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**UNITED STATES**
**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, 2013**
**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** | **58-2567903** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **10 Glenlake Parkway, North Tower, Atlanta, Georgia** | **30328-3473** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **770-829-8000**

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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. Yes ☐ No ☒

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was $3,416,096,919.

The number of shares of the registrant's common stock outstanding at July 16, 2013 was 75,579,170 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Specifically identified portions of the registrant's proxy statement for the 2013 annual meeting of shareholders are incorporated by reference in Part III.

**GLOBAL PAYMENTS INC.**
**2013 FORM 10-K ANNUAL REPORT**


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**CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

Unless the context requires otherwise, references in this report to “Global Payments,” the “Company,” “we,” “us,” and “our” refer to Global Payments Inc. and our respective subsidiaries.

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; measures of future results of operations, such as revenue, expenses, operating margins, income tax rates, and earnings per share; other operating metrics such as shares outstanding and capital expenditures; our success and timing in developing and introducing new products or services and expanding our business; and the successful integration of future acquisitions. You can sometimes identify forward looking-statements by our use of the words “believes,” “anticipates,” “expects,” “intends,” “plan,” “forecast,” “guidance” 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 rates and margins, other results of operations 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 Item 1A - Risk Factors of 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, or SEC. 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

***Financial Highlights***

In the year ended May 31, 2013, or fiscal 2013, revenue increased 7.8% to $2,375.9 million from $2,203.8 million in the year ended May 31, 2012, or fiscal 2012. This revenue growth is primarily due to growth driven by our U.S. ISO channel, growth from our direct sales channels and gaming business, and growth in Europe; partially offset by market-based pricing compression in Canada.

Consolidated operating income was $357.2 million for fiscal 2013, compared to $307.3 million for fiscal 2012. Consolidated operating income for both fiscal years 2013 and 2012 includes processing system intrusion costs of $36.8 million and $84.4 million, respectively. Net income attributable to Global Payments increased $27.9 million, or 14.8%, to $216.1 million in fiscal 2013 from $188.2 million in the prior year, resulting in a $0.39 increase in diluted earnings per share to$2.76 in fiscal 2013 from $2.37 in fiscal 2012.

North America merchant services segment revenue increased $138.4 million, or 8.8%, to $1,705.7 million in fiscal 2013 from $1,567.3 million in fiscal 2012. North America merchant services segment operating income decreased to $258.9 million in fiscal 2013 from $281.3 million in fiscal 2012, with operating margins of 15.2% and 17.9% for fiscal 2013 and 2012, respectively.

International merchant services segment revenue increased $33.6 million, or5.3%, to $670.2 million in fiscal 2013 from $636.6 million in fiscal 2012. International merchant services segment operating income also increased to $211.2 million in fiscal 2013 from $196.1 million in fiscal 2012, with operating margins of 31.5% and 30.8% for fiscal 2013 and 2012, respectively.

Refer to “Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations” for a detailed explanation of these results.

***Fiscal 2013 Acquisitions***

During fiscal 2013, we completed three strategic acquisitions which expanded our distribution capabilities in the United States, the Asia-Pacific region and Spain. In October 2012, we acquired Accelerated Payment Technologies ("APT"), a U.S. provider of fully-integrated payment technology solutions for small and medium sized merchants for a purchase price of $413.0 million, less working capital. In December 2012, we completed the purchase of HSBC Asia's ("HSBC") 44% interest in Global Payments Asia-Pacific Limited ("GPAP") for $242.0 million. Also in December 2012, Comercia Global Payments Entidad de Pago, S.L. ("Comercia") completed the acquisition of the merchant acquiring business of Banca Civica, S.A. ("Civica") from CaixaBank, S.A. ("CaixaBank"), based in Spain, for €17.5 million ($22.9 million equivalent as of the acquisition date).

### Business Description

Global Payments Inc. is a leading provider of electronic payments transaction processing services for consumers, merchants, independent sales organizations (“ISO”s), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, Brazil, the United Kingdom, Spain, the Republic of Malta, the Czech Republic, the Russian Federation and the Asia-Pacific region. We serve as an intermediary to facilitate electronic payment transactions and operate in two business segments, North America Merchant Services and International Merchant Services. We were incorporated in Georgia as Global Payments Inc. in September 2000, and we spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have been in the payments business since 1967.

Our North America merchant services and International merchant services segments target customers in many vertical industries including financial institutions, gaming, government, health care, professional services, restaurants, retail, universities, nonprofit organizations and utilities. Please see Note 14 - *Segment Information* in the notes to consolidated financial statements for additional segment information and “Item 1A - Risk Factors” for a discussion of risks involved with our operations.

***Merchant Services Overview***

Our merchant acquiring services are similar around the world in that we accept a variety of card and electronic based payments at the point of sale. Our primary business model provides payment products and services directly to merchants as our end customers. We also provide similar products and services to financial institutions and a limited number of ISOs that, in turn, resell our products and services, in which case, the financial institutions and select ISOs are our end customers. These particular services are marketed in the United States, Canada, and parts of Eastern Europe.

We provide our merchant customers with the ability to accept check, card and electronic-based payments. The term “merchant” generally refers to any organization that accepts credit or debit cards for the payment of goods and services. We sell our services through multiple sales channels around the world and target customers in many vertical industries. Card-based payment forms consist of credit, debit, gift, stored value, and electronic benefits transfer cards. Credit and debit card transaction processing includes the processing of the world's major international card brands, including American Express, China UnionPay, Discover, JCB, MasterCard, Visa and non-traditional payment methods, as well as certain domestic debit networks, such as Interac in Canada. Electronic payment processing involves a consumer or cardholder acquiring goods or services from a merchant and using a credit or debit card or other electronic method as the form of payment. We are the processing intermediary between the merchant, the credit and debit networks and the financial institutions that issue cards. Our comprehensive offerings include terminal sales and deployment, front-end authorization processing, settlement and funding processing, full customer support and help-desk functions, chargeback resolution, industry compliance, PCI security, consolidated billing and statements, and on-line reporting. Our value proposition is to provide high quality, responsive, secure and full end-to-end service to all of our customers. Currently, we focus on merchant customers in the United States, Canada, Brazil, the United Kingdom, Spain, the Republic of Malta, the Czech Republic, the Russian Federation and the Asia-Pacific region.

