Executive shall also work with GLOBAL to establish priorities for the information technology services provided hereunder.

3.7 GLOBAL's Rights to Use EDS Systems. EDS previously granted to GLOBAL a nonexclusive license to use the MAS System in the United States and a non-exclusive license to use the distribution and exception processing system. Subject to the terms of such licenses, EDS Systems shall be and remain the property of EDS, and, subject to the licenses which may be granted pursuant to the License Agreements, GLOBAL shall have no rights or interest therein, except as set forth in this Agreement or in the License Agreements. Immediately upon execution of this Agreement, EDS will provide the most current source code and object code versions of the MAS System Software. At least nine (9) months before the termination of this Agreement in accordance with the terms hereunder, EDS will provide a copy of the then current source code and object code versions of the MAS System software and the distribution and exception processing system software, including any updates, changes or modifications. Immediately upon termination of this Agreement, EDS will provide a copy in both the object code and source code versions of any updates, changes, or modifications that have been made between the copy provided pursuant to the foregoing sentence and the termination of the license agreement. Further, GLOBAL shall keep confidential the Systems and shall not permit the Systems to be copied or reproduced, used or transferred, in whole or in part, by or to any other person, firm, or corporation, at any time except as allowed hereunder or pursuant to the License Agreements. In the event GLOBAL violates this Section 3.9, EDS shall be entitled to preliminary injunctive relief and other injunctive relief against any such violation. Such injunctive relief shall be in addition to, and in no way in limitation of, any and all remedies or rights to recover damages EDS shall have at law or in equity for the enforcement of the above agreements. It is understood and agreed that the License Agreements shall apply not only to the Licensed Programs in their current form, but shall include all enhancements, modifications and derivative works produced by EDS for processing GLOBAL's accounts hereunder during the term of this Agreement but that GLOBAL shall own any enhancements, modifications, or derivative works which were developed by EDS specifically for GLOBAL or developed by GLOBAL as enhancements or modifications to the MAS system and the distribution and exception processing system for the purpose of providing Services to GLOBAL hereunder.

3.8 Warranties. EDS warrants and represents that the EDS Systems will perform in accordance with the provisions of Section 3.5, the Service Levels, the specifications set forth in this Agreement, the License Agreements, and the Documentation applying to such Systems. EDS warrants that its computer data integrity safeguards (such as access codes, passwords, and anti-virus programs) are consistent with industry standards and comply with all of the guidelines and requirements of MasterCard, Visa, state, local and federal laws and government regulatory authorities supervising EDS, GLOBAL and GLOBAL's customers and banks. EXCEPT AS SPECIFICALLY PROVIDED HEREIN, EDS MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, TO GLOBAL OR TO ANY OTHER PERSON OR ENTITY REGARDING THE MERCHANTABILITY, SUITABILITY, FITNESS FOR A PARTICULAR USE OR PURPOSE OR OTHERWISE OF THE EDS SYSTEMS OR ANY OF THEM, OR OF ANY INFORMATION TECHNOLOGY SERVICES OR MATERIALS PROVIDED HEREUNDER.

3.9 EDS Representations and Warranties. EDS hereby represents and warrants to GLOBAL that:

(a) EDS is a corporation duly organized, validly existing and in good standing under the laws of Delaware. It has all requisite corporate power, franchises, licenses, permits, and authority to carry on its business as such business has been and is being conducted currently.

(b) EDS has all requisite corporate power and authority to enter into, execute, and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and binding obligation of EDS enforceable in accordance with its terms, except as enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws relating to or affecting the enforcement of creditors' rights and except that the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the equitable discretion of the courts.

3.10 EDS Obligation to Fund Settlement. If, due to the failure of EDS to perform under this Agreement, GLOBAL does not receive funding through the MasterCard and VISA interchange system in a timely fashion and GLOBAL is therefore unable to fund its settlement accounts, EDS hereby agrees to advance to GLOBAL funds sufficient for such purpose at no cost to GLOBAL until such time as GLOBAL does receive such funds, whereupon GLOBAL will return such funds to EDS on the next Business Day.

3.11 Forms. GLOBAL will be responsible to provide all forms needed by GLOBAL hereunder.

ARTICLE IV.
GLOBAL OBLIGATIONS AND REPRESENTATIONS

4.1 GLOBAL Obligations. In connection with the services provided by EDS hereunder, GLOBAL will, in addition to its other obligations hereunder, perform in a timely manner the following obligations:

(a) GLOBAL is solely responsible for determining what telecommunications lines and equipment, including terminals and control units, data lines, and any other equipment, may be required for EDS to perform services hereunder. Once such determinations are made, GLOBAL shall arrange for procurement, operation, installation, and maintenance of such equipment at EDS's facility or reimburse EDS for such services at GLOBAL's option. EDS shall be responsible for the connection of the telecommunication equipment to the EDS computer systems and implementation of required protocols. EDS shall support industry standard X25, TCP/IP, SNA and NDM file transfer mechanisms. EDS shall cooperate in implementing new or revised protocols that become accepted and widely used during the contract period. EDS shall provide necessary local operational monitoring and cooperate in maintenance and installation processes. All equipment provided by GLOBAL shall be compatible with EDS's Systems.

(b) GLOBAL will distribute, inspect, and review all reports created from information transmitted or delivered by EDS and reject all incorrect reports within ten (10) Business Days after receipt thereof for daily reports and within ten (10) Business Days after receipt thereof for other than daily reports. Notwithstanding the foregoing time limits, GLOBAL shall promptly inform EDS of any errors, deficiencies, or irregularities reflected in any such statements that GLOBAL discovers. Failure to so reject any report collected from such information shall constitute acceptance thereof. In the event GLOBAL does not meet the foregoing time limits, GLOBAL shall pay EDS its cost of retrieval for any data GLOBAL requests.

(c) GLOBAL will cooperate with EDS to accommodate any reasonable changes or modifications to the EDS Systems which may occur from time to time as long as those changes do not adversely impact GLOBAL operations or GLOBAL's customers. EDS will coordinate with GLOBAL before scheduling any system changes that have visibility to GLOBAL or its customers. EDS will reimburse Global for any reasonable costs or lost time associated with these changes.

(d) GLOBAL will (i) comply with (A) all state and federal laws and regulations which affect the Program, (B) applicable by-laws and regulations of VISA, Visa International and MasterCard, and (c) EDS' operating policies and procedures set forth in the Documentation, (ii) use written material, advice and technical information provided by EDS in connection with the Program, (iii) be solely responsible for all collections of its accounts receivable, (iv) except due to EDS' nonperformance, negligence or intentional wrongdoing, bear all losses from uncollected accounts receivable, all costs or expenses incurred in connection with the collection of accounts, and costs or expenses incurred in connection with accounts with respect to which there is any controversy, claim, or dispute, and (v) arrange for such action as may be appropriate or necessary because of misuse or abuse in the use of any account opened or accepted by it, and other terms and conditions applicable to transactions effected through it.

(e) GLOBAL is responsible for the quality and accuracy of all data input to EDS and will insure that such data are organized in the proper input sequence and format as specified in writing by EDS and mutually agreed by GLOBAL. Any data submitted by GLOBAL or by any of GLOBAL's customers for processing which are incorrect, illegible, or otherwise not in proper form may be, at EDS' option, returned to GLOBAL for correction before processing. In the event GLOBAL or its customer fails to furnish its data to EDS in the form and in accordance with the schedule agreed upon, EDS will use all reasonable efforts to reschedule and process the work as promptly as possible, it being understood that all expenses to EDS occasioned by such failure will be borne by GLOBAL. Notwithstanding the foregoing, this paragraph shall not be applicable for the six months immediately following the Effective Date, and during such time EDS shall give GLOBAL reasonable assistance in complying with this paragraph.

(f) In the event that GLOBAL merges or consolidates with any other person or entity, the result of which is that GLOBAL is not the surviving entity, the obligations and liabilities under this Agreement shall survive and be binding upon EDS and such successor with respect to the Services then being provided by EDS. In the event GLOBAL assumes additional processing business requiring Base Services, as soon as practicable consistent with the terms of Section 3.1.1 hereof and any data processing contracts that GLOBAL is required to assume in connection with such acquisition, EDS shall provide the Base Services therefore and any Other Services as reasonably requested by GLOBAL.

(g) GLOBAL will be responsible for conducting a training program adequate to train its employees in the use and operation of the EDS Systems and Services. GLOBAL will cooperate with EDS in the scheduling of such training consistent with the conversion of GLOBAL's accounts to the EDS Systems.

(h) GLOBAL will be solely responsible for providing EDS with the information regarding the BINS and ICAs used to settle all accounts to be processed by EDS under this Agreement as reasonably necessary for EDS to process hereunder.

(i) Subject to the exceptions described in Section 3.1.1, GLOBAL shall purchase from EDS all third party provided Base Services requirements of GLOBAL during the term of this Agreement.

4.2 GLOBAL Account Executive. GLOBAL shall designate the GLOBAL Account Executive who shall be responsible for directing, insofar as EDS is concerned, all activities of GLOBAL affecting the provision of information technology services hereunder. The GLOBAL Account Executive shall also work with EDS to establish GLOBAL priorities for the information technology services provided hereunder.

4.3 GLOBAL Representations and Warranties. GLOBAL hereby represents and warrants to EDS that:

(a) GLOBAL is a limited liability company duly organized, validly existing and in good standing under the laws of Georgia. It has all requisite corporate power, franchises, licenses, permits, and authority to carry on its business as such business has been and is being conducted currently.

(b) GLOBAL has all requisite corporate power and authority to enter into, execute, and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and binding obligation of GLOBAL enforceable in accordance with its terms, except as enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws relating to or affecting the enforcement of creditors' rights and except that the remedy of specific performance and injunctive relief may be subject to equitable defenses and to the equitable discretion of the courts.

ARTICLE V.
PAYMENTS TO EDS

5.1 Transaction Payments. For each month during the term of this Agreement, GLOBAL shall pay EDS the transaction charges for Base Services as specified inSchedule A hereto.

5.2 Charges for Other Services. Upon receipt by EDS of a request by GLOBAL for Other Services, EDS shall so advise GLOBAL of the charges therefore unless such charges are provided on Schedule A. Upon GLOBAL's agreement to pay such charges, EDS shall provide the requested Other Services in accordance with Section 3.2 hereof. EDS shall not have the right to increase any of the prices on Schedule A during the term of this Agreement except that pass throughs (including but not limited to the compensation for the Dedicated SE's used to provide Services hereunder) will increase or decrease depending on the actual costs incurred GLOBAL shall pay for all such Other Services on a calendar month basis.

5.3 Reruns. GLOBAL shall pay the reasonable charges of EDS for reruns necessitated by incorrect or incomplete data or erroneous instructions supplied to EDS by GLOBAL or its customers or agents, and for correction of programming, operator, and other processing errors caused by GLOBAL, its employees, customers or agents.

5.4 Payment.

(a) All amounts payable to EDS pursuant to this Agreement shall be paid by electronic funds transfer to EDS from GLOBAL's account at the Bank designated for such purpose. EDS will provide GLOBAL a monthly invoice and GLOBAL within five (5) days shall authorize a wire transfer of all undisputed sums due under such invoice.

(b) Any amount due EDS hereunder for which a time for payment is not otherwise specified shall be due and payable within thirty (30) days after receipt by GLOBAL of an invoice therefore from EDS.

(c) Any amount due EDS hereunder that is not paid when due shall thereafter bear interest until paid at a rate of interest equal to the lesser of eighteen percent (18%) per annum determined on a three hundred sixty (360) day year or the maximum non-usurious rate of interest allowed by applicable law.

(d) Once the bank accounts are separated, in the event EDS submits an incorrect invoice it shall only have 90 days to correct it or GLOBAL shall be entitled to rely on such invoice as being correct.

5.5 Taxes. There shall be added to any charges under this Agreement, and GLOBAL shall pay to EDS, amounts equal to any taxes, however designated or levied, based upon such charges, or upon this Agreement, including state and local privileges or excise taxes based on gross revenue, sales and use taxes, and any taxes or amounts in lieu thereof paid or payable by EDS in respect of the foregoing, exclusive, however, of franchise taxes and taxes based on the net income of EDS.

5.6 Termination Fee.

(a) In the event that EDS terminates this Agreement pursuant to Sections 7.2(c), 7.3, or 7.4 hereof or that GLOBAL terminates this Agreement in breach of Section 7.2(a) hereof, the parties agree that

EDS's damages resulting from the breach will be difficult if not impossible to ascertain. Such damages may include without limitation deconversion costs, personnel and administrative costs, dedicated computer time, equipment, office space, supplies, printing and microfiche costs, telecommunications, audit costs, training costs, software, damages to contracts and leases with third parties, lost profits, and maintenance costs.

(b) If EDS terminates this Agreement pursuant to Section 7.2(c), 7.3, or 7.4 hereof or if GLOBAL terminates this Agreement in breach of Section 7.2(a) hereof, then in lieu of all other damages to which EDS may be entitled, except for payment obligations for information technology services already provided hereunder (or that EDS may continue to provide), which shall be an additional cost, GLOBAL shall (subject to Section 5.6(e) remit to EDS within thirty (30) days of the date of the termination a termination fee equal to the sum of the following:

(i) One Hundred Twenty-Five percent (125%) of the reasonable costs (both out-of-pocket and internal) of EDS incurred in connection with such termination; and

(ii) (x) If termination occurs prior to the end of five years following the Installation Date, Twenty-Five percent (25%); or (y) thereafter, twelve-and-one-half percent (12.5%) of the revenues EDS would have received in the absence of such termination, which revenues shall be calculated by multiplying (A) the average of the monthly revenues received by EDS pursuant to this Agreement in the preceding six (6) months, by (B) the number of months remaining before the Expiration Date.

(c) If GLOBAL terminates this Agreement pursuant to Sections 7.2(b) or 7.4(b) hereof, or if EDS terminates this Agreement in violation of Section 7.2(a) hereof, then, in addition to all other damages suffered by GLOBAL and recoverable under this Agreement, which shall be an additional cost, EDS shall remit to Global within thirty (30) days after receipt of GLOBAL's invoice, a termination fee equal to one hundred twenty-five percent (125%) of all reasonable costs incurred by GLOBAL in connection with the termination of services hereunder and the conversion to another source of comparable services.

(d) The termination fees provided for herein are hereby agreed by the parties hereto to be a reasonable amount of liquidated damages to compensate EDS for its termination expenses, lost profits, and all other damages under the circumstances in which such termination fees would be payable.