The majority of merchant services revenue is generated on services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are unrelated to the number of transactions or the transaction value.

*Credit and Debit Card Transaction Processing*

Credit and debit networks establish uniform regulations that govern much of the payment card industry. During a typical card transaction, the merchant and the card issuer do not interface directly with each other, but instead rely on merchant acquirers. Merchant acquirers are typically financial institutions or independent processors like Global Payments. Global Payments performs a series of services including authorization, electronic draft capture, file transfers to facilitate funds settlement and certain exception-based, back office support services such as chargeback and retrieval resolution.

In order to provide credit and signature-based debit card transaction processing services for MasterCard and Visa, we must either be a member of these systems or be designated as a certified processor by MasterCard and Visa in addition to being a Merchant Service Provider by MasterCard and an Independent Sales Organization by Visa. Currently, these designations are dependent upon member clearing banks of either organization sponsoring us and our adherence to the standards of the MasterCard and Visa networks. A financial institution that is a member of the MasterCard and Visa card networks (which we refer to in this discussion as Member) must sponsor an electronic transaction payment processor such as Global Payments. We have financial institution sponsors in the various markets where we facilitate payment transactions with whom we have sponsorship or depository and clearing agreements. These agreements allow us to route transactions under the member banks' control and identification numbers to clear credit card transactions through MasterCard and Visa. Certain of the member financial institutions of MasterCard and Visa are our competitors. MasterCard and Visa set the standards with which we must comply. In certain markets, we are members in various payment networks, allowing us to process and fund transactions without third-party financial institution sponsorship. We intend to pursue memberships in additional markets in the future.

In many markets we also provide credit card transaction processing for Discover Financial Services or Discover Card (“Discover”) and are designated as an acquirer by Discover. This designation provides us with a direct relationship between us and Discover, and therefore a Member sponsorship is not required. Our agreement with Discover allows us to route and clear transactions directly through Discover's network. Otherwise, we process Discover transactions similarly to the way we process MasterCard and Visa transactions. Discover publishes acquirer operating regulations with which we must comply. We use our Members to assist in funding merchants for Discover transactions.

Additionally, we provide credit and debit card transaction processing for China UnionPay (“CUP”) in selected markets and through a variety of methods, and are either designated as an acquirer by China UnionPay or are sponsored by a China UnionPay member institution. China UnionPay publishes acquirer operating regulations with which we must comply.  We use our Members to assist in funding merchants for China UnionPay transactions.

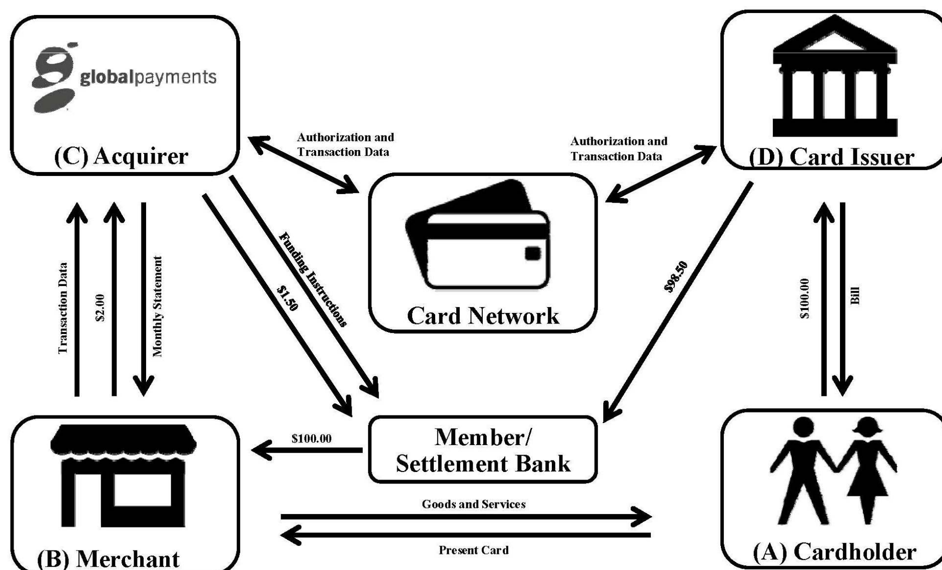
***How a Card Transaction Works***

A typical card transaction begins when a cardholder presents a card for payment at a merchant location where the card information is captured by a Point of Sale ("POS") terminal card reader or mobile phone card reader, which may be sold, leased, or rented, and serviced by Global Payments. Alternatively, card and transaction information may be captured and transmitted to our network through a POS device by one of a number of products that we offer directly or through a value added reseller ("VAR"). The terminal electronically records sales draft information, such as the card identification number, transaction date and value of the goods or services purchased.

After the card and transaction information is captured by the POS device, the terminal automatically either dials a pre-programmed phone number or otherwise connects to our network through the internet or other communication channels in order to receive authorization of the transaction. For a credit card transaction, authorization services generally refer to the process in which the card issuer indicates whether a particular credit card is authentic and whether the impending transaction value will cause the cardholder to exceed defined credit limits. In a debit card transaction, the company obtains authorization for the transaction from the card issuer through the payment network verifying that the cardholder has sufficient funds for the transaction.

Timing differences, interchange expense, merchant reserves and exception items cause differences between the amount the Member receives from the card networks and the amount funded to the merchants. The standards of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant is funded. However, in practice and in accordance with the terms of our sponsorship agreements with our Members, we generally follow a net settlement process by region whereby, if the incoming amount from the card networks precedes the Member's funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member, in an account at the Member bank, and record a corresponding liability. Conversely, if the Member's funding obligation to the merchant precedes the incoming amount from the card networks, the amount of the Member's net receivable position is either subsequently advanced to the Member by us or the Member satisfies this obligation with its own funds. If the Member uses its own funds, the Member may assess a funding cost. Each participant in the transaction process receives compensation for its services.