(e) Notwithstanding anything contained in this Agreement to the contrary, in the event this Agreement is terminated in accordance with its terms (other than termination by EDS as the result of a breach of this Agreement by GLOBAL for non-payment) prior to the expiration of the initial five (5) year term, EDS shall pay GLOBAL the amount described in Schedule C.

5.9 Direct Settlement**.** No later than 180 days after GLOBAL's last transaction is processed through the Key Bank settlement account—EDS will close the bank account and any trailing activity related to GLOBAL will be the responsibility of GLOBAL, the member institutions and the appropriate card companies.

ARTICLE VI.
SAFEGUARDING OF GLOBAL DATA, CONFIDENTIALITY, AND AUDIT RIGHTS

6.1 Ownership and Use of Data. GLOBAL's data (which shall include any data of GLOBAL, its parents, direct and indirect affiliates, direct and indirect subsidiaries and all of their customers held, maintained, or processed by GLOBAL or EDS)shall remain GLOBAL's property. Immediately upon termination of this Agreement (provided that GLOBAL shall have paid to EDS all amounts owing hereunder) or, with respect to any particular data, on such earlier date that EDS reasonably determines that it no longer requires the data in order to render services hereunder, EDS shall, at the written direction of GLOBAL, either erase

such data from the data files maintained by EDS or return the data to GLOBAL. EDS shall not utilize GLOBAL's data for any purpose other than for rendering services to GLOBAL under this Agreement.

6.2 Safeguarding Data Integrity. EDS will maintain internal computer data integrity safeguards (such as access codes, passwords and anti-virus programs) to protect against the deletion or alteration of GLOBAL's data in the possession of EDS consistent with those that are from time to time generally applicable to EDS information processing centers. Upon payment by GLOBAL of any fees that EDS incurs, EDS shall provide such additional internal computer data integrity safeguards as GLOBAL reasonably requests.

6.3 EDS System Ownership. GLOBAL acknowledges that, except pursuant to the terms of the License Agreement and this Agreement, the Systems, including computer programs, documentation, forms, and other system materials used by EDS to provide the Services, are the proprietary information and trade secrets of EDS or, with respect to Systems licensed by third party licensors, such licensors, and any disclosure thereof to third parties will result in substantial monetary loss and irreparable damage to EDS. Accordingly, GLOBAL agrees not to disclose such materials to any third party, and to treat the same confidentially and to safeguard them using the same care and discretion which GLOBAL uses with materials it regards as confidential. Except as otherwise provided herein and in the License Agreements, all computer tapes, disks, programs, specifications, and enhancements developed in connection with the Services are and shall remain at all times during and after the term of this Agreement the exclusive property of EDS, and GLOBAL hereby assigns all its rights, title, and interest, if any, in such tapes, disks, programs, specifications and enhancements to EDS.

6.4 Confidentiality.

(a) Except as otherwise provided herein, EDS and GLOBAL each agree that all confidential information and trade secrets communicated to it by the other, whether before or after the Effective Date, shall be and were received in strict confidence, shall be used only for purposes of this Agreement, and that no such information shall be disclosed by the recipient party, its agents or employees without the prior consent of the other party, except as may be necessary by reason of legal, accounting, or regulatory requirements beyond the reasonable control of the recipient party. The provisions of this Section 6.4 shall survive termination of this Agreement for any reason.

(b) In the event that GLOBAL's data or the EDS Systems or any part thereof should come into the possession of one or more unauthorized third parties as a result of a breach of this Article VI, the breaching party shall, at its own expense, use its best efforts to retrieve such data or systems and, in any event, shall reimburse the non-breaching party for all reasonable expenses incurred in connection with its retrieval efforts. In addition to any remedies the non-breaching party may have, including without limitation remedies set forth in this Agreement, the non-breaching party shall be entitled to appropriate injunctive relief against the breaching party and to prevent any other or further unauthorized use or disclosure thereof or to require the return thereof and shall be entitled to recover from the breaching party reasonable attorney's fees and other costs of obtaining such injunctive relief, it being stipulated that such breach would cause irreparable harm to the non-breaching party for which no adequate remedy at law exists.

(c) The obligations imposed upon either party in this Section 6.4 shall not apply to Information:

(1) which becomes available to the public through no wrongful act of the receiving party; or

(2) which may be published prior to the date hereof, or

(3) which is already in the possession of the receiving party and not subject to an existing agreement of confidence between the parties; or

(4) which is received from a third party without restriction and without breach of this Agreement; or

(5) which is independently developed by the receiving party; or

(6) which is disclosed pursuant to a requirement or request of a government agency or a court of competent jurisdiction.

6.5 Security.

(a) EDS will employ controlled access systems, twenty-four hour on-site personnel, and alarm systems in EDS locations in which services are performed hereunder by EDS for GLOBAL.

(b) Except as provided in Section 6.6 hereof, without the prior consent of EDS, no employee, agent, contractor, or invitee of GLOBAL shall operate or assist in operating equipment or Systems to be utilized by EDS hereunder, or enter any room where any such equipment or Systems are located. Employees, agents, contractors, and invitees of EDS shall comply with the reasonable rules of GLOBAL with respect to access to GLOBAL's offices, data and data files.

6.6 Audit Rights. EDS shall provide GLOBAL's internal and external auditors and any inspectors or agents from any bank or regulatory body exercising jurisdiction over banks or customers served by GLOBAL's business, copies of all third party audits and examination reports (excluding those prepared by regulatory examiners) and grant such auditors, inspectors or agents reasonable access to visit the data centers from which EDS provides Services hereunder for the purpose of performing audits or inspections of GLOBAL or any bank or customer served by GLOBAL. EDS will provide to such auditors, inspectors, and agents all such assistance as they may reasonably require, rendered in connection with any such audit or inspection. For extraordinary assistance, GLOBAL shall pay EDS at EDS' then current commercial billing rates for similar services.

6.7 Contingency Planning. The parties' responsibilities with respect to contingency planning will be as follows:

(a) EDS will develop, maintain and, as necessary in the event of a disaster, execute a disaster recovery plan (the "EDS Plan") for the EDS location from which EDS provides Services hereunder (the "EDS Data Center") and will provide to GLOBAL and its auditors and inspectors such access to the EDS Plan as GLOBAL may reasonably request from time to time. EDS will not be required to provide access to information of other EDS customers. EDS will test the EDS Plan at least once every twelve (12) months and provide GLOBAL with a copy of the SAS 70 report showing the results of such test.

(b) GLOBAL will develop, maintain and, as necessary in the event of a disaster, execute a business resumption plan (the "GLOBAL Plan") for the GLOBAL locations and the telecommunications links between the GLOBAL locations and the EDS Data Center relating to the contracts and business being acquired by GLOBAL from EDS under the Purchase Agreement and will provide to EDS such access to the GLOBAL Plan as EDS may reasonably request from time to time.

(c) EDS will provide to GLOBAL such information as may be reasonably required for GLOBAL to assure that the GLOBAL Plan is compatible with the EDS Plan. Each party will reasonably cooperate with the other to comply with each other's Plan.

(d) Each party will be responsible for the training of its own personnel as required in connection with all applicable contingency planning activities.

(e) Each party's contingency planning activities will comply, as appropriate, with such of the following regulatory policies as may be applicable to GLOBAL's business, as the same may be amended or replaced from time to time:

Federal Deposit Insurance Corporation Bank Letter BL-22-88 dated July 14, 1989

Federal Reserve System Supervision and Regulation Number SR-89-16 dated August 1, 1989

Office of the Comptroller of the Currency Banking Circular Number BC 177 dated July 12, 1989

Office of Thrift Supervision Bulletin Number TB30 dated July 19, 1989

If compliance with any amendments or replacements of the policies listed above would significantly increase or decrease EDS' cost of providing Services, the parties shall review the pricing hereunder.

ARTICLE VII.
TERMINATION

7.1 Dispute Resolution. In the event of any dispute, controversy, or claim with respect to the interpretation of any provision of this Agreement or the performance by EDS or by GLOBAL hereunder, the following procedures will be followed:

(a) Upon the written request of either parry, each of the parties will appoint a representative who does not devote substantially all of his or her time to performance under this Agreement, whose task it will be to meet for the purpose of endeavoring to resolve such dispute. The representatives will meet for the purpose of negotiating in good faith to resolve such dispute without resort to formal proceedings. During the course of such negotiation, the parties will comply with all reasonable requests for access to relevant information. Mediation of such dispute, controversy, or claim in accordance with Section 7.1 (b) may not be commenced until the earlier of (i) both representatives concluding in good faith that amicable resolution through continued negotiation of the matter in issue does not appear likely, or (ii) forty-five (45) days after the initial request to negotiate such dispute. All discussions and negotiations between such representatives shall be deemed privileged and confidential communications and accorded full privilege as if made through each party's attorneys.

(b) Any dispute, controversy, or claim which relates in any way to this Agreement and which has not been resolved by the parties using the informal dispute resolution process described in Section 7.1(a) above shall be referred for mediation to a mediator selected from the list of qualified mediators maintained by the association of attorney mediators in the locale agreed upon by the parties for the conduct of such mediation, which mediator shall be selected by mutual consent of the parties. Such mediation shall not be binding upon the parties unless the parties agree in writing to any settlement arising from such mediation. Costs of the third party conducting the mediation shall be borne equally by the parties. The fact that mediation has or may be commenced shall not impair the exercise of any termination rights in accordance with the provisions of this Agreement.

7.2 Termination for Cause.

(a) Except as provided in Section 7.2(b) and 9.7 of this Agreement, neither EDS nor GLOBAL shall terminate this Agreement prior to the Expiration Date.

(b) In the event that EDS shall materially default in the performance of any of its duties or obligations hereunder, which default shall not be substantially cured within twenty (20) Business Days after notice is given to EDS specifying the default, then GLOBAL may, by giving notice thereof to EDS, terminate this Agreement for cause as of a date specified in such notice of termination.

(c) In the event that GLOBAL shall materially default in the performance of any of its duties or obligations hereunder (except for a default in payments to EDS), which default shall not be substantially cured within twenty (20) Business Days after notice is given to GLOBAL specifying the default, then EDS may, by giving notice thereof to GLOBAL, terminate this Agreement for cause as of a date specified in such notice of termination. In the event that GLOBAL materially

defaults in performance of any of its duty hereunder and EDS elects to terminate the Agreement in accordance with the provisions hereof, EDS shall be entitled to the same liquidated damages EDS would be entitled under Section 5.8 if GLOBAL had terminated this Agreement before the Expiration Date.

7.3 Termination for Nonpayment. In the event that GLOBAL defaults in the payment when due of any amount due to EDS hereunder and does not cure such default within ten (10) Business Days after being given notice of such default, then EDS may, by giving notice thereof to GLOBAL, terminate this Agreement as of a date specified in such notice of termination.

7.4 Termination for Insolvency.

(a) In the event that GLOBAL becomes or is declared insolvent or bankrupt, is the subject of any proceedings related to its liquidation, insolvency, or for the appointment of a receiver, conservator, or similar officer for it, makes an assignment for the benefit of all or substantially all of its creditors, or enters into an agreement for the composition, extension, or readjustment of all or substantially all of its obligations, then the liquidator, trustee, receiver, conservator, new owner, manager, or other agent or representative shall have sixty (60) days to notify EDS that it is terminating the Agreement as of a date within such sixty (60) day period. If EDS is not so notified, this Agreement shall not be terminated, but shall continue on all of the terms and conditions stated herein, including, without limitation, the payment terms specified in Article V. All services provided to GLOBAL by EDS pursuant to this Agreement shall be deemed to be administrative expenses in the event of GLOBAL's insolvency or bankruptcy or the appointment of a receiver, conservator, or similar officer for GLOBAL.

(b) In the event that EDS becomes or is declared insolvent or bankrupt, is the subject of any proceedings related to its liquidation, insolvency, or for the appointment of a receiver, conservator, or similar officer for it, makes an assignment for the benefit of all or substantially all of its creditors, or enters into an agreement for the composition, extension, or readjustment of all or substantially all of its obligations, then the liquidator, trustee, receiver, conservator, new owner, manager, or other agent or representative shall have sixty (60) days to notify EDS that it is terminating the Agreement as of a date within such sixty (60) day period. If GLOBAL is not so notified, this Agreement shall not be terminated, but shall continue on all of the terms and conditions stated herein, including, without limitation, the payment terms specified in Article V.

7.5 Rights Upon Termination. Upon termination of this Agreement and payment in full of all amounts due EDS from GLOBAL, EDS shall provide all of GLOBAL's master files in its possession to GLOBAL in the machine-readable format and on media of EDS' choice. Subject to the provisions of the License Agreement, GLOBAL shall promptly return to EDS all copies of the EDS System and documentation of the EDS System in GLOBAL's possession and completely erase the EDS System and all elements thereof from its computer system and, upon EDS' request, shall execute and deliver to EDS a written certification that GLOBAL has complied with the provisions of this Section 7.5 and no longer retains any material relating to the EDS System.

ARTICLE VIII.
INDEMNITIES AND LIABILITY

8.1 Cross Indemnity. EDS and GLOBAL each agree to indemnify, defend and hold harmless the other from any and all claims, actions, damages, liabilities, costs, and expenses, including without limitation reasonable attorneys' fees and expenses, arising out of (i) death or bodily injury of any agent, employee, customer, business invitee or business visitor of the indemnitor, or (ii) the damage, loss or destruction of any property (other than GLOBAL data) of the indemnitor.

8.2 Correcting Defects. In the event that any services provided to GLOBAL are inaccurate, incomplete, incorrect, or otherwise defective due primarily to EDS' fault or negligence, EDS shall, at GLOBAL's option, either correct such defect without charge to GLOBAL or effect an equitable reduction of the price paid or payable

for the services to which such defect relates, provided that EDS has received written notice of such defect from GLOBAL within twenty (20) Business Days from the date of which the GLOBAL become aware of, or should have become aware of, such defect.