As an illustration, shown below, on a $100.00 credit card transaction, the card issuer may fund the Member $98.50 after retaining approximately $1.50 referred to as an interchange fee or interchange expense. The card issuer seeks reimbursement of $100.00 from the cardholder in the cardholder's monthly credit card bill. The Member would, in turn, pay the merchant $100.00. The net settlement after this transaction would require Global Payments to advance the Member $1.50. After the end of the month, we would bill the merchant a percentage of the transaction, or discount, to cover the full amount of the interchange fee and our net revenue from the transaction. If our discount rate for the merchant in the above example was 2.00%, we would bill the merchant $2.00 at the end of the month for the transaction, reimburse ourselves for approximately $1.50 in interchange fees and retain $0.50 or 0.50% as our net revenue for the transaction. Discount rates vary based on negotiations with merchants and the economic characteristics of transactions. Interchange also varies based on the economic characteristics of individual transactions. Accordingly, our net revenue per transaction varies across our merchant base and is subject to change based on changes in discount rates and interchange rates. Our profit on the transaction reflects the net revenue less operating expenses, including assessments and other network fees, systems cost to process the transaction and commissions paid to our sales force or ISO. Assessments are fees charged by Visa and MasterCard based on the dollar value of transactions processed through their networks.




***Business Segments***

*North America Merchant Services Segment*

North America merchant services revenues represent 71.8% of our total consolidated fiscal 2013 revenues and includes operations in the United States, Canada and Brazil. In the United States, we sell our services via ISOs, a direct sales force, trade associations, integrated payment technology, agent and VAR referral arrangements, as well as proprietary telesales groups.

Our ISO channel targets a variety of merchant types with typical annual bankcard volumes of $150,000 or less. The ISOs contract with Global Payments to provide processing and other services depending on the ISOs' requirements. These contracts are multi-year and priced by service on a per transaction basis. The ISOs act as a third-party sales group selling Global Payments-branded merchant acquiring products and services, with the majority of Global Payments ISOs marketing direct merchant acquiring. Because Global Payments is a primary party to the merchant contract as a result of our bank sponsor relationship, the full amount of fees collected from the merchant, net of interchange, is recorded as revenue. The excess of revenue earned over our cost to process the transaction plus the ISO contractual transaction fee is remitted to the ISO in the form of a residual payment on a monthly basis and is recorded in Sales, general and administrative expenses.

Our direct sales channel receives qualified leads from our agent bank, VAR and trade association referral partners signing a variety of mid-to-large sized merchants with annual bankcard volume on average above $300,000. Our merchant portfolio is also increased by targeted campaigns and other lead generating efforts by our direct sales force. Our sales force is paid a combination of base salary and commission. Our referral partners are paid various referral fees.

Our integrated payment technologies channel, or APT, sells integrated payment solutions to more than 30 different vertical markets gaining market share by signing new enterprise solution providers and by signing new merchants within existing enterprise solution providers already supported by APT.

Our United States revenue also includes check and gaming services and indirect merchant services. Our check products offer merchant customers risk management alternatives, in the case of our verification and recovery offerings, or risk elimination, in the case of our guarantee offerings, by leveraging our internal and external databases of checkwriters to help decide whether

the merchant should accept a check as the form of payment from a particular checkwriter. Our check services products are part of our direct merchant service offering.

The majority of check services involve providing check guarantee services for checks received by merchants. Under the guarantee service, when a merchant receives a check in payment for goods and services, the transaction is submitted and analyzed by the Company. The Company either accepts or declines the check for warranty coverage under its guarantee service. If the Company approves the check for warranty coverage and the merchant accepts the check, the merchant will either deposit the check in its bank account or process it for settlement through the company's electronic check acceptance service. If the check is returned unpaid by the merchant's bank and the returned check meets the requirements for warranty coverage, the Company is required to purchase the check from the merchant at its face value. The Company then owns the purchased check and pursues collection of the check from the check writer. As a result, the Company bears the risk of loss if the Company is unable to collect the returned check from the check writer. We earn a fee for each check guaranteed, which generally is determined as a percentage of the check amount.

In the specialized vertical market of gaming, our VIP LightSpeed proprietary software and VIP Preferred Advantage product provide the gaming industry with the tools necessary to establish revolving check cashing limits for a casino's customers. Our gaming products allow fast access to cash with high limits so that gaming establishments can increase the flow of money to their gaming floors and reduce risk. We derive revenue from our gaming products primarily based on a percentage of the transaction value.

In the indirect merchant services channel we provide merchant services to financial institutions and a limited number of ISOs that, in turn, resell our products and services.

*International Merchant Services Segment*

International merchant services revenues represent 28.2% of our total consolidated fiscal2013 revenues and include operations in Europe and the Asia-Pacific region. Our business in Europe is primarily located in the United Kingdom, Spain, the Republic of Malta, Czech Republic, and the Russian Federation. Our Asia-Pacific region includes the following eleven countries and territories: Brunei, China, Hong Kong, India, Macau, Malaysia, Maldives, the Philippines, Singapore, Sri Lanka and Taiwan. We have a direct sales force in the United Kingdom, Spain, the Republic of Malta, the Russian Federation and the Asia-Pacific region through which we primarily sell our direct merchant acquiring services while leveraging our bank referral relationships. In the Czech Republic and the Russian Federation we also provide indirect merchant acquiring services.