8.3 Limitation of Liability. Except as provided in Sections 3.12, 8.1 or 8.4, in the event EDS shall be liable to GLOBAL on account of EDS' performance or nonperformance of its obligations under this Agreement, whether arising by negligence, willful misconduct, or otherwise, (a) the amount of damages recoverable against EDS for all events, acts, or omissions shall not exceed an amount equal to the lesser of (i) twelve (12) times the aggregate monthly compensation payable by GLOBAL to EDS pursuant to Section 5.1 hereof for the month preceding the month in which such damages first arose, or (ii) Ten Million Dollars ($10,000,000.00) and (b) the measure of damages shall not include any amounts for indirect, consequential, or punitive damages of any party, including third parties. Further, no cause of action which accrued more than three (3) years prior to the filing of a suit alleging such cause of action may be asserted by either party against the other. In connection with the conduct of any litigation with third parties relating to any liability of EDS to GLOBAL or GLOBAL to EDS or to such third parties, EDS and GLOBAL, respectively, shall have all rights (including the right to accept or reject settlement offers and to participate in such litigation) which are appropriate to its potential responsibilities or liabilities.

8.4. Infringement Indemnity. EDS and Global each shall indemnify, defend, and hold harmless the other from and against any and all claims, actions, damages, liabilities, costs, and expenses, including reasonable attorneys' fees and expenses, arising out of any claim or claims of infringement by the indemnitor of any United States letters patent, trade secret, copyright, trademark, service mark, trade name, or similar proprietary right conferred by common law or any law of the United States or any state alleged to have occurred because of action taken or not taken by the indemnitor.

8.5 Procedures**.** The indemnification obligations set forth in thisSection 8 will not apply unless the party claiming indemnification: (i) notifies the other promptly in writing of any claims in respect of which the indemnity may apply and of which the notifying party has knowledge in order to allow the indemnitor the opportunity to investigate and defend the matter; provided, however, that the failure to so notify will only relieve the indemnitor of its obligations under thisSection 8 if and to the extent that the indemnitor is prejudiced thereby; and (ii) gives the other party full opportunity to control the response thereto and the defense thereof, including any agreement relating to the settlement thereof; provided, however, that the indemnitee will have the right to participate in any legal proceeding to contest and defend a claim for indemnification involving a third party and to be represented by legal counsel of its choosing, all at the indemnitee's cost and expense. However, if the indemnitor fails to promptly assume the defense of the claim, the party entitled to indemnification may assume the defense at the indemnitor's cost and expense. The indemnitor will not be responsible for any settlement or compromise made without its consent, unless the indemnitee has tendered notice and the indemnitor has then refused to assume and defend the claim and it is later determined that the indemnitor was liable to assume and defend the claim. The indemnitee agrees to cooperate in good faith with the indemnitor at the request and expense of the indemnitor.

ARTICLE IX.
MISCELLANEOUS

9.1 Right of EDS to Perform Services for Others. EDS may perform data processing services for third parties at any EDS information processing center that EDS may utilize for processing GLOBAL's data provided that EDS does not violate any non-compete provision contained in the Asset Purchase Agreement.

9.2 Hiring of Employees. During the term of this Agreement and for a period of 12 months thereafter, neither party will solicit, directly or indirectly, for employment or employ any employee of the other (including an employee of a parent, direct or indirect affiliate, or direct or indirect subsidiary of either party) who is or was involved in the performance of such party's obligations hereunder without the prior written consent of the other.

9.3 Notices. All notices under this Agreement will be in writing and will be deemed to have been duly given if delivered personally or by a nationally recognized courier service, faxed or mailed by registered or certified mail, return receipt requested, postage prepaid, or by regular mail to the parties at the addresses set forth below. All notices under this Agreement that are addressed as provided in this Agreement, (a) if delivered personally or by a nationally recognized courier service, will be deemed given upon delivery, (b) if delivered by facsimile, will be deemed given when confirmed as having been received by the receiving party (c) if delivered by mail in the manner described above, will be deemed given on the fifth business day after the day it is deposited in a regular depository of the United States mail, and (d) if delivered by regular mail, will be deemed given upon actual receipt by the receiving party. Either party may change its address or designee for notification purposes by giving notice to the other of the new address or designee and the date upon which such change will become effective. In the case of EDS:

Electronic Data Systems Corporation
5400 Legacy Drive
Plano, Texas 75024

Attn: General Manager – Financial Process Management

With a copy to:

Electronic Data Systems Corporation
5400 Legacy Drive
Plano, Texas 75024

Attn: EDS LEGAL AFFAIRS DEPARTMENT

In the case of GLOBAL:

GLOBAL PAYMENT SYSTEMS, LLC
4 Corporate Square
Atlanta, Georgia 30329-2010
Attention: Corporate Secretary

Either party may from time to time change its address for notification purposes by giving the other prior notice of the new address and the date upon which it will become effective.

9.4 Counterparts. This Agreement may be executed in one or more counterparts for the convenience of the parties hereto, all of which taken together shall constitute one single agreement between the parties hereto.

9.5 Relationship of Parties. EDS, in furnishing services to GLOBAL hereunder, is acting only as an independent contractor. EDS does not undertake by this Agreement or otherwise to perform any obligation of GLOBAL, whether regulatory or contractual, or to assume any responsibility for GLOBAL's business or operations. EDS has the sole right and obligation to supervise, manage, contract, direct, procure, perform or cause to be performed, all work to be performed by EDS hereunder unless otherwise provided herein.

9.6 Notices, Approvals and Similar Actions. Where notice, agreement, approval, acceptance, consent or similar action by either party hereto is permitted or required by any provision of this Agreement, such action shall not be effective unless in writing signed by the party against whom such action is sought to be enforced. All requests and designations hereunder shall not be effective unless in writing. Any approval required by any provision of this Agreement shall be readily forthcoming unless the party whose consent is required shall state in writing a valid business reason for withholding such consent.

9.7 Force Majeure. Each party hereto shall be excused from performance hereunder for any period and to the extent that it is prevented from performing any action pursuant hereto, in whole or in part, as a result of delays caused by the other party or an act of God, war, civil disturbance, court order, labor dispute, act, omission or failure to perform by a third party (other than EDS' subcontractors performing Services hereunder), or other cause beyond its reasonable control, including without limitation failures or fluctuations

in electrical power, heat, light, air conditioning or telecommunications equipment. Such nonperformance shall not be a default hereunder or a ground for termination hereof; provided, however, that if any non-performance due to force Majeure shall extend beyond thirty (30) days, the other party may, in its sole discretion, either (i) terminate this Agreement upon not less than fifteen (15) days prior written notice, or (ii) suspend performance hereunder and obtain substitute services until such time as the non-performance is remedied.

9.8 Waiver. A waiver by either of the parties hereto of any of the covenants to be performed by the other or any breach thereof shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant herein contained.

9.9 Media Releases. All media releases, public announcements and public disclosures by any party hereto relating to this Agreement or its subject matter, including without limitation promotional or marketing material, but not including any announcement intended solely for internal distribution or any disclosure required by legal, accounting or regulatory requirements beyond the reasonable control of such party, shall be coordinated with and approved in writing by the other party hereto prior to the release thereof, which approval shall not be unreasonably withheld, conditioned or delayed.

9.10 Entire Agreement. This Agreement, including any Schedules and Exhibits referred to herein and attached hereto, each of which is incorporated herein for all purposes, constitutes the entire agreement between the parties hereto with respect to the subject matter hereof as of the Effective Date and there are no representations, understandings or agreements relative hereto which are not fully expressed herein.

9.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

9.12 Assignment. Neither party hereto may assign any rights or delegate its obligations hereunder without consent from the other, which consent may not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, GLOBAL shall have the right to assign this Agreement to a successor in interest to all or a substantial portion of its business.

9.13 Amendment. This Agreement may be amended, supplemented, and terminated only by a written instrument duly executed by both GLOBAL and EDS.

IN WITNESS WHEREOF, EDS and GLOBAL have each caused this Agreement to be signed and delivered by its duly authorized officer, all as of the date fast set forth above.

ELECTRONIC DATA SYSTEMS CORPORATION

By: /s/ MARTHA J. HULSE

Name: Martha J. Hulsa
Title: General Manager,
Financial Process Management

GLOBAL PAYMENT SYSTEMS, LLC

By: GPS Holding Limited Partnership, member

By: /s/ SUELLYN P. TORNAY

Name: Suellyn P. Tornay
Title: General Counsel

By: Global Payments Inc., its General partenr

By: /s/ SUELLYN P. TORNAY

Name: Suellyn P. Tornay
Title: Secretary

Schedule A
Pricing & Services

EDS will provide processing services to Global Payment Systems (GPS) in the following areas:

- **Merchant data processing**

- **Professional services**
  Prices for the services are bundled. EDS will invoice for the Base Services based on the price volume of one bill code in each bundle. Miscellaneous Services are priced separately and EDS will invoice for these based on the volume and price of each bill code. Definitions of Base Services, Professional Services, Pass Through items, and their prices are discussed on the following pages.

- **Neuraltech (Cadre)**
  The EDS Network processing system will be able to extract all incoming chargeback and retrieval activity for agreed upon portfolios and customers, including but not limited to Merchant Accounting Corporate 055, 057 and 027. Data for Visa, MasterCard and Diners Club is extracted and transmitted to Global in Maryland each time incoming data is received from the respective credit card association. EDS Network processing system will be able to process all outgoing Chargeback and Retrieval activity for agreed upon portfolios and customers, including but not limited to, Merchant Accounting Corporate 055, 057, and 027, which is transmitted form the Global "Cadre" Exceptions Processing system in Maryland once daily, Monday through Saturday. Data for VISA, MasterCard and Diners Club is processed through association provided "Edit" software and transmitted to each card association. The EDS Network system also transmits a daily extract of all acquired settlement and authorization transactions for Merchant Accounting Corporate 055 and 027 to the Global in Maryland site. This transmission occurs Monday through Friday after the evening distribution process.

- **Merchant Fraud Reporting System**
  Provides user parameter driven Fraud Management system (FMS) as part of the Merchant Accounting System (MAS). This subsystem examines clearing transactions, authorization transactions, and chargebacks settled to a merchant through the EDS Merchant Accounting System (MAS) for fraudulent activity. The subsystem optionally allows a customer to examine transactions for fraud with an online facility or report. The online facility availability is the same as the contractual MAS availability. Batch processing to load FMS with available activity will occur at mutually agreed upon times.

- **Online Fiche Retention**

  EDS will provide services as described below:

  - Eliminate EDS retained copies of fiche and replacing them with online SAR retention
  - Maintain twelve months within the existing SAR system of reports defined for fiche generation'
  - Fiche reruns will be provided within 30 days of initial generation
  - No change to the generation of fiche originals or to the current distribution to Global's customers

- **EPS Archive**

EDS will provide software and services as described below;

- o Outside normal transaction processing for non EDS Exceptions Processing (EPS) system users, EDS will warehouse VISA, MasterCard and Diners transactions on the EPS transaction archive table for the Global mutually agreeable customers and portfolios, including but not limited to Merchant Accounting Corporate 055, 057, and 027. The retention period of data will be six months.

Base Price

Ticket posting fee will be assessed on monthly NDC merchant portfolio transaction (TXNS) Volumes as follows:

Price Per Settled and Non-settled TXNS	Monthly Settled & Non-Settled TXNS
$0.0027	up to 106,082,166
$0.0024	106,082,167 to 131,082,000
$0.0023	131,082,001 to 147,748,833
$0.0022	147,748,834 to 164,415,500
$0.0021	164,415,501 and up

- A settled transaction is one that EDS introduces into interchange and monetary settlement occurs as a result. They include but are not limited to sales, cash advances, credits, reversals, and batch headers (M810). A non-settled transaction is memo posted to EDS' Merchant Accounting Systems (MAS), is not introduced into interchange, and settlement occurs independent of EDS (M830, M831, and MT 600).

Services Included in Base Price

- Merchant Account on File
- Additional Merchant Outlet on File
- Merchant Transaction Posting
- Merchant Tape Entry Processing
- Merchant Transmission Entry Processing
- Merchant Reject Processing – both front-end and back-end
- Merchant Batch Header Electronic Processing
- Third Party Authorization Posting
- Daily Advice – Deposit, Adjustment
- Batch/Letter Adjustment
- Electronic Ticket processing Confirmation Letter Statement Creation
- Statement Printing
- Consolidated Chain Merchant Statements
- ACH Tape Settlement
- On-line Merchant Statements – for 4 months
- Ad Hoc Query File Creation & Transmission

Pricing for Miscellaneous Multi-client Merchant Services as of October 1, 2001.

· Basic Chargeback, per item	$4.43
· Basic Retrieval, per item	$2.43
· Additional months of on-line merchant statements beyond 4	$.023 per item
· Incoming Neuraltech chargeback without documentation, per item	$0.75
· Outgoing Retrieval request Neuraltech, per item	$0.20
· Incoming Retrieval Request Neuraltech, per item	$0.20
· Ad hoc server	$4250/month*

* In the event GLOBAL's volumes exceed the server's capacity EDS shall add additional capacity upon GLOBAL's request at a mutually agreeable price.

Merchant Fraud Reporting System

Transactions

Up to 24,000,000	.00060
24,000,001 – 48,000,000	.00055
48,000,001 – 96,000,000	.00050
96,000,001 and up	.00045

EDS Archive

Transactions

Up to 24,000,000	.00068
24,000,001 – 48,000,000	.00065
48,000,001 – 96,000,000	.00062
96,000,001 and up	.00059

Telecommunications & Network Management Fee

EDS will charge a monthly telecommunications and network management fee of $21,800 for the multi-client portfolio. Telecommunications fees are considered pass through and are contingent upon the level of service provided by EDS and band width required by the customer. New customers will be quoted a fee based on service.

Pricing for Miscellaneous Multi-client Merchant Services as of October 1, 2002.

Service	Price
· Basic Chargeback, per item	$4.21
· Basic Retrieval, per item	$2.31
· Additional months of on-line merchant statements beyond 4	$.022 per item
· Incoming Neuraltech chargeback without documentation, per item	$0.71
· Outgoing Neuraltech chargeback without documentation, per item	$0.71
· Outgoing Retrieval request Neuraltech per item	$0.19
· Incoming Retrieval Request Neuraltech, per item	$0.19
· Ad hoc server	$4037.50/month*

* In the event GLOBAL's volumes exceed the server's capacity EDS shall add additional capacity upon GLOBAL's request at a mutually agreeable price.

Merchant Fraud Reporting System

Transactions	
Up to 24,000,000	.000570
24,000,001 – 48,000,000	.000522
48,000,001 – 96,000,000	.000475
96,000,001 and up	.000428

EDS Archive

Transactions	
Up to 24,000,000	.000646
24,000,001 – 48,000,000	.000618
48,000,001 – 96,000,000	.000589
96,000,001 and up	.000560

Telecommunications & Network Management Fee

EDS will charge a monthly telecommunications and network management fee of $21,800 for the multi-client portfolio. Telecommunications fees are considered pass through and are contingent upon the level of service provided by EDS and band width required by the customer. New customers will be quoted a fee based on service.

Pass-Through Expense

- MasterCard and Visa Fees
- Postage used for services rendered to GLOBAL hereunder
- Communication Line and Equipment Fees which are requested by GLOBAL
- Custom Forms Specifically Requested
- Microfiche

Professional Services

- EDS will quote time/material rates per engagement. Current rates are $80 per hour, subject to change each anniversary at mutually agreeable prices.
- EDS will charge fees for set-up related to telecommunications.
- Dedicated SE’s will be billed to GPS based on their fully – loaded total compensation including space and equipment and including commercially reasonable travel expenses at cost.

Performance Standards/Service Level Agreement

Schedule B

This schedule will serve as the agreement for Information Technology Services-Performance Standards/Service Level Agreement between Electronic Data Systems (EDS) and Global Payment Systems (Customer)

Section 1.1 Outage Notification – Planned Outages

Proper notification to the Customer for planned outages will be a minimum of 72 hours with a goal of 7 days.

Section 1.2 Planned Outages – Schedule

Planned outages will be scheduled between the hours of 2:00 a.m. to 6:00 a.m. EST. EDS may schedule up to four planned outages a year to exceed the 2:00 a.m. to 6:00 a.m. window for the purposes of power and Central Processing Unit (CPU) maintenance. Standards as outlined in Section(s) 3.1 and 3.3 will be waived for planned outages as long as proper notification, as defined in Section 1.1, has been made to the Customer. Outages agreed to by customer to support conversion activities will not be counted against the standards described in Section 3.1 through 3.3.

Section 1.3 Outage Notification – Unscheduled Outages

The Customer will notify the EDS Westlake Resource Center (WRC) upon discovery of any unscheduled outage or system problem undetected by EDS. EDS will notify the Customer upon discovery of any unscheduled outage or system problem not previously reported by the Customer. EDS will provide periodic status reports to the Customer during the duration of an unscheduled outage or system problem. Intervals for status reporting will not exceed 30 minutes if an online outage or 60 minutes if a batch outage.

Section 1.4 Outage Reporting

The duration of scheduled or unscheduled outages will be reported to the Customer by EDS on the Daily Standards Performance Report. A Systems Impact Statement will be provided to the Customer for all unscheduled outages or system problems within 3 business days of the occurrence. (The Systems Impact Statement will contain a description of the problem, systems affected, duration of outage, the short term resolution, the permanent resolution and the date of occurrence.)

Section 2.1 Processing Problems – Definitions

Processing problems will be defined in accordance with the following severity codes.

Severity 1: An Online application is unavailable for performing normal standard functions or a batch job has abended and requires immediate repair. The problem has a financial impact or is of a critical nature and has no temporary work around. Performance standards as defined in this agreement cannot be met until the problem is resolved.

Severity 2: The problem is of a critical nature and must be resolved prior to the next cycle or scheduled event relative to the nature of the problem. For example, a statement cycle.

Severity 3: The problem is of a non-critical nature or a work around exists. Performance standards are not being affected.

Severity 4: A problem or issue not requiring System Engineering resources.

Section 2.2 Processing Problems – Resolutions

EDS will resolve reported processing problems in accordance with the severity code as outlined below:

Severity 1 – 100% resolved prior to nightly batch cycle or ASAP for online systems.
Severity 2 – 100% resolved prior to the next scheduled cycle relative to the problem.
Severity 3 – As prioritized by the Customer.
Severity 4 – Within 5 business days.

Section 3.1 Settlement

MasterCard Outgoing:

Standard: 100% meets the window if received prior to 12:00 a.m. EST.

Visa Outgoing:

Standard: 100% meets the window if received prior to 12:00 a.m. EST.

Diners Outgoing:

Standard: 100% meets the window if received prior to 12:00 a.m. EST.

Outages caused by failure of MasterCard, Visa, or Diner's will not be counted against these standards.

Section 3.2 Systems Availability Standards

All times referenced below are EST.

Exception Processing System
Base Time: 100% available 6:00 a.m. to 8:30 p.m., Monday through Saturday
100% available 8:00 a.m. to 4:00 p.m., Sunday

Availability Standard: Daily 99.25% of Base Time:

Merchant Accounting System
Base Time: 100% available 8:00 a.m. to 9:00 p.m. 7 days per week

Availability Standard: Daily 99.25% of Base Time:

Section 3.3 Other Performance Standards

a) Mailings
Merchant Statements: 50% mailed within 3 business days, 100% in 4 business days.

Letters & Notices: 95% mailed within 3 business days, 100% in 4 business days.

Microfiche: 100% mailed within 7 business days.

Reports: 100% mailed next business day.

b) Data Security Services
Standard: 95% of all Data Security will be completed within 3 business days, 100% in 5 business days

Section 4.1 Required Processing Files

The Customer agrees to transmit all necessary monetary and non-monetary account information required for batch processing on or before the times established below. The Customer further agrees that should any of the listed files not be received prior to the established deadlines, the batch cycle will be processed without the data in the transmission, or, upon Customers option, the batch cycle will be held until receipt of such file and all standards for that cycle will have been considered to have been met by EDS.

Schedule C

The parties shall determine the number of months remaining in the unexpired term of the contract (including the month in which the termination occurs) and shall multiply that number by $83,400 in order to determine the amount owed to GPI under Section 5.8 (e).

EMPLOYMENT AGREEMENT

BETWEEN

JEFFERY C. MCWEY

AND

GLOBAL PAYMENTS INC.

Dated as of October 26, 2001

EMPLOYMENT AGREEMENT

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into this 26th day of October, 2001 by and between Global Payments Inc., a Georgia corporation (the "Company"), and Jeffery C. McWey ("Executive"), to be effective as of the Effective Date, as defined in Section 1.

BACKGROUND

Executive shall serve as the Chief Marketing Officer of the Company. Executive and the Company desire to memorialize the terms of such employment in this Agreement. In addition, the Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of the Company. As it is desired and anticipated that Executive will continue to be employed and provide services for the Company's successor for at least 24 months following a Change in Control, one purpose of this Agreement is to provide Executive with compensation and benefits arrangements which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement. The terms of this Agreement replace any terms that might have been contained in any offer letter or other communication regarding Executive's employment.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Effective Date. The effective date of this Agreement (the "Effective Date") is October 26, 2001.

2. Employment. Executive is hereby employed as the Chief Marketing Officer of the Company. In such capacity, Executive shall have the responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company, in accordance with the policies and objectives established by the Board.

3. Employment Period. Executive's employment hereunder shall begin on the Effective Date and continue until terminated in accordance with Section 7 hereof (the "Employment Period").

4. Extent of Service. During the Employment Period, Executive shall render his services to the Company (or to its successor following a Change in Control) in conformity with professional standards, in a prudent and workmanlike manner and in a manner consistent with the obligations imposed on officers of corporations under applicable law. Executive shall promote the interests of the Company and its subsidiaries in carrying out

Executive's duties and shall not deliberately take any action which could, or fail to take any action which failure could, reasonably be expected to have a material adverse effect upon the business of the Company or any of its subsidiaries or any of their respective affiliates. Executive agrees to devote his business time, attention, skill and efforts exclusively to the faithful performance of his duties hereunder (both before and after a Change in Control); provided, however, that it shall not be a violation of this Agreement for Executive to (i) devote reasonable periods of time to charitable and community activities and, with the approval of the Company, industry or professional activities, and/or (ii) manage personal business interests and investments, so long as such activities do not materially interfere with the performance of Executive's responsibilities under this Agreement.

5. Compensation and Benefits.

(a) Base Salary. Thereafter, during the Employment Period, the Company will pay to Executive a base salary in the amount of U.S. $275,000 per year ("Base Salary"), less normal withholdings, payable in equal bi-weekly or other installments as are customary under the Company's payroll practices from time to time. The Compensation Committee of the Board shall review Executive's Base Salary periodically and in its sole discretion, subject to approval of the Board, may increase Executive's Base Salary from time to time. The periodic review of Executive's salary by the Board will consider, among other things, Executive's own performance and the Company's performance.

(b) Incentive and Savings Plans. During the Employment Period, Executive shall be entitled to participate in incentive and savings plans, practices, policies and programs applicable generally to employees of the Company. Certain executive programs will be made available on a selective basis at the discretion of the Chief Executive Officer or the Compensation Committee of the Board. Without limiting the foregoing, the following shall apply:

(i) Annual Bonus. For the fiscal year 2001, Executive will only have the opportunity to work for seven out of the twelve months of the fiscal year. As a result, Executive will have a prorated bonus opportunity of $87,500, based on 100% achievement of agreed-upon financial and performance objectives. Each year thereafter the Chief Executive Officer and the Executive shall establish Executive's annual bonus opportunity, based on 100% achievement of agreed-upon financial and performance objectives. The Executive's annual bonus opportunity as determined pursuant to the foregoing shall be referred to herein as the "Bonus Opportunity". The Company may determine in any year that a portion of the Bonus Opportunity for that year will be deferred based upon sustained results over time. The annual Bonus Opportunity and specific performance and financial objectives will be set forth in Executive's individual performance and incentive plan for each year.

(ii) Incentive Awards. On or about the Effective Date, the Company made a grant of stock options to Executive as a long-term incentive for performance and

in consideration for entering into this Agreement. Further grants of incentive awards may be made to Executive in future years. If Executive is (a) an active employee on June 1, 2002, (b) his employment has not been terminated, and (c) he has neither sent nor received a Notice of Termination as provided hereunder, Executive shall be granted a restricted stock award of 9960 shares. The restriction on such stock shall remain in place until June 1, 2006 and shall be subject to the other terms and conditions contained in the agreement to be entered into between employee and the Company at the time such grant is made.

(c) Welfare Benefit Plans. During the Employment Period, Executive and Executive's family shall be eligible for participation in, and shall receive all benefits under, the welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) ("Welfare Plans").

(d) Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by Executive in accordance with the policies, practices and procedures of the Company.

(e) Fringe Benefits. During the Employment Period, Executive shall be entitled to fringe benefits in accordance with the plans, practices, programs and policies of the Company.

6. Change in Control. For the purposes of this Agreement, a "Change in Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition by a Person who is on the Effective Date the beneficial owner of 35% or more of the Outstanding Company Voting Securities, (ii) any acquisition directly from the Company, (iii) any acquisition by the Company which reduces the number of Outstanding Company Voting Securities and thereby results in any person having beneficial ownership of more than 35% of the Outstanding Company Voting Securities, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (v) any acquisition by any corporation pursuant to a transaction which complies with clauses (i) and (ii) of subsection (b) of this Section 6; or

(b) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or

substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (ii) no Person (excluding the Company or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; provided, however, that

(c) Notwithstanding anything in this definition to the contrary, a restructuring and/or separation of any line of business or business unit from the Company will not of itself constitute a Change in Control.

7. Termination of Employment

(a) Death, Retirement or Disability. Executive's employment and the Employment Period shall terminate automatically upon Executive's death or Retirement. For purposes of this Agreement, "Retirement" shall mean normal retirement as defined in the Company's then-current retirement plan, or there is no such retirement plan, "Retirement" shall mean voluntary termination after age 65 with ten years of service. If the Company determines in good faith that the Disability of Executive has occurred (pursuant to the definition of Disability set forth below), it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such written notice by Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall mean a mental or physical disability as determined by the Board in accordance with standards and procedures similar to those under the Company's employee long-term disability plan, if any. At any time that the Company does not maintain such a long-term disability plan, Disability shall mean the inability of Executive, as determined by the Board, to substantially perform the essential functions of his regular duties and responsibilities due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six consecutive months.

(b) Termination by the Company. The Company may terminate Executive's employment for Poor Performance or with or without Cause. For purposes of this Agreement:

"Poor Performance" shall mean the consistent failure of Executive to meet reasonable performance expectations (other than any such failure resulting from incapacity due to physical or mental illness); provided, however, that termination for Poor Performance shall not be effective unless at least 30 days prior to such termination Executive shall have received written notice from Chief Executive Officer or the Board which specifically identifies the manner in which the Board or the Chief Executive Officer believes that Executive has not met performance expectations and Executive shall have failed after receipt of such notice to resume the diligent performance of his duties to the satisfaction of the Chief Executive Officer or the Board; and

"Cause" shall mean:

(i) the willful and continued failure of Executive to perform substantially Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness, and specifically excluding any failure by Executive, after reasonable efforts, to meet performance expectations), after a written demand for substantial performance is delivered to Executive by the President, Chief Executive Officer or the Board of Directors of the Company which specifically identifies the manner in which such Board or officer believes that Executive has not substantially performed Executive's duties, or

(ii) any act of fraud, misappropriation, embezzlement or similar dishonest or wrongful act by Executive, or

(iii) Executive's abuse of alcohol or any substance which materially interferes with Executive's ability to perform services on behalf of the Company, or

(iv) Executive's conviction for, or plea of guilty or *nolo contendere* to, a felony.

(c) Termination by Executive. Executive's employment may be terminated by Executive for Good Reason or no reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) without the written consent of Executive, the assignment to Executive to a position other than Executive Vice President and Chief Marketing Officer.

(ii) a reduction by the Company in Executive's Base Salary and benefits as in effect on the Effective Date or as the same may be increased from time to time, unless a similar reduction is made in salary and benefits of similarly-situated senior executives;

(iii) the Company's requiring Executive, without his consent, to be based at any office or location other than in the greater metropolitan area of the city in which his office is located at the Effective Date; or

(iv) any failure by the Company to comply with and satisfy Section 16(c) of this Agreement.

(d) Notice of Termination. Any termination by the Company for Poor Performance or Cause, or by Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 17(f) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Poor Performance or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if Executive's employment is terminated other than by reason of death, Disability or Retirement, the date of receipt of the Notice of Termination, or any later date specified therein (which shall not be more than 60 days after the date of delivery of the Notice of Termination), or (ii) if Executive's employment is terminated by reason of death, Disability or Retirement, the Date of Termination will be the date of death or Retirement, or the Disability Effective Date, as the case may be.