Total revenues from our segments, by geography, are as follows (in thousands):

| | Year Ended May 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Revenues: | | | |
| United States | $ 1,394,675 | $ 1,234,818 | $ 1,031,997 |
| Canada | 311,000 | 332,434 | 330,872 |
| North America merchant services | 1,705,675 | 1,567,252 | 1,362,869 |
| | | | |
| Europe | 522,593 | 489,300 | 359,567 |
| Asia-Pacific | 147,655 | 147,295 | 137,366 |
| International merchant services | 670,248 | 636,595 | 496,933 |
| | | | |
| Consolidated revenues | $ 2,375,923 | $ 2,203,847 | $ 1,859,802 |

**Industry Overview**

Payment processing service providers offer electronic transaction payment processing and support services directly to merchants, multinational corporations, financial institutions and ISOs.

We are a leading mid-market and small-market merchant acquirer in the United States and we primarily compete with First Data Corporation, Bank of America Merchant Services, Chase Paymentech, Wells Fargo, Vantiv, Heartland Payment Systems and Elavon.

In Canada, we have significant market share. We consider Moneris Solutions, Chase Paymentech Solutions and TD Merchant Services to be major competitors in the Canadian market. Moneris Solutions is a joint venture between the Royal Bank of Canada and the Bank of Montreal.

In the European and Asia-Pacific regions, financial institutions remain the primary providers of payment processing services to merchants, although the outsourcing of merchant processing services to third-party service providers is becoming more prevalent. Processing services 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.

In Spain, we hold the number one market share position and our primary competitors are Banco Bilbao Vizcaya Argentaria, S.A, Caja Madrid, Santander, and Banco Popular although all banks offer some form of card processing in line with the traditional full service model in the market.

In the United Kingdom, we believe we hold the number three market position compared to our primary competitors WorldPay and Barclays. In Spain, we hold the number one market share position and our primary competitors are Banco Bilbao Vizcaya Argentaria, S.A and Caja Madrid, although all banks offer some form of card processing in line with the traditional full service model in the market. While we have a market-leading position with our partner CaixaBank, we are expecting similar models to become more prevalent as further consolidation occurs in the banking sector. We believe we hold the number one market share position amongst non-bank processors in the Russian Federation in a highly fragmented payments market. Our competition is made up of various financial institutions, including Sberbank, VTB, Raiffeisen Bank, and Russian Standard Bank. In the Czech Republic, our primary competitors are First Data, SiNSYS, and Euronet. In the Asia-Pacific region, our primary competition is from financial institutions that offer merchant acquiring services in each of our eleven markets.

As a result of continued growth in our industry, several large merchant acquirers, including us, have expanded operations both domestically and internationally in the form of acquisitions and the creation of alliances and joint ventures. We believe that the electronic payment transaction processing industry will continue to consolidate as banks and independent processors that do not have the necessary infrastructure may look to exit the business.

We believe that electronic transactions will continue to grow in the future and that an increasing percentage of these transactions will be processed through emerging technologies. To help reduce transaction costs and accelerate the transaction approval process, we have integrated new technologies into our service offerings such as internet protocol communications and check truncation or conversion at the point of sale. In order to support and integrate payments into our merchants' various business solutions utilized through VARs, we created a developer portal simplifying the payment enablement process with multiple VARs. We are also able to offer our customers integrated e-commerce solutions. Through our VAR relationships, we have several products that support radio frequency identification for contactless payment cards as well as near field communication enabled smartphones that contain mobile wallet software, which position Global Payments to participate in mobile payments. We also offer customers the ability to accept payments utilizing a mobile device as a point of sale terminal. As mobile payments continue to evolve and are desired by merchants and consumers, we intend to continue partnering and developing new products and services that will leverage the benefits that these new technologies can offer our customers. We also believe that new markets will continue to develop in areas that have been previously dominated by paper-based transactions. Industries such as e-commerce, healthcare, education, government, recurring payments, and business-to-business should continue to see transaction volumes migrate to more electronic-based settlement solutions. We believe that the continued development of new products and services and the emergence of new vertical markets will be a factor in the growth of our business for the foreseeable future.

**Strategy**

We seek to leverage the adoption of, and transition to, card and electronic-based payments by expanding market share in our existing markets through our distribution channels and through acquisitions and also enter new markets through acquisitions around the world. We intend to continue to invest in and leverage our technology infrastructure and our people to increase our penetration in existing markets. Our objectives include:

- grow our direct merchant services market share by concentrating on the small and mid-market merchant segments, while selectively targeting national merchants that meet our profitability criteria;
- expand our direct merchant services distribution channels, including our existing sales force, ISOs, original equipment manufacturer (“OEMs”), VARs, e-commerce, mobile wallet software and other referral relationships;
- focus on high potential markets and channels including emerging technologies;
- continue to develop seamless multinational solutions for leading global customers;

- provide customer service at levels that exceed our competition, while investing in technology, training and product enhancements;
- provide enhanced products and services by developing value-added applications, enhancing existing products and developing new systems and services to blend technology with customer needs;
- drive efficiencies throughout our technology infrastructure ;
- pursue potential domestic and international acquisitions or investments in and alliances with companies that have high growth potential or significant market presence

**Safeguarding Our Business**

Privacy and security are central to our service. We work with information security and forensics firms and employ advanced technologies to investigate and address issues related to processing system security. We also work with industry third parties, regulators and law enforcement to resolve security incidents and assist in efforts to prevent unauthorized access to our processing system.

In early March 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. Our investigation also revealed potential unauthorized access to servers containing personal information collected from merchants who applied for processing services. The merchants who could potentially be affected are limited to those based in the U.S. We cannot verify those potentially affected as it is unclear whether any information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individuals.

As a result of this event, certain card networks removed us from their list of PCI DSS compliant service providers. Our work to remediate our systems and processes is complete. We hired a Qualified Security Assessor, or QSA, to conduct an independent review of the PCI DSS compliance of our systems. Our QSA completed the evaluation of our remediation work. Global Payments Direct, Inc., our primary operating entity, has been returned to the list of PCI DSS compliant service providers and we have received reports on compliance covering all of our systems. To date, we have not experienced a material loss of revenue that we can confirm has been related to this event. However, this event and our related remediation efforts could potentially have a negative impact on future revenues. Please see Note 2 - Processing System Intrusion in the notes to consolidated financial statements for additional processing system intrusion information.

**Employees**

As of May 31, 2013, we had 3,954 employees. Many of our employees are highly skilled in technical areas specific to electronic transaction payment processing. We believe that our current and future operations depend substantially on retaining our key technical employees.

**Government Regulation**

Various aspects of our business are subject to regulation and supervision under federal, state and local laws in the United States, as well as laws and regulations that affect the electronic payments industry in the countries in which we operate. In addition, we are subject to rules promulgated by the various payment networks, including Visa, MasterCard, Discover, American Express, China UnionPay and Interac; the Payment Services Directive in Europe; as well as a variety of other regulations, including escheat laws and applicable privacy and information security regulations. In addition, because we provide data processing services to banks and other financial institutions, we are subject to examination by the Federal Financial Institutions Examination Council (FFIEC). Set forth below is a brief summary of some of the significant laws and regulations that apply to the Company. These descriptions are not exhaustive and are qualified in their entirety by reference to the particular statutory or regulatory provision.

*The Dodd-Frank Act*

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), which has resulted in significant structural and other changes to the regulation of the financial services industry. The Dodd-Frank Act directed the Board of Governors of the Federal Reserve (“Board”) to regulate the debit interchange transaction fees that a card issuer or payment card network receives or charges for an electronic debit transaction. The Act requires that these fees be “reasonable and proportional” to the cost incurred by the card issuer in authorizing, clearing and settling the transaction. On June 29, 2011, the Board announced the final rules governing debit card interchange fees, and routing and exclusivity restrictions. Under these rules, debit interchange rates for card issuers with assets of $10 billion or more

are capped at $0.21 per transaction and an ad valorem component of 5 basis points to reflect a portion of the issuer's fraud losses plus, for qualifying issuers, an additional $0.01 per transaction in debit interchange for fraud prevention costs. In addition, the rules contain prohibitions on network exclusivity and merchant routing restrictions that require a card issuer to enable at least two unaffiliated networks on each debit card, prohibit card networks from entering into exclusivity arrangements, and restrict the ability of issuers or networks to mandate transaction routing requirements. The interchange fee limitations and prohibition on merchant routing restrictions took effect on October 1, 2011. The prohibition on network exclusivity arrangements took effect on October 1, 2011 for payment card networks and April 1, 2012 for most debit card issuers. In addition, the prohibition on network exclusivity arrangements were effective for certain health and benefit cards and general-use prepaid cards on April 1, 2013.

The Dodd-Frank Act also created the Financial Stability Oversight Council (“FSOC”), which was established to, among other things, identify risks to the stability of the U.S. financial system. The FSOC has the authority to require supervision and regulation of nonbank financial companies by the Federal Reserve if the FSOC determines either that (i) material financial distress at the nonbank financial company or (ii) the nature, scope, size, scale, concentration, interconnectedness, or mix of activities of the nonbank financial company could pose a threat to the financial stability of the United States. Such companies, commonly known as “systemically important financial institutions” or “SIFIs,” will be subject to heightened prudential standards such as risk-based capital requirements, liquidity requirements, and short-term debt limits. In June 2013, the FSOC reportedly voted on its first set of proposed SIFIs, though such designated companies are not publicly disclosed. The FSOC has not publicly designated the Company as a proposed SIFI. Additionally, the FSOC has the authority to designate financial market utilities (“FMUs”) and financial institutions engaged in payment, clearing and settlement (“PCS”) activities as systemically important if the FSOC determines that failure or disruption to the functioning of the FMU or conduct of the PCS activities could threaten the stability of the U.S. financial system. Such a designation will subject the FMU or financial institution to oversight and risk management standards established by the Federal Reserve (in consultation with the FSOC and certain other applicable regulatory agencies). Early indications suggest that the FSOC is focused on the regulation of financial services companies that operate unregulated wholesale transfer systems or engage in largely unregulated commodities, derivatives and currency markets, and not on entities such as the Company.

*Payment Network Rules*

We are subject to the rules of MasterCard, Visa, Discover, China UnionPay and Interac, and other payment networks. In order to provide our transaction processing services, several of our subsidiaries are registered with MasterCard and Visa as service providers for member institutions and with other networks. Accordingly, we are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions.

*Banking Laws and Regulations*

Because we provide data processing and technology services to banks and other financial institutions, we are subject to examination by the FFIEC. The FFIEC is an interagency body comprised of the federal bank and credit union regulators (i.e. the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Bureau of Consumer Financial Protection). The FFIEC examines large data processors in order to identify and mitigate risks associated with systemically significant service providers, including specifically the risks they may pose to the banking industry. In addition, we are subject to Directive 2007/64/EC in the European Union (the "Payment Services Directive”), which was implemented in most European Union member states through national legislation. As a result of this legislation, we are subject to regulation and oversight in certain EU member nations, including the requirement that we maintain specified regulatory capital.

*Privacy and Information Security Laws*

We provide services that may be subject to various state, federal and foreign privacy laws and regulations. These laws and regulations include the federal Gramm-Leach-Bliley Act, which applies to a broad range of financial institutions and to companies that provide services to financial institutions. We are also subject to foreign data protection and privacy laws. Among other things, these foreign and domestic laws, and their implementing regulations, restrict the collection, processing, storage, use and disclosure of personal information, require notice to individuals of privacy practices, and provide individuals with certain rights to prevent use and disclosure of protected information. These laws also impose requirements for safeguarding and removal or elimination of personal information. Certain state laws also restrict the ability of the Company to collect and utilize certain types of information such as Social Security and driver's license numbers.