8. Obligations of the Company upon Termination.

(a) Prior to a Change in Control: Termination by Executive for Good Reason; Termination by the Company Other Than for Poor Performance, Cause or Disability. If, prior to a Change in Control, the Company shall terminate Executive's employment other than for Poor Performance, Cause or Disability, or Executive shall terminate employment for Good Reason within a period of 90 days after the occurrence of the event giving rise to Good Reason, then (and with respect to the payments and benefits described in clauses (ii) through (vii) below, only if Executive executes a Release in substantially the form of Exhibit A hereto (the "Release")):

(i) the Company shall pay to Executive in a lump sum in cash within 30 days after the Date of Termination the sum of (A) Executive's Base Salary through the

Date of Termination to the extent not theretofore paid, and (B) any accrued vacation pay to the extent not theretofore paid (the sum of the amounts described in clauses (A) and (B) shall be hereinafter referred to as the "Accrued Obligations"); and

(ii) for the longer of six months or until Executive becomes employed with a subsequent employer, earns an income from becoming an owner, partner, or an independent contractor of any other entity, or in the event Employee earns an income from becoming a consultant, starting a business, or otherwise, but in no event to exceed 18 months from the Date of Termination (the "Normal Severance Period"), the Company will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iii) during the Normal Severance Period, the Company shall continue benefits to Executive and/or Executive's family at least equal to those which would have been provided to them in accordance with the Welfare Plans described in Section 5(c) of this Agreement if Executive's employment had not been terminated; provided, however that the Company's obligation to provide such benefits shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) not later than 30 days after the Date of Termination, Executive will be paid a bonus for the year in which the Date of Termination occurs in an amount equal to the greater of (1) 50% of his Bonus Opportunity (as defined in Section 5(b)(i)) for such year, or (2) 100% of his Bonus Opportunity (prorated through the Date of Termination) adjusted up or down by reference to his year-to-date performance at the Date of Termination in relation to the prior established performance objectives under Executive's bonus plan for such year; and

(v) all grants of restricted stock of the Company ("Restricted Stock") held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination; and

(vi) all of Executive's options to acquire Common Stock of the Company ("Options") that would have become vested (by lapse of time) within the 24-month period following the Date of Termination had Executive remained employed during such period will become immediately vested as of the Date of Termination; and

(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(a)(vi) above)

shall remain exercisable through the earlier of (A) the original expiration date of the Option, or (B) the 90th day following the end of the Normal Severance Period; and

(viii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive any other amounts or benefits required to be paid or provided or which Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Prior to a Change in Control: Termination by the Company for Poor Performance If, prior to the occurrence of a Change in Control, the Company shall terminate Executive's employment for Poor Performance, then (and with respect to the payments and benefits described in clauses (ii) through (vii) below, only if Executive executes the Release):

(i) the Company shall pay to Executive the Accrued Obligations in a lump sum in cash within 30 days after the Date of Termination; and

(ii) for the shorter of 12 months after the Date of Termination or until Executive becomes employed with a subsequent employer, earns an income from becoming an owner, partner, or an independent contractor of any other entity, or in the event Employee earns an income from becoming a consultant, starting a business, or otherwise, (the "Poor Performance Severance Period"), the Company will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iii) during the Poor Performance Severance Period, the Company shall continue benefits to Executive and/or Executive's family at least equal to those which would have been provided to them in accordance with the Welfare Plans described in Section 5(c) of this Agreement if Executive's employment had not been terminated; provided, however that the Company's obligation to provide such benefits shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) not later than 30 days after the Date of Termination, Executive will be paid a bonus for the year in which the Date of Termination occurs in an amount equal to 100% of his Bonus Opportunity (prorated through the Date of Termination) adjusted up or down by reference to his year-to-date performance at the Date of Termination in relation to the prior established performance objectives under Executive's bonus plan for such year; and

(v) all grants of Restricted Stock held by Executive as of the Date of Termination that would have become vested (by lapse of time) within the 24-month period following the Date of Termination had Executive remained employed during such period will become immediately vested as of the Date of Termination; and

(vi) all of Executive's Options that would have become vested (by lapse of time) within the 24-month period following the Date of Termination had Executive remained employed during such period will become immediately vested and exercisable as of the Date of Termination; and

(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to the Section 8(b)(vi) above) shall remain exercisable through the earlier of (A) the original expiration date of the Option, or (B) the 90th day following the end of the later of (1) six months from the Date of Termination, or (2) the end of the Poor Performance Severance Period; and

(viii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive his Other Benefits.

(c) After or in Connection with a Change in Control: Termination by Executive for Good Reason; Termination by the Company Other Than for Cause or Disability. If there occurs a Change in Control and, within 36 months following such Change in Control (or if Executive can reasonably show that such termination by the Company was in anticipation of the Change in Control), the Company shall terminate Executive's employment other than for Cause or Disability, or Executive shall terminate employment for Good Reason, then (and with respect to the payments and benefits described in clauses (ii) through (vii) below, only if Executive executes the Release):

(i) the Company (or its successor) shall pay to Executive the Accrued Obligations in a lump sum in cash within 30 days after the Date of Termination; and

(ii) for 24 months after the Date of Termination (the "Change in Control Severance Period"), the Company (or its successor) will, as a severance benefit, continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iii) during the Change in Control Severance Period, the Company shall continue benefits to Executive and/or Executive's family at least equal to those which

would have been provided to them in accordance with the Welfare Plans described in Section 5(c) of this Agreement if Executive's employment had not been terminated; provided, however that the Company's obligation to provide such benefits shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) not later than 30 days after the Date of Termination, Executive will be paid a bonus for the year in which the Date of Termination occurs in an amount equal to 100% of his Bonus Opportunity (as defined in Section 5(b)(i)); and

(v) all grants of Restricted Stock held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination; and

(vi) all of Executive's Options held by Executive as of the Date of Termination will become immediately vested and exercisable as of the Date of Termination; and

(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to the Section 8(c)(vi) above) shall remain exercisable through the earlier of (A) the original expiration date of the Option, or (B) the 90th day following the end of the Change in Control Severance Period; and

(viii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive his Other Benefits.

(d) Death, Disability or Retirement. Regardless of whether or not a Change in Control shall have occurred, if Executive's employment is terminated by reason of Executive's death, Disability or Retirement, this Agreement shall terminate without further obligations to Executive or his estate or legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as used in this Section 8(d) shall include, without limitation, and Executive or his estate and/or beneficiaries shall be entitled to receive, benefits under such plans, programs, practices and policies relating to death, disability or retirement benefits, if any, as are applicable to Executive on the Date of Termination.

(e) Cause or Voluntary Termination without Good Reason. Regardless of whether or not a Change in Control shall have occurred, if Executive's employment shall be terminated for Cause, or if Executive voluntarily terminates employment without Good Reason, this Agreement shall terminate without further obligations to Executive, other

than for payment of Accrued Obligations and the timely payment or provision of Other Benefits.

9. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Company and for which Executive may qualify, nor, subject to Section 17(d), shall anything herein limit or otherwise affect such rights as Executive may have under any contract or agreement with the Company. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

10. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 10(a), if it shall be determined that Executive is entitled to a Gross-Up Payment, but that Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least $50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount. In that event, Executive shall direct which Payments are to be modified or reduced.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Arthur Andersen LLP or such other certified public accounting firm reasonably acceptable to the Company as may be

designated by Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 10(c), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 10(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 10(c), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

11. Costs of Enforcement. Unless otherwise provided by the arbitrator(s) in an arbitration proceeding pursuant to Section 14 hereof, in any action taken in good faith relating to the enforcement of this Agreement or any provision herein, Executive shall be entitled to be paid any and all costs and expenses incurred by him in enforcing or establishing his rights thereunder, including, without limitation, reasonable attorneys' fees, whether suit be brought or not, and whether or not incurred in trial, bankruptcy or

appellate proceedings, but only if Executive is successful on at least one material issue raised in the enforcement proceeding.

12. Representations and Warranties. Executive hereby represents and warrants to the Company that Executive is not a party to, or otherwise subject to, any covenant not to compete with any person or entity, and Executive's execution of this Agreement and performance of his obligations hereunder will not violate the terms or conditions of any contract or obligation, written or oral, between Executive and any other person or entity.

13. Restrictions on Conduct of Executive.

(a) General. Executive and the Company understand and agree that the purpose of the provisions of this Section 13 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to eliminate Executive's post-employment competition with the Company per se, nor is it intended to impair or infringe upon Executive's right to work, earn a living, or acquire and possess property from the fruits of his labor. Executive hereby acknowledges that the post-employment restrictions set forth in this Section 13 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of this Agreement. Therefore, subject to the limitations of reasonableness imposed by law, Executive shall be subject to the restrictions set forth in this Section 13.

(b) Definitions. The following terms used in this Section 13 shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

"Competitive Position" means any employment with a Competitor in which Executive will use or is likely to use any Confidential Information or Trade Secrets, or in which Executive has duties for such Competitor that relate to Competitive Services and that are the same or similar to those services actually performed by Executive for the Company;

"Competitive Services" means the provision of products and services to facilitate or assist with the movement of electronic commerce, including without limitation, payment and financial information, merchant and cardholder processing, credit and debit transaction processing, check guarantee and verification, electronic authorization and capture, terminal management services, portfolio risk management, purchase card services, financial electronic data interchange, and cash management services, including internet applications of any of the foregoing.

"Competitor" means any Person engaged, wholly or in part, in Competitive Services, including without limitation, Equifax Inc., Vital, Electronic Data Systems Corporation, Concord EFS, Inc., First Data Corporation, Total System Services, Inc., Nova Corporation, Harbinger Corporation, First USA, Inc., First USA Paymentech, Inc., and Automatic Data Processing, Inc.

“Confidential Information” means all information regarding the Company, its activities, business or clients that is the subject of reasonable efforts by the Company to maintain its confidentiality and that is not generally disclosed by practice or authority to persons not employed by the Company, but that does not rise to the level of a Trade Secret. “Confidential Information” shall include, but is not limited to, financial plans and data concerning the Company; management planning information; business plans; operational methods; market studies; marketing plans or strategies; product development techniques or plans; lists of current or prospective customers; details of customer contracts; current and anticipated customer requirements; past, current and planned research and development; business acquisition plans; and new personnel acquisition plans. “Confidential Information” shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. This definition shall not limit any definition of “confidential information” or any equivalent term under state or federal law.

“Determination Date” means the date of termination of Executive’s employment with the Company for any reason whatsoever or any earlier date of an alleged breach of the Restrictive Covenants by Executive.

“Person” means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.

“Principal or Representative” means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

“Protected Customers” means any Person to whom the Company has sold its products or services or solicited to sell its products or services during the twelve (12) months prior to the Determination Date.

“Protected Employees” means employees of the Company who were employed by the Company at any time within six (6) months prior to the Determination Date.

“Restricted Period” means the Employment Period and a period extending two (2) years from the termination of Executive’s employment with the Company.

“Restricted Territory” means the States of California, Florida, Georgia, Illinois, Maryland, Michigan, New York, Pennsylvania and Texas, plus Canada, the United Kingdom and South America.

“Restrictive Covenants” means the restrictive covenants contained in Section 13(c) hereof.

“Trade Secret” means all information, without regard to form, including, but not limited to, technical or non-technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers which is not commonly known by or available to the public and which information: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Without limiting the foregoing, Trade Secret means any item of Confidential Information that constitutes a “trade secret(s)” under the common law or applicable state law.

(c) Restrictive Covenants.

(i) Restriction on Disclosure and Use of Confidential Information and Trade Secrets. Executive understands and agrees that the Confidential Information and Trade Secrets constitute valuable assets of the Company and its affiliated entities, and may not be converted to Executive’s own use. Accordingly, Executive hereby agrees that Executive shall not, directly or indirectly, at any time during the Restricted Period reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and Executive shall not, directly or indirectly, at any time during the Restricted Period use or make use of any Confidential Information in connection with any business activity other than that of the Company. Throughout the term of this Agreement and at all times after the date that this Agreement terminates for any reason, Executive shall not directly or indirectly transmit or disclose any Trade Secret of the Company to any Person, and shall not make use of any such Trade Secret, directly or indirectly, for himself or for others, without the prior written consent of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company’s rights or Executive’s obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices.

Anything herein to the contrary notwithstanding, Executive shall not be restricted from disclosing or using Confidential Information that is required to be disclosed by law, court order or other legal process; provided, however, that in the event disclosure is required by law, Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by Executive.

(ii) Non-solicitation of Protected Employees. Executive understands and agrees that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to Executive’s own use. Accordingly, Executive hereby agrees that during the Restricted

Period Executive shall not directly or indirectly on Executive's own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee to terminate his or her employment relationship with the Company or to enter into employment with any other Person.

(iii) Restriction on Relationships with Protected Customers. Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that, during the Restricted Period, Executive shall not, without the prior written consent of the Company, directly or indirectly, on Executive's own behalf or as a Principal or Representative of any Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom Executive had Material Contact on the Company's behalf during the twelve (12) months immediately preceding the termination of his employment hereunder. For purposes of this Agreement, Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company's behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer; or (c) he obtained Trade Secrets or Confidential Information about the customer as a result of his association with the Company.

(iv) Non-competition with the Company. The parties acknowledge: (A) that Executive's services under this Agreement require special expertise and talent in the provision of Competitive Services and that Executive will have substantial contacts with customers, suppliers, advertisers and vendors of the Company; (B) that pursuant to this Agreement, Executive will be placed in a position of trust and responsibility and he will have access to a substantial amount of Confidential Information and Trade Secrets and that the Company is placing him in such position and giving him access to such information in reliance upon his agreement not to compete with the Company during the Restricted Period; (C) that due to his management duties, Executive will be the repository of a substantial portion of the goodwill of the Company and would have an unfair advantage in competing with the Company; (D) that due to Executive's special experience and talent, the loss of Executive's services to the Company under this Agreement cannot reasonably or adequately be compensated solely by damages in an action at law; (E) that Executive is capable of competing with the Company; and (F) that Executive is capable of obtaining gainful, lucrative and desirable employment that does not violate the restrictions contained in this Agreement. In consideration of the compensation and benefits being paid and to be paid by the Company to Executive hereunder, Executive hereby agrees that, during the Restricted Period, Executive will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in the Restricted Territory with a Competitor; provided, however, that the provisions of this Agreement shall not be deemed to prohibit the ownership by Executive of any securities of the Company or its affiliated entities or not more than five percent (5%) of any class of

securities of any corporation having a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended.

(d) Enforcement of Restrictive Covenants.