*Anti-money Laundering and Counter Terrorist Requirements*

Regulations issued by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of Treasury place prohibitions and restrictions on all U.S. citizens and entities, including the Company, with respect to transactions by U.S. persons with specified countries and individuals and entities identified on OFAC's Specially Designated Nationals list (for example, individuals and companies owned or controlled by, or acting for or on behalf of, countries subject to certain economic and trade sanctions, as well as terrorists, terrorist organizations and narcotics traffickers identified by OFAC under programs that are not country specific). Similar requirements apply to transactions and to dealings with persons and entities specified in lists maintained in other countries. We have developed procedures and controls that are designed to monitor and address legal and regulatory requirements and developments and that allow our customers to protect against having direct business dealings with such prohibited countries, individuals or entities.

*Debt Collection Laws*

Our subsidiaries, Global Payments Check Services, Inc. and Global Payments Check Recovery Services, Inc., are subject to the Fair Debt Collection Practices Act and similar state laws in connection with their check guarantee and recovery services, which guarantee the payment of checks or collection of returned checks on behalf of certain merchants. These laws are designed to eliminate abusive, deceptive, and unfair debt collection practices and require licensing at the state level. Global Payments Check Services, Inc. and Global Payments Check Recovery Services, Inc. have procedures in place to comply with the requirements of these laws and are licensed in a number of states in order to engage in collection in those states.

*Escheat Laws*

We are subject to unclaimed or abandoned property laws in the U.S. and in foreign countries that require us to transfer to certain government authorities the unclaimed property of others that we hold when that property has been unclaimed for a certain period of time. Moreover, we are subject to audit by state regulatory authorities with regard to our escheatment practices.

**Where to Find More Information**

We file annual and quarterly reports, proxy statements and other information with the U.S. Securities and Exchange Commission, or the SEC. You may read and print materials that we have filed with the SEC from its website at www.sec.gov. In addition, certain of our SEC filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to them can be viewed and printed from the investor information section of our website at www.globalpaymentsinc.com free of charge. Certain materials relating to our corporate governance, including our code of ethics for senior financial officers, are also available in the investor information section of our website. Copies of our filings, specified exhibits and corporate governance materials are also available, free of charge, by writing us using the address on the cover of this Form 10-K. You may also telephone our investor relations office directly at (770) 829-8234. We are not including the information on our website as a part of, or incorporating it by reference into, this report.

Our SEC filings may also be viewed and copied at the following SEC public reference room, and at the offices of the New York Stock Exchange, where our common stock is quoted under the symbol "GPN."

SEC Public Reference Room
100 F Street, N.E.
Washington, DC 20549
(You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.)

NYSE Euronext
20 Broad Street
New York, NY 10005

## ITEM 1A- RISK FACTORS

*An investment in our common stock involves a high degree of risk. You should consider carefully the following risks and other information contained in this Annual Report on Form 10-K and other SEC filings before you decide whether to buy our common stock. The risks identified below are not all encompassing but should be considered in establishing an opinion of our future operations. If any of the events contemplated by the following discussion of risks should occur, our business, results of operations and financial condition could suffer significantly. As a result, the market price of our common stock could decline and you may lose all or part of the money you paid to buy our common stock.*

***Failure to safeguard our data could affect our reputation among our merchant clients and cardholders, and may expose us to penalties, fines, liabilities and legal claims.***

Under VISA, MasterCard, American Express and Discover card network rules, and various state laws, we are responsible for information provided to us by merchants, ISO's, third-party service providers, and other agents (all of which we refer to as “associated third parties”), which we require in order to process transactions and for fraud prevention. This information includes bankcard numbers, names, addresses, Social Security numbers, driver's license numbers, and bank account numbers. We process the data and deliver our products and services by utilizing computer systems and telecommunications networks operated both by us and by third-party service providers. We have ultimate liability to the card networks and their member financial institutions for our failure or the failure of our associated third parties to protect this information. Although plans and procedures are in place to protect this sensitive data, we cannot be certain that our measures will be successful and will be sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential information. Our computer systems have been, and could be in the future, subject to penetration and our data protection procedures may not prevent unauthorized use. We could also be subject to liability for claims relating to misuse of personal information, such as unauthorized marketing purposes and violation of data privacy laws.

Although we generally require that our agreements with service providers who have access to merchant and customer data include confidentiality obligations that restrict these parties from using or disclosing any customer or merchant data except in accordance with the applicable agreements, we cannot assure you that these contractual measures will prevent the unauthorized use or disclosure of data. In addition, we have agreed in certain agreements to take certain protective measures to ensure the confidentiality of merchant and consumer data. The costs of systems and procedures associated with such protective measures may increase and could adversely affect our ability to compete effectively. Any failure to adequately enforce or provide these protective measures could result in liability and protracted and costly litigation.

In early March of 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. Our investigation also revealed potential unauthorized access to servers containing personal information collected from merchants who applied for processing services. The merchants who could potentially be affected are limited to those based in the U.S. We cannot verify those potentially affected as it is unclear whether any information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individuals.

As a result of this event, certain card networks removed us from their list of Payment Card Industry Data Security Standards ("PCI DSS") compliant service providers. Our work to remediate our systems and processes is complete. We hired a QSA to conduct an independent review of the PCI DSS compliance of our systems. Global Payments Direct, Inc, our primary operating entity, has been returned to the list of PCI DSS compliant service providers and we have received reports on compliance covering all of our systems that process, store, transmit or otherwise utilize card data. To date, we have not experienced a material loss of revenue that we can confirm has been related to this event. However, this event and our related remediation efforts could potentially have a negative impact on future revenues.

During the fiscal year ended May 31, 2013, we recorded$36.8 million of expense associated with this incident, bringing the life-to-date total expense to$121.2 million. Of this amount, $105.5 million represents the costs we have incurred through May 31, 2013 for legal fees, fees of consultants and other professional advisors engaged to conduct the investigation and various other costs associated with the investigation and remediation. An additional $35.7 million represents total fraud losses, fines and other charges that have been imposed upon us by the card networks. We also recorded $20.0 million of insurance recoveries. During fiscal 2013, we reduced our accrual for fraud losses, fines and other charges by $31.8 million. We based our initial estimate of fraud losses, fines and other charges on our understanding of the rules and operating regulations published by the networks and preliminary communications with the networks. We have now reached resolution with and made payments to the networks, resulting in charges that were less than our initial estimates. The primary difference between our initial estimates and the final charges relates to lower fraud related costs attributed to this event than previously expected.