(i) Rights and Remedies Upon Breach. In the event Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the following rights and remedies, which shall be independent of any others and severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity:

(A) the right and remedy to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

(B) the right and remedy to require Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by Executive as the result of any transactions constituting a breach of the Restrictive Covenants.

(ii) Severability of Covenants. Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid, void or unenforceable in any court of competent jurisdiction, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision of this Agreement. If any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and Executive in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

14. Arbitration. Any claim or dispute arising under this Agreement (other than under Section 13) shall be subject to arbitration, and prior to commencing any court action, the parties agree that they shall arbitrate all such controversies. The arbitration shall be conducted in Atlanta, Georgia, in accordance with the Employment Dispute Rules of the American Arbitration Association and the Federal Arbitration Act, 9 U.S.C. §1, *et. seq.* The arbitrator(s) shall be authorized to award both liquidated and actual damages, in addition to injunctive relief, but no punitive damages. The arbitrator(s) may also award attorney’s fees and costs, without regard to any restriction on the amount of such award

under Georgia or other applicable law. Such an award shall be binding and conclusive upon the parties hereto, subject to 9 U.S.C. §10. Each party shall have the right to have the award made the judgment of a court of competent jurisdiction.

Initials of parties as to this Section 14:
Company: ____________
Executive: ____________

15. Letter of Credit. In order to ensure the payment of the severance benefit provided for in Section 8(c)(ii) of this Agreement, immediately following the commencement of any action by a third party with the aim of effecting a Change in Control of the Company, or the publicly-announced threat by a third party to commence any such action, the Company shall establish an irrevocable standby Letter of Credit issued by a national banking association in favor of Executive in the amount of the severance payment that would have been paid to Executive under Section 8(c)(ii) if the Date of Termination had occurred on the date of commencement, or publicly-announced threat of commencement, of such action by the third party. Such Letter of Credit shall provide that the issuer thereof, subject only to Executive's written certification to such issuer that Executive is entitled to payment of the severance benefit pursuant to Section 8(c)(ii) of this Agreement and that the Company shall have failed to commence payment of such benefit to Executive, shall have the unconditional obligation to pay the amount of such Letter of Credit to Executive in 24 equal monthly installments commencing on the first day of the month following the Date of Termination. In the event that subsequent to commencement of such installment payments to Executive pursuant to such Letter of Credit (i) the Company and Executive shall mutually agree that Executive shall not have been entitled to payment of the severance benefit pursuant to Section 8(c)(ii) of this Agreement or (ii) a court of competent jurisdiction shall finally adjudge Executive not to have been entitled to payment of such severance benefit and such judgment shall have been affirmed on appeal or shall not have been appealed within any time period specified for the filing of an appeal, Executive shall promptly pay to the Company the total amount previously paid to Executive by the issuer of such Letter of Credit and no further payment shall be made to Executive pursuant to such Letter of Credit.

16. Assignment and Successors.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business

and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

17. Miscellaneous.

(a) Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

(b) Severability. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

(c) Other Agents. Nothing in this Agreement is to be interpreted as limiting the Company from employing other personnel on such terms and conditions as may be satisfactory to it.

(d) Entire Agreement. Except as provided herein, this Agreement contains the entire agreement between the Company and Executive with respect to the subject matter hereof and, from and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

(e) Governing Law. Except to the extent preempted by federal law, and without regard to conflict of laws principles, the laws of the State of Georgia shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

(f) Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered or three days after mailing if mailed, first class, certified mail, postage prepaid:

To Company: Global Payments Inc.
Four Corporate Square
Atlanta, Georgia 30329-2010
Office of the Corporate Secretary

To Executive: Jeffery C. McWey
9085 Nesbit Lakes Drive
Alpharetta, GA 30022

Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

(g) Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Employment Agreement as of the date first above written.

GLOBAL PAYMENTS INC.

By: /s/ Paul R. Garcia

Paul R. Garcia
President and Chief Executive Officer

EXECUTIVE:

By: /s/ Jeffery C. McWey

Jeffery C. McWey

EXHIBIT A
Form of Release

This Release is granted effective as of the______ day of ______, ______, by Jeffery C. McWey ("Executive") in favor of Global Payments Inc. (the "Company"). This is the Release referred to that certain Employment Agreement effective as of October 26, 2001 by and between the Company and Executive (the "Employment Agreement"). Executive gives this Release in consideration of the Company's promises and covenants as recited in the Employment Agreement, with respect to which this Release is an integral part.

1. Release of the Company. Executive, for himself, his successors, assigns, attorneys, and all those entitled to assert his rights, now and forever hereby releases and discharges the Company and its respective officers, directors, stockholders, trustees, employees, agents, parent corporations, subsidiaries, affiliates, estates, successors, assigns and attorneys ("the Released Parties"), from any and all claims, actions, causes of action, sums of money due, suits, debts, liens, covenants, contracts, obligations, costs, expenses, damages, judgments, agreements, promises, demands, claims for attorney's fees and costs, or liabilities whatsoever, in law or in equity, which Executive ever had or now has against the Released Parties, including any claims arising by reason of or in any way connected with any employment relationship which existed between the Company or any of its parents, subsidiaries, affiliates, or predecessors, and Executive. It is understood and agreed that this Release is intended to cover all actions, causes of action, claims or demands for any damage, loss or injury, which may be traced either directly or indirectly to the aforesaid employment relationship, or the termination of that relationship, that Executive has, had or purports to have, from the beginning of time to the date of this Release, whether known or unknown, that now exists, no matter how remotely they may be related to the aforesaid employment relationship including but not limited to claims for employment discrimination under federal or state law, except as provided in Paragraph 2; claims arising under Title VII of the Civil Rights Act, 42 U.S.C. § 2000(e), et seq. or the Americans With Disabilities Act, 42 U.S.C. § 12101et seq.; claims for statutory or common law wrongful discharge, including any claims arising under the Fair Labor Standards Act, 29 U.S.C. § 201 et seq.; claims for attorney's fees, expenses and costs; claims for defamation; claims for wages or vacation pay; claims for benefits, including any claims arising under the Executive Retirement Income Security Act, 29 U.S.C. § 1001, et seq.; and provided, however, that nothing herein shall release the Company of its obligations to Executive under the Employment Agreement or any other contractual obligations between the Company or its affiliates and Executive, or any indemnification obligations to Executive under the Company's bylaws, certificate of incorporation, Delaware law or otherwise.

2. Release of Claims Under Age Discrimination in Employment Act. Without limiting the generality of the foregoing, Executive agrees that by executing this Release, he has released and waived any and all claims he has or may have as of the date of this Release for age discrimination under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. It is understood that Executive is advised to consult with an attorney prior to executing this Release; that he in fact has consulted a knowledgeable,

competent attorney regarding this Release; that he may, before executing this Release, consider this Release for a period of twenty-one (21) calendar days; and that the consideration he receives for this Release is in addition to amounts to which he was already entitled. It is further understood that this Release is not effective until seven (7) calendar days after the execution of this Release and that Executive may revoke this Release within seven (7) calendar days from the date of execution hereof.

Executive agrees that he has carefully read this Release and is signing it voluntarily. Executive acknowledges that he has had twenty one (21) days from receipt of this Release to review it prior to signing or that, if Executive is signing this Release prior to the expiration of such 21-day period, Executive is waiving his right to review the Release for such full 21-day period prior to signing it. Executive has the right to revoke this release within seven (7) days following the date of its execution by him. However, if Executive revokes this Release within such seven (7) day period, no severance benefit will be payable to him under the Employment Agreement and he shall return to the Company any such payment received prior to that date.

EXECUTIVE HAS CAREFULLY READ THIS RELEASE AND ACKNOWLEDGES THAT IT CONSTITUTES A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS AGAINST THE COMPANY UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EXECUTIVE ACKNOWLEDGES THAT HE HAS HAD A FULL OPPORTUNITY TO CONSULT WITH AN ATTORNEY OR OTHER ADVISOR OF HIS CHOOSING CONCERNING HIS EXECUTION OF THIS RELEASE AND THAT HE IS SIGNING THIS RELEASE VOLUNTARILY AND WITH THE FULL INTENT OF RELEASING THE COMPANY FROM ALL SUCH CLAIMS.

Exhibit 10.34

AMENDMENT NO. 4 TO CREDIT AGREEMENT

THIS AMENDMENT NO. 4 TO CREDIT AGREEMENT (this "Amendment"), dated as of April 30, 2002, by and among GLOBAL PAYMENTS INC., a Georgia corporation, as Borrower, the banks and other financial institutions listed on the signature pages hereof, as Lenders, BANK ONE, NA, a national banking association having its principal office in Chicago, Illinois, as Administrative Agent, Swing Line Lender and LC Issuer, SUNTRUST BANK, a Georgia banking corporation, as Documentation Agent, and WACHOVIA BANK, N.A., a national banking association, as Syndication Agent.

W I T N E S S E T H

WHEREAS, Borrower, the Lenders, and the Agents are parties to a certain Credit Agreement dated as of January 31, 2001, as amended by Amendment No. 1 to Credit Agreement dated as of March 20, 2001, by Amendment No. 2 to Credit Agreement dated as of May 14, 2001, and by Amendment No. 3 to Credit Agreement dated as of July 26, 2001 (as so amended, the "Credit Agreement"; capitalized terms used in this Amendment without definition that are defined in the Credit Agreement shall have the meanings in this Amendment as specified for such capitalized terms in the Credit Agreement);

WHEREAS, Borrower and Lenders have agreed to amend the Credit Agreement in certain respects as set forth in this Amendment;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. **Amendments to Credit Agreement.** Subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, and effective as of the Effective Date (as hereinafter defined), the Credit Agreement is hereby amended by deleting clause (C) of Section 6.6(a)(iii) in its entirety and substituting in lieu thereof the following clause (C):

(C) by the Borrower and its Subsidiaries of obligations of other Subsidiaries of the Borrower that is not Debt of the types described in clauses (i) though (iv) of the definition of the term "Debt", *provided* that the obligations that are being Guaranteed are not prohibited by the terms of this Agreement,

SECTION 2. **Conditions to Effectiveness of Amendment.** This Amendment shall become effective on the first day when the Administrative Agent shall have received counterparts of this Amendment as executed on behalf of Borrower and the

Required Lenders, together with the Acknowledgment and Agreement of Subsidiary Guarantors as executed on behalf of the Subsidiary Guarantors (the '<u>Effective Date</u>").

SECTION 3. <u>Status of Obligations.</u> Borrower hereby confirms and agrees that all Loans and all other Obligations outstanding under the Credit Agreement and the other Loan Documents as of the date hereof were duly and validly created and incurred by Borrower there under, that all such outstanding amounts are owed in accordance with the terms of the Credit Agreement and other Loan Documents, and there are no rights of offset, defense, counterclaim, claim or objection in favor or Borrower arising out of or with respect to any of the Loans or other Obligations or Borrower to the Agents or the Lenders, and any such rights of offset, defense, counterclaim, claims or objectives have been and are hereby waived and released by Borrower.

SECTION 4. <u>Representations and Warranties of Borrower.</u> Borrower, without limiting the representations and warranties provided in the Credit Agreement, represents and warrants to the Lenders and Agents as follows:

4.1 The execution, delivery and performance by Borrower of this Amendment are within Borrower's corporate powers, have been duly authorized by all necessary corporate action (including any necessary shareholder action) and do not and will not (a) violate any provision of any law, rule or regulation, any judgment, order or ruling of any court or governmental agency, the certificate of incorporation or by-laws of Borrower, or any indenture, agreement or other instrument to which Borrower is a party or by which Borrower or any of its properties is bound or (b) be in conflict with, result in a breach of, or constitute with notice or lapse of time or both a default under any such indenture, agreement or other instrument.

4.2 This Amendment constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms.

4.3 After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

4.4 The representations and warranties of Borrower contained in the Credit Agreement are true and accurate on and as of the date of the Amendment, except for changes expressly permitted under the terms of the Credit Agreement and except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were true and accurate as of such earlier date).

4.5 Since February 28, 2002, there have been no events, acts, conditions or occurrences of whatever nature, singly or in the aggregate, which have had, or could reasonably be expected to have, a Material Adverse Effect.

SECTION 5. **Survival.** Each of the foregoing representations and warranties shall be made at and as of the date of this Amendment and shall be deemed to have been made as of the Effective Date. Each of the foregoing representations and warranties shall constitute a representation and warranty of Borrower under the Credit Agreement, and it shall be an Event of Default if any such representation and warranty shall prove to have been incorrect or false in any material respect at the time when made or deemed to have been made. Each of the foregoing representations and warranties shall survive and not be waived by the execution and delivery of this Amendment or any investigation by the Lenders or the Agents.

SECTION 6. **Ratification of Credit Agreement and Loan Documents.** Except as expressly amended herein, all terms, covenants and conditions of the Credit Agreement and the other Loan Documents shall remain in full force and effect, and the parties hereto do expressly ratify and confirm the Credit Agreement (as amended herein) and the other Loan Documents. All future references to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended hereby.

SECTION 7. **Indemnity.** In consideration of the amendments agreed to by the Lenders pursuant to this Amendment, Borrower hereby indemnifies each Agent, and each Lender, and their respective officers, partners, directors, employees, representatives and agents from, and hold each of them harmless against, any and all costs, losses, liabilities, claims, damages or expenses incurred by any of them (whether or not any of them is designated a party thereto) (an "Indemnitee") arising out of or by reason of any investigation, litigation or other proceeding related to this Amendment, the Credit Agreement or any Loan Documents or any actual or proposed use of the proceeds of any of the Loans, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding ; *provided, however,* Borrower shall not be obligated to indemnify any Indemnitee for any of the foregoing arising out of such Indemnitee's gross negligence or willful misconduct.

SECTION 8. **No Waiver, Etc.** Borrower hereby agrees that nothing herein shall constitute a waiver by the Lenders of any Default or Event of Default, whether known or unknown, which may exist under the Credit Agreement. Borrower hereby further agrees that no action, inaction or agreement by the Lenders, including without limitation, any indulgence, waiver, consent or agreement altering the provisions of the Credit Agreement which may have occurred with respect to the non-performance of any obligation under the terms of the Credit Agreement or any portion thereof, or any other matter relating to the Credit Agreement, shall require or imply any future indulgence, waiver, or agreement by the Lenders.

SECTION 9. **Binding Nature.** This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

SECTION 10. Costs and Expenses. Borrower shall be responsible for the costs and expense of the Agents in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including without limitation, the fees and out-of-pocket expense of counsel for the Agents with respect thereto.

SECTION 11. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA.

SECTION 12. Entire Understanding. This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

SECTION 13. Counterparts. This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts and may be delivered by telecopier. Each counterpart so executed and delivered shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

(Signatures Appear on Following Page)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in Atlanta, Georgia, by their duly authorized officers as of the day and year first above written.

GLOBAL PAYMENTS INC.

By: /s/ JAMES G. KELLY

James G. Kelly
Chief Financial Officer

BANK ONE, NA,
as Administrative Agent, Lender, LC Issuer
and Swing Line Lender

By: /s/ DAVID T. MCNEELA

David T. McNeela
First Vice President

SUNTRUST BANK,
as Documentation Agent and Lender

By: /s/ BRIAN K. PETERS

Brian K. Peters
Managing Director

WACHOVIA BANK, N.A.
as Syndication Agent and Lender

By: /s/ ANNE L. SAYLES

Anne L. Sayles
Director

Exhibit 10.35

AMENDMENT NO. 1 TO CREDIT AGREEMENT

THIS AMENDMENT NO. 1 TO CREDIT AGREEMENT (this "Amendment"), dated as of April 30, 2002, by and among GLOBAL PAYMENTS INC., as Borrower and SunTrust Bank, as Lender.

W I T N E S S E T H

WHEREAS, Borrower and the Lender are parties to a certain Credit Agreement dated as of September 26, 2001, (the "Credit Agreement"; capitalized terms used in this Amendment without definition that are defined in the Credit Agreement shall have the meanings in this Amendment as specified for such capitalized terms in the Credit Agreement);

WHEREAS, Borrower and Lender have agreed to amend the Credit Agreement in certain respects as set forth in this Amendment;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. **Amendments to Credit Agreement.** Subject to the satisfaction of the conditions precedent set forth in Section 2 hereof, and effective as of the Effective Date (as hereinafter defined), the Credit Agreement is hereby amended by deleting clause (C) of Section 5.3(a)(iii) in its entirety and substituting in lieu thereof the following clause (C):

(C) by the Borrower and its Subsidiaries of obligations of other Subsidiaries of the Borrower that is not Debt of the types described in clauses (i) though (iv) of the definition of the term "Debt", *provided* that the obligations that are being Guaranteed are not prohibited by the terms of this Agreement,

SECTION 2. **Conditions to Effectiveness of Amendment.** This Amendment shall become effective on the first day when executed by the parties hereto (the "Effective Date").

SECTION 3. **Status of Obligations.** Borrower hereby confirms and agrees that all Advances and all other Obligations outstanding under the Credit Agreement and the other Loan Documents as of the date hereof were duly and validly created and incurred by Borrower there under, that all such outstanding amounts are owed in accordance with the terms of the Credit Agreement and other Loan Documents, and that there are no rights of offset, defense, counterclaim, claim or objection in favor of

Borrower arising out of or with respect to any of the Advances or other Obligations of Borrower to the Lender, and such rights of offset, defense, counterclaim, claims or objections have been and are hereby waived and released by Borrower.

SECTION 4. Representations and Warranties of Borrower. Borrower, without limiting the representations and warranties provided in the Credit Agreement, represents and warrants to the Lenders as follows:

4.1 The execution, delivery and performance by Borrower of this Amendment are within Borrower's corporate powers, have been duly authorized by all necessary corporate action (including any necessary shareholder action) and do not and will not (a) violate any provision of any law, rule or regulation, any judgment, order or ruling of any court or governmental agency, the certificate of incorporation or by-laws of Borrower, or any indenture, agreement or other instrument to which Borrower is a party or any of its properties is bound or (b) be in conflict with, result in a breach of, or constitute with notice or lapse of time or both a default under any such indenture, agreement or other instrument.

4.2 This Amendment constitutes the legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms.

4.3 After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

4.4 The representations and warranties of Borrower contained in the Credit Agreement are true and accurate on and as of the date of the Amendment, except for changes expressly permitted under the terms of the Credit Agreement and except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were true and accurate as of such earlier date).

4.5 Since February 28, 2002, there have been no events, acts, conditions or occurrences of whatever nature, singly or in the aggregate, which have had, or could reasonably be expected to have, a Material Adverse Effect.

SECTION 5. Survival. Each of the foregoing representations and warranties shall be made at and as of the date of this Amendment and shall be deemed to have been made as of the Effective Date. Each of the foregoing representations and warranties shall constitute a representation and warranty of Borrower under the Credit Agreement, and it shall be an Event of Default if any such representation and warranty shall prove to have been incorrect or false in any material respect at the time when made or deemed to have been made. Each of the foregoing representations and warranties shall

survive and not be waived by the execution and delivery of this Amendment or any investigation by the Lender.

SECTION 6. <u>Ratification of Credit Agreement and Loan Documents.</u> Except as expressly amended herein, all terms, covenants and conditions of the Credit Agreement and the other Loan Documents shall remain in full force and effect, and the parties hereto do expressly ratify and confirm the Credit Agreement (as amended herein) and the other Loan Documents. All future references to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended hereby.

SECTION 7. <u>Indemnity.</u> In consideration of the amendments agreed to by the Lender pursuant to this Amendment, Borrower hereby indemnifies the Lender, and its respective officers, partners, directors, employees, representatives and agents from, and hold each of them harmless against, any and all costs, losses, liabilities, claims, damages or expenses incurred by any of them (whether or not any of them is designated a party thereto) (an "Indemnitee") arising out of or by reason of any investigation, litigation or other proceeding related to this Amendment, the Credit Agreement or any Loan Documents or any actual or proposed use of the proceeds of any of the Advances, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding ; *provided, however,* Borrower shall not be obligated to indemnify any Indemnitee for any of the foregoing arising out of such Indemnitee's gross negligence or willful misconduct.

SECTION 8. <u>No Waiver, Etc.</u> Borrower hereby agrees that nothing herein shall constitute a waiver by the Lenders of any Default or Event of Default, whether known or unknown, which may exist under the Credit Agreement. Borrower hereby further agrees that no action, inaction or agreement by the Lender, including without limitation, any indulgence, waiver, consent or agreement altering the provisions of the Credit Agreement which may have occurred with respect to the non-performance of any obligation under the terms of the Credit Agreement or any portion thereof, or any other matter relating to the Credit Agreement, shall require or imply any future indulgence, waiver, or agreement by the Lenders.

SECTION 9. <u>Binding Nature.</u> This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

SECTION 10. <u>Costs and Expenses.</u> Borrower shall be responsible for the costs and expense of the Lender in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, including without limitation, the fees and out-of-pocket expense of counsel for the Lender with respect thereto.

SECTION 11. <u>GOVERNING LAW.</u> THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF GEORGIA.

SECTION 12. <u>Entire Understanding.</u> This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

SECTION 13. <u>Counterparts.</u> This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts and may be delivered by telecopier. Each counterpart so executed and delivered shall be deemed an original and all of which taken together shall constitute but one and the same instrument.

(Signatures Appear on Following Page)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered in Atlanta, Georgia, by their duly authorized officers as of the day and year first above written.

GLOBAL PAYMENTS INC.

By: /s/ JAMES G. KELLY

James G. Kelly
Chief Financial Officer

SUNTRUST BANK

By: /s/ BRIAN K. PETERS

Brian K. Peters
Managing Director

EXHIBIT 21

LIST OF SUBSIDIARIES

Global Payments Inc. has the following subsidiaries and ownership interests.

Name	Jurisdiction of Organization
Global Payments Direct, Inc.	New York
Global Payments Check Services, Inc.	Illinois
NDPS Comerica Alliance, LLC	Delaware(1)
Global Payment Systems LLC	Georgia
Global Payment Holding Company	Delaware
GPS Holding Limited Partnership	Georgia
Global Payment Systems of Canada, Ltd.	Canada
Global Payments Canada Inc.	Ontario, Canada
Merchant Services U.S.A., Inc.	North Carolina
NDC Holdings (UK) Ltd.	Georgia
Global Payments Check Recovery Services, Inc.	Georgia
NDPS Holdings, Inc.	Delaware
NDC Gaming Services, Inc.	Illinois
GP Finance, Inc.	Delaware
Modular Data, Inc.	Delaware

(1) NDPS Comerica Alliance, LLC has minority partners which collectively own a 49% interest.

Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-53774 of Global Payments Inc. and subsidiaries on Form S-8 our report dated July 17, 2002 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Statement of Financial Accounting Standards No. 142) appearing in this Annual Report on Form 10-K of Global Payments Inc. and subsidiaries for the year ended May 31, 2002.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
August 28, 2002

RISK FACTORS

The conviction of our former independent auditors, Arthur Andersen LLP, on federal obstruction of justice charges may adversely affect Arthur Andersen LLP's ability to satisfy any claims arising from the provision of auditing services to us and may impede our access to the capital markets.

Arthur Andersen LLP, which audited our financial statements for the years ended May 31, 2001 and 2000, was indicted in March 2002 on federal obstruction of justice charges arising from the government's investigation of Enron Corporation. Arthur Andersen was tried on such charges by a jury and found guilty on June 15, 2002. In light of the jury verdict and the underlying events, Arthur Andersen LLP has informed the SEC that it will stop practicing before the Commission by August 31, 2002, unless the Commission determines that another date is appropriate. The SEC has stated that, for the time being, it will continue accepting financial statements audited by Arthur Andersen LLP. It is possible that events arising out of the conviction may adversely affect the ability of Arthur Andersen LLP to satisfy any claims arising from its provision of auditing services to us, including claims that could arise out of Arthur Andersen LLP's audit of our financial statements included in our periodic reports, prospectuses or registration statements filed with the SEC.

Should we seek to access the public capital markets, SEC rules will require us to include or incorporate by reference in any prospectus three years of audited financial statements. The SEC's current rules would require us to present audited financial statements for one or more fiscal years audited by Arthur Andersen LLP and obtain their consent and representations until our audited financial statements for the fiscal year ending May 31, 2004 become available in the first quarter ended August 31, 2004. We expect that we would not be able to obtain the necessary consent and representations from Arthur Andersen LLP. The audit partner and substantially all of the audit team who audited our financial statements are no longer with Arthur Andersen LLP, and that firm would likely not agree to issue a consent or make any representations in their absence. As a result, we may not be able to satisfy the SEC requirements for a registration statement or for our periodic reports. Even if the SEC decides to accept financial statements previously audited by Arthur Andersen LLP, but without their current consent and representations, those financial statements would not provide us and any underwriters with the same level of protection under the securities laws as would otherwise be the case. In either of these situations, our access to the capital markets would be impaired unless Deloitte & Touche LLP, our current independent accounting firm, or another independent accounting firm, is able to audit the financial statements originally audited by Arthur Anderson LLP. Any delay or inability to access the public capital markets caused by these circumstances could have a material adverse effect on our business, profitability and growth prospects.

The integration of the operations of National Bank of Canada's, or National Bank's merchant acquiring business could result in increased operating costs if the anticipated synergies of operating both businesses as one are not achieved, a loss of strategic opportunities if management is distracted by the integration process, and a loss of customers if our service levels drop during or following the integration process.

The integration of the National Bank merchant acquiring business with ours presents several challenges, including the fact that it is entirely based in Canada, where we currently have limited operations. If the integration process does not proceed smoothly, the following factors could reduce our revenues, increase our operating costs and result in a loss of the projected synergies of operating the National Bank merchant acquiring business on our existing Canadian platform:

- if we are not successful in integrating the benefits plans, duties and responsibilities, and other factors of interest to the management and employees of the acquired business, we could lose employees to our competitors in Canada, which could significantly affect our ability to operate the business and complete the integration;

- if the integration process causes any delays with the delivery of our services, or the quality of those services, we could lose customers to our competitors; and
- the acquisition and the related integration could divert the attention of our management from other strategic matters including possible acquisitions and alliances, and planning for new product development or expansion into new electronic payments markets.

As a result of CIBC's ownership of 26.5% of our common stock, certain banking regulations limit the types of business in which we can engage.

As a result of CIBC's ownership of 26.5% of our common stock, technically we are considered as though we are a subsidiary of CIBC for purposes of certain U.S. banking regulations, and will be subject to the same restrictions on our business activities as are applicable to CIBC. As a general matter, we are able to operate our merchant service and funds transfer businesses as we have historically, but our ability to expand into unrelated businesses may be limited unless they are activities permitted under the Bank Holding Company Act or permitted by the Federal Reserve Board (the primary U.S. federal regulator for CIBC and its U.S.-based subsidiaries). The applicable regulations are interpreted to mean that a company will be deemed a subsidiary of a bank holding company, and therefore subject to the regulations, if the bank holding company owns 25% or more of the equity of a company. These restrictions are contained in the Bank Holding Company Act, as amended by the Gramm-Leach-Bliley Act. The restrictions on our business activities would also apply to any investments or alliances that we might consider.

The Bank Holding Company Act limits CIBC and its subsidiaries to activities that are closely related to the business of banking. Under the Gramm-Leach-Bliley amendments, certain well-managed and well-capitalized companies may elect to be treated as "financial holding companies," and may thus also engage in certain financial activities such as insurance and securities underwriting. CIBC has elected to be a financial holding company. If CIBC ever fails to maintain its status as a financial holding company, they and we would lose the benefit of the expanded activities provided by the Gramm-Leach-Bliley amendments and may have to divest of certain businesses or investments.

In being considered a subsidiary of CIBC for purposes of certain U.S. banking regulations, we will be subject to supervision and examination by the Federal Reserve Board. We and CIBC are required to comply with the Federal Reserve Board's regulatory requirements prior to commencing new activities, engaging in acquisitions or making new investments. Should CIBC fail to be in compliance with the Federal Reserve Board's regulatory requirements, it could affect our ability to obtain necessary approvals or clearances. Such limitations could impede our ability to compete with other companies not subject to such restrictions.

Additionally, CIBC is subject to Canadian banking regulations, specifically the *Bank Act* (Canada), which among other things limits the types of business which CIBC may conduct, directly or indirectly, and the types of investments which CIBC may make. CIBC's shareholding in our company is currently permitted under the Bank Act. The Bank Act, except as we have discussed, does not otherwise apply to us.

Under the Bank Act, CIBC is continuing to hold its interest in us, as long as the business undertaken by us is consistent with the applicable provisions of the *Bank Act*. If we undertake businesses inconsistent with the businesses in which CIBC is permitted to hold an interest, CIBC may be required, pursuant to the provisions of the *Bank Act*, to dispose of its shares prior to the expiration of the restrictions on re-sale that we have negotiated with CIBC.