A security breach like the one that recently occurred, or other misuse of data could harm our reputation and deter existing and prospective customers from using our products and services, increase our operating expenses in order to contain and remediate the breach, expose us to unbudgeted or uninsured liability, disrupt our operations (including potential service interruptions), increase our risk of regulatory scrutiny, result in the imposition of penalties and fines under state, federal and foreign laws or by the card networks, and adversely affect our continued card network registration and financial institution sponsorship.

We have insurance that we believe would provide coverage of costs associated with a security incident. However, there can be no assurance that such costs would not materially exceed such insurance coverage.

***Our revenues from the sale of services to merchants that accept Visa cards and MasterCard cards are dependent upon our continued Visa and MasterCard registration and financial institution sponsorship and, in some cases, continued participation in certain card networks.***

In order to provide our Visa and MasterCard transaction processing services, we must be either a direct participant or be registered as a merchant processor or service provider of Visa and MasterCard. Registration as a merchant processor or service provider is dependent upon our being sponsored by member banks of both organizations. If our sponsor banks should stop providing sponsorship for us, we would need to find another financial institution to provide those services or we would need to attain direct participation, either of which could prove to be difficult and expensive. If we are unable to find a replacement financial institution to provide sponsorship or attain direct participation, we may no longer be able to provide processing services to affected customers which would negatively impact our revenues and earnings. Furthermore, some agreements with our bank sponsors give them substantial discretion in approving certain aspects of our business practices, including our solicitation, application, and qualification procedures for merchants and the terms of our agreements with merchants. Our bank sponsors' discretionary actions under these agreements could have a material effect on our business, financial condition, and results of operations. In connection with direct participation, the rules and regulations of various card associations and networks prescribe certain capital requirements. Any increase in the capital level required would limit our use of capital for other purposes.

In Canada, we have filed an application with the Canadian regulatory authorities for the formation of a wholly owned loan company in Canada which could serve as our financial institution sponsor. While such application is pending, in March 2011, we obtained temporary direct participation in the Visa Canada system. This temporary status currently expires on October 30, 2013. In the event the wholly owned loan company has not been approved by such expiration date and Visa is unwilling to extend such temporary status, we have entered into an agreement with a financial institution that is willing to serve as our sponsor; however that agreement is not intended to be a long-term solution.

***We rely on various financial institutions to provide clearing services in connection with our settlement activities. If we are unable to maintain clearing services with these financial institutions and are unable to find a replacement, our business may be adversely affected.***

We rely on various financial institutions to provide clearing services in connection with our settlement activities. If such financial institutions should stop providing clearing services, we must find other financial institutions to provide those services. If we are unable to find a replacement financial institution we may no longer be able to provide processing services to certain customers which could negatively impact our revenue and earnings.

***If we fail to comply with the applicable requirements of the card networks, they could seek to fine us, suspend us or terminate our registrations. If our merchants or ISOs incur fines or penalties that we cannot collect from them, we could end up bearing the cost of such fines or penalties.***

We are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by their boards, which may be influenced by card issuers, and some of those issuers are our competitors with respect to these processing services. Many banks directly or indirectly sell processing services to merchants in direct competition with us. These banks could attempt, by virtue of their influence on the networks, to alter the networks' rules or policies to the detriment of non-members like us. The termination of our registrations or our status as a service provider or a merchant processor, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our business, operating results and financial condition. If a merchant or an ISO fails to comply with the applicable requirements of the card associations and networks, it could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect such amounts from the applicable merchant or ISO, we could end up bearing such fines or penalties, resulting in lower earnings for us. The termination of our registration, or any changes in the Visa or MasterCard rules that would impair our

registration, could require us to stop providing Visa and MasterCard payment processing services, which would make it impossible for us to conduct our business on its current scale**.**

***Increased merchant, referral partner or ISO attrition could cause our financial results to decline.***

We experience attrition in merchant credit and debit card processing volume resulting from several factors, including business closures, transfers of merchants' accounts to our competitors, unsuccessful contract renewal renegotiation, and account closures that we initiate for various reasons, such as heightened credit risks or contract breaches by merchants. Our ISO sales channel is a strong contributor to our revenue growth in our North America merchant services segment. If an ISO partner switches to another transaction processor, terminates our services, shuts down or becomes insolvent, we will no longer receive new merchant referrals from the ISO, and we risk losing existing merchants that were originally enrolled by the ISO. We cannot predict the level of attrition in the future and it could increase. Our referral partners are an important source of new business. Higher than expected attrition could negatively affect our results, which could have a material adverse effect on our business, financial condition and results of operations.

***The payment processing industry is highly competitive and 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 with respect to the pricing of our products and services offered to our customers, and our ability to develop new technologies.***

We operate in the electronic payments market, which is highly competitive. Our primary competitors in these markets include other independent processors, as well as financial institutions, ISOs, and, potentially, card networks. Many of our competitors are companies that are larger than we are and have greater financial and operational resources than we have. In addition, our competitors that are financial institutions or subsidiaries of financial institutions do not incur the costs associated with being sponsored by a bank for registration with the card networks. These factors may allow them to offer better pricing terms to customers, which could result in a loss of our potential or current customers or could force us to lower our prices as well. Higher than expected attrition could negatively affect our results, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, many of our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies and services, including Internet payment processing services and mobile 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.

Additionally, our competitors that are financial institutions or subsidiaries of financial institutions do not incur costs associated with being sponsored by a direct participant for registration with the card networks and can settle transactions more quickly for their merchants than we can for ours. This may allow our competitors to offer more attractive fees to our current and prospective merchants, or other products or services that we do not offer. This could result in a loss of customers, greater difficulty attracting new customers, and a reduction in the price we can charge for our services.