We have agreed with CIBC, in effect, that we will not undertake any business inconsistent with the applicable provisions of the *Bank Act.* Our ability to expand into other businesses will be governed by the undertaking and the applicable provisions of Canadian banking legislation at the relevant time. For a more complete discussion of the banking regulations we are subject to please see "Business—Banking Regulations."

With the acquisition of CIBC's merchant acquiring business and National Bank's merchant acquiring business, we are exposed to foreign currency risks. We are also subject to risks from our variable rate credit facility with CIBC that could reduce our earnings and significantly increase our cost of capital.

As a result of acquiring the assets of CIBC's merchant acquiring business and National Bank's merchant acquiring business, we have significant operations in Canada which will be denominated in Canadian dollars. The repatriation of our earnings in Canada will subject us to the risk that currency exchange rates between Canada and the United States will fluctuate and we will lose some of our earnings when they are exchanged into U.S. dollars.

Additionally, our credit facility with CIBC carries an interest rate based on Canadian Dollar LIBOR (C$LIBOR). This rate will fluctuate with market rates, and if it increases, our cost of capital will also increase which will reduce our earnings from operations. The credit facility currently expires on November 29, 2002 and is renewable only at the consent of CIBC. CIBC may choose not to renew the credit facility at which point we will have to find alternative financing or fund the Canadian merchants ourselves. Alternative financing may carry a higher interest rate which would reduce our earnings from operations. We may not have the cash flow necessary to fund the Canadian merchants ourselves, and we may lose those customers as a result.

We are dependent on National Bank to continue to provide services to merchants under a transition arrangement, and the failure of National Bank to provide those services could result in our loss of the business of the merchants we are receiving in the acquisition.

National Bank continues to provide some services to the merchants included in the merchant acquiring business we acquired from National Bank. If National Bank does not provide those services in a satisfactory manner we may not be able to perform such services ourselves and may not be able to find other third party service providers. In that instance, the merchants may terminate their contracts with us and move their business to another electronic processing provider, which could have a significant effect on our revenues and earnings.

In order for us to continue to grow and increase our profitability, we must continue to expand our share of the existing electronic payments market and also expand into new markets.

Our future growth and profitability depends upon our continued expansion within the electronic payments markets in which we currently operate, the further expansion of these markets, the emergence of other markets for electronic transaction processing, including internet payment systems, and our ability to penetrate these markets. As part of our strategy to achieve this expansion, we are continually looking for acquisition opportunities, investments and alliance relationships with other businesses that will allow us to increase our market penetration, technological capabilities, product offerings and distribution capabilities. We may not be able to successfully identify suitable acquisition, investment and alliance candidates in the future, and if we do, they may not provide us with the benefits we anticipated. Once completed, investments and alliances may not realize the value that we expect.

Our expansion into new markets is also dependent upon our ability to apply our existing technology or to develop new applications to meet the particular service needs of each new payment services market. We may not have adequate financial and technological resources to develop products and distribution channels that will satisfy the demands of these new markets. If we fail to expand into new and existing electronic payments markets, we will not be able to continue to grow our revenues and earnings.

In order to remain competitive and continue to increase our revenues, we must continually update our products and services, a process which could result in increased research and development costs in excess of historical levels and the loss of revenues and customers if the new products and services do not perform as intended or are not accepted in the marketplace.

The electronic payments market in which we compete includes a wide range of products and services including electronic transaction processing, reporting on transactions and other customer support services. The market is characterized by technological change, new product introductions, evolving industry standards and

changing customer needs. In order to remain competitive, we are continually involved in a number of research and development projects. These projects carry the risks associated with any research and development effort, including cost overruns, delays in delivery and performance problems, but in the electronic payments market these risks are even more acute. Our market is constantly experiencing rapid technological change. Any delay in the delivery of new products or services could render them less desirable by our customers, or possibly even obsolete. In addition, the products and services we deliver to the electronic payments market are designed to process very complex transactions and deliver reports and other information on those transactions, all at very high volumes and processing speeds. Any performance issue that arises with a new product or service could result in significant processing or reporting errors. As a result of these factors, our research and development efforts could result in increased costs that could reduce our operating profit, a loss of revenue if promised new products are not timely delivered to our customers, or a loss of revenue or possible claims for damages if new products and services do not perform as anticipated.

Some of our competitors are larger and have greater financial and operational resources than we do which may give them an advantage in our market in terms of the price offered to customers or the ability to develop new technologies.

We operate in the payments systems industry. Our primary competitors in this industry include other independent processors, as well as certain major national and regional banks, financial institutions and independent sales organizations. According to industry reports such as *The Nilson Report*, First Data Corporation and its affiliates is the largest competitor in our industry. First Data and others who are larger than we are, have greater financial and operational resources than we have. This may allow them to offer better pricing terms to customers in the industry, which could result in a loss of our potential or current customers or could force us to lower our prices as well. Either of these actions could have a significant effect on our revenues. In addition, our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies, including Internet payment processing services that provide improved operating functionality and features to their product and service offerings. If successful, their development efforts could render our product and services offerings less desirable to customers, again resulting in the loss of customers or a reduction in the price we could demand for our offerings.

We are dependent on NDC for the provision of critical telecommunications services, network systems and other related services for the operation of our business, and the failure of NDC to provide those services in a satisfactory manner could affect our relationships with customers and our financial performance.

Under the terms of the intercompany systems/network services agreement between NDC and us, NDC will provide us with a continuation of the telecommunication services from the carriers who have and will continue to provide telecommunication services to NDC, including engineering and procurement. In addition, NDC will supply us with the necessary network systems services, including operations and administrative services and computing hardware and software facilities, technical support for transaction processing, cash management and file transfer and communications hardware and software system services. These services, especially telecommunications services, are an essential communications link between us and our customers and an essential component of the services that we provide. If NDC should not continue to perform these services efficiently and effectively, our relationships with our customers may be adversely affected and customers may terminate their use of our services. If we are not able to successfully develop the capacity to provide these services prior to the expiration of our agreement with NDC or if NDC does not provide such services in an efficient and effective manner during the term of that agreement, we are not certain whether we could locate alternative sources of such services, particularly telecommunications services, or that, if available, such services would be available on favorable terms.

Reduced levels of consumer spending can adversely affect our revenues.

A significant portion of our revenues is derived from fees from processing consumer credit card and debit card transactions. While consumer spending in the U.S. may be recovering, continued sluggishness of the U.S. economy or recession in the international economies where we do business could negatively impact consumer spending and adversely affect our revenues and earnings.

Loss of strategic industries could reduce revenues and earnings.

Although our merchant portfolio is well diversified and neither one economic sector nor any customer concentration represents a significant portion of our business, a decrease in strategic industries could cause us to lose significant revenues and earnings. The travel and entertainment industry experienced substantial economic loss over the past year. This did not have a material affect on our business during fiscal year 2002. Unexpected and significant declines in travel and entertainment or other industries may impact our business and result in decreases in revenues and profits.

Security breaches or system failures could harm our reputation and adversely affect future profits.

We collect personal consumer data, such as names, credit and debit account numbers, checking account numbers, and payment history records. We process that data, and deliver our products and services, utilizing computer systems and telecommunications networks operated both by us and by third party service providers. Although plans and procedures are in place to protect our sensitive data and to prevent failure of, and to provide backup for, our systems, we cannot be certain that our measures always will be successful. A security breach or other misuse of our data, or failures of key operating systems and their back-ups, could harm our reputation and deter customers from using our products and services, increase our operating expenses in order to correct the breaches or failures, or expose us to unbudgeted liability.

Continued consolidation in the banking and retail industries could adversely affect our growth.

As banks continue to consolidate, our ability to successfully offer our services through the indirect channel will depend in part on whether the institutions that survive are willing to outsource their credit and debit processing to third-party vendors and whether those institutions have pre-existing relationships with any of our competitors. Larger banks and larger merchants with greater transaction volumes may demand lower fees which could result in lower operating margins for us.

We are subject to the business cycles and credit risk of our merchant customers.

A recessionary economic environment could affect our merchants through a higher rate of bankruptcy filings resulting in lower revenues and profits for us. Our merchants have the liability for any charges properly reversed by the cardholder. In the event, however, that we are not able to collect such amounts from the merchants, due to merchant fraud, insolvency, bankruptcy or another reason, we may be liable for any such charges. We require cash reserve deposits, guarantees, letters of credit and other types of collateral by our riskier merchants to minimize any such contingent liability. We also utilize a number of systems and procedures to manage merchant risk. Any risks associated with an unexpected recessionary economy that we could not mitigate may result in lower profits and revenues and earnings for us.

Utility and system interruptions or processing errors could adversely affect our operations.

In order to process transactions promptly, our computer equipment and network servers must be functional on a 24-hour basis, which requires access to telecommunications facilities and the availability of electricity. Further, with respect to certain processing services, we are dependent on the systems and services of third party vendors. Telecommunications services and the electricity supply are susceptible to disruption. Computer system interruptions and other processing errors, whether involving our own systems or our third party vendor’s system, may result from such disruption or from human error or other unrelated causes. Any extensive or long-term disruptions in our processing services could cause us to incur substantial additional expense, which could have an adverse effect on our operations and financial condition.

Our revenues from the sale of services to VISA and MasterCard organizations are dependent upon our continued VISA and MasterCard certification and financial institution sponsorship.

In order to provide our transaction processing services, we must be designated a certified processor by, and be a member service provider of, MasterCard and an independent sales organization of VISA. These designations are dependent upon our being sponsored by member clearing banks of both organizations and our continuing adherence to the standards of the VISA and MasterCard associations. The member financial institutions of VISA

and MasterCard, some of which are our competitors, set the standards with which we must comply. If we fail to comply with these standards, our designation as a certified processor, a member service provider or as an independent sales organization could be suspended or terminated. The termination of our member service provider status or our status as a certified processor, or any changes in the VISA and MasterCard rules that prevent our registration or otherwise limit our ability to provide transaction processing and marketing services for the VISA or MasterCard organizations would most likely result in the loss of these organizations as customers and lead to a reduction in our revenues.

Increases in credit card association fees may result in the loss of customers or a reduction in our profit margin.

From time to time, VISA and MasterCard increase the fees (interchange fees) that they charge processors such as us. We could attempt to pass these increases along to our merchant customers, but this might result in the loss of those customers to our competitors who do not pass along the increases. If competitive practices prevent our passing along all such increased fees to our merchant customers in the future, we would have to absorb a portion of such increases thereby increasing our operating costs and reducing our profit margin.

Loss of Key Independent Sales Organizations or ISO's could reduce our revenue growth.

Our ISO sales channel, which purchases and resells our end-to-end services to its own portfolio of merchant customers, is a strong contributor to our revenue growth. If an ISO switches to another transaction processor, we will no longer receive new merchant referrals from the ISO. In addition, we risk losing existing merchants that were originally enrolled by the ISO. Although we have generally attempted to protect ourselves against this type of merchant attrition through contractual restrictions, we cannot assure you that such contractual restrictions will be successful. In addition, it is generally difficult and time-consuming to move merchant portfolios from one processor to another. Consequently, if a key ISO switches to another transaction processor, our revenues and earnings could be negatively affected.

If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.

We are dependent upon the ability and experience of a number of our key personnel who have substantial experience with our operation, the rapidly changing transaction processing industry, and the selected markets in which we offer our services. It is possible that the loss of the services of one or a combination of our key personnel would have an adverse effect on our operation. Our success also depends on our ability to continue to attract, manage, and retain additional qualified management and technical personnel as we grow. We cannot assure you that we will continue to attract or retain such personnel.

The credit risk of our direct merchant customers could adversely affect our revenues.

Our direct merchant customers have liability for any charges properly reversed by a cardholder. In the event, however, that we are not able to collect such amounts from a merchant, due to merchant fraud, insolvency, bankruptcy or another reason, we may be liable for any such reversed charges. We generally require cash deposits, guarantees, letters of credit and other types of collateral by certain merchants to minimize any such contingent liability. We also utilize a number of systems and procedures to manage merchant risk, and we hold reserves for losses on our books. However, we cannot assure you that such procedures will be sufficient to cover unanticipated losses, which may negatively affect our earnings and revenues.

We may become subject to additional U.S. state taxes that cannot be passed through to our merchant customers, in which case our profitability could be adversely affected.

Transaction processing companies like us may be subject to taxation by various U.S. states on certain portions of our fees charged to customers for our services. Application of these taxes is an emerging issue in our industry and the states have not yet adopted uniform regulations on this topic. If we are required to pay such taxes and are not able to pass the tax expense through to our merchant customers, our operating costs will increase, reducing our profit margin.

Anti-takeover provisions of our articles of incorporation and by-laws, our rights agreement and provisions of Georgia law could delay or prevent a change of control that you may favor.

Provisions of our articles of incorporation and by-laws, our rights agreement and provisions of applicable Georgia law may discourage, delay or prevent a merger or other change of control that shareholders may consider favorable. The provisions of our articles and by-laws, among other things,

- divide our board of directors into three classes, with members of each class to be elected in staggered three-year terms;
- limit the right of shareholders to remove directors;
- regulate how shareholders may present proposals or nominate directors for election at annual meetings of shareholders; and
- authorize our board of directors to issue preferred shares in one or more series, without shareholder approval.

Also, under Section 355(e) of the Internal Revenue Code, the spin-off from NDC will be treated as a taxable transaction if one or more persons acquire directly or indirectly 50% or more of our or NDC's stock (measured by vote or value) as part of a plan or series of related transactions that is linked to the spin-off under the rules of Section 355(e). For this purpose, any acquisitions of our stock or NDC stock within two years before or after the spin-off are presumed to be part of such a plan, although NDC or we may be able to rebut that presumption by relying on the Treasury Regulations for Section 355. If such an acquisition of our stock triggers the application of Section 355(e), under the tax sharing agreement, we would be required to indemnify NDC for the resulting tax. This indemnity obligation might discourage, delay or prevent a change of control that shareholders may consider favorable.

We may not be able or we may decide not to pay dividends at a level anticipated by shareholders on our common stock, which could reduce your return on shares you hold.

The payment of dividends is at the discretion of our board of directors and will be subject to our financial results, our working capital requirements, the availability of surplus funds to pay dividends and restrictions under our credit facility. No assurance can be given that we will be able to or will choose to pay any dividends in the foreseeable future.