Furthermore, we are facing competition from non-traditional competitors, such as Paypal and Google, who offer alternative payment methods. These non-traditional competitors have significant financial resources and robust networks and are highly regarded by consumers. If these non-traditional competitors gain a greater share of total electronic payments transactions, it could also have a material adverse effect on our business, financial condition and results of operation.

***In order to remain competitive and to continue to increase our revenues and earnings, we must continually update our products and services, a process which could result in increased costs and the loss of revenues, earnings and customers if the new products and services do not perform as intended or are not accepted in the marketplace.***

The electronic payments markets in which we compete are subject to rapid technological changes. These markets are 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 projects including the development of a new front-end platform for electronic payments processing, mobile payment applications, e-commerce services and other new offerings emerging in the electronic payments industry. These projects carry the risks associated with any development effort, including cost overruns, delays in delivery and performance problems. In the electronic payments markets these risks are even more acute. Any delay in the delivery of new products or services or the failure to differentiate our products and services could render them less desirable to our customers, or possibly even obsolete. In addition, the products and services we deliver to the electronic payments markets 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 failure to deliver an effective and secure product or any performance issue that arises with a new product or service could result in significant processing or reporting errors or other losses. As a result of these factors, our

development efforts could result in increased costs that could reduce our earnings in addition to a loss of revenue and earnings if promised new products are not timely delivered to our customers or do not perform as anticipated. We also rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to new technologies. Furthermore, our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies and services, including e-commerce and mobile payment processing services, that provide improved operating functionality and features to their existing service offerings. If successful, their development efforts could render our services less desirable to clients, resulting in the loss of clients or a reduction in the fees we could generate from our offerings.

Our future success will depend in part on our ability to develop or adapt to technological changes and evolving industry standards and our failure to do so could have a material adverse effect on our business, operating results, and financial condition. For example, beginning in 2013 both MasterCard and Visa are requiring processors in the United States to support Europay, MasterCard, and Visa (“EMV”) credit and debit card authentication. Developing and implementing support for EMV requires us to invest significant resources and there is no certainty as to when, or even if, our merchants or financial institution customers will use or accept EMV.

***In order for us to continue to grow and increase our profitability, we must continue to expand our share of the existing electronic payments markets and also expand into new markets.***

Our future growth and profitability depend upon our continued expansion within the markets in which we currently operate, the further expansion of these markets, the emergence of other markets for electronic transaction payment processing, and our ability to penetrate these markets. As part of our strategy to achieve this expansion, we look 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 market. We may not have adequate financial or technological resources to develop effective and secure 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 may not be able to continue to grow our revenues and earnings.

***There may be a decline in the use of cards as a payment mechanism for consumers or adverse developments with respect to the card industry in general.***

If consumers do not continue to use credit or debit cards as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, credit cards, and debit cards, which is adverse to us, it could have a material adverse effect on our business, financial condition, and results of operations. We believe future growth in the use of credit and debit cards and other electronic payments will be driven by the cost, ease-of-use, and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to use electronic payment methods that we process including credit and debit cards.

***Our systems and our third-party providers' systems may fail which could interrupt our service, cause us to lose business, increase our costs and expose us to liability.***

We depend on the efficient and uninterrupted operation of our computer systems, software, data centers and telecommunications networks, as well as the systems and services of third parties. In addition, we have undertaken the relocation of our primary data center. We have entered into agreements related to this relocation and for the ongoing management of the data center.

A system outage or data loss could have a material adverse effect on our business, financial condition and results of operations. Not only would we suffer damage to our reputation in the event of a system outage or data loss, but we may also be liable to third parties. Our systems and operations or those of our third-party providers could be exposed to damage or interruption from, among other things, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, unauthorized entry, human error, and computer viruses or other defects. Defects in our systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures, or other difficulties (including those related to the system relocation) could result in loss of revenue, loss of customers, loss of merchant and cardholder data, harm to our business or reputation, exposure to fraud

losses or other liabilities, negative publicity, additional operating and development costs, fines and other sanctions imposed by card networks, and/or diversion of technical and other resources.

***We may experience software defects, undetected errors, and development delays, which could damage customer relations, decrease our potential profitability and expose us to liability.***

Our products are based on sophisticated software and computing systems that often encounter development delays and the underlying software may contain undetected errors, viruses, or defects. Defects in our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential customers, harm to our reputation, or exposure to liability claims.

In addition, we rely on technologies and software supplied by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on our business, financial condition and results of operations.

***We incur chargeback liability when our merchants refuse or cannot reimburse chargebacks resolved in favor of their customers. We cannot accurately anticipate these liabilities, which may adversely affect our results of operations and financial condition.***

In the event a dispute between a cardholder and a merchant is not resolved in favor of the merchant, the transaction is normally “charged back” to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect such amounts from the merchant's account or reserve account (if applicable), or if the merchant refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse us for a chargeback, we bear the loss for the amount of the refund paid to the cardholder. The risk of chargebacks is typically greater with those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment. We may experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our merchants could have a material adverse effect on our business, financial condition and results of operations. We have policies to manage merchant-related credit risk and often mitigate such risk by establishing reserve accounts, requesting collateral and establishing caps for monthly processing. Notwithstanding our programs and policies for managing credit risk, it is possible that a default on such obligations by one or more of our merchants could have a material adverse effect on our business.

***Fraud by merchants or others could have an adverse effect on our operating results and financial condition.***

We have potential liability for fraudulent electronic payment transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant or other party knowingly uses a stolen or counterfeit credit or debit card, card number, or other credentials to record a false sales or credit transaction, processes an invalid card, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. Failure to effectively manage risk and prevent fraud could increase our chargeback liability or cause us to incur other liabilities. It is possible that incidents of fraud could increase in the future. Increases in chargebacks or other liabilities could have a material adverse effect on our operating results and financial condition.

***We are subject to economic and political risk, the business cycles and credit risk of our customers and the overall level of consumer, business and government spending, which could negatively impact our business, financial condition and results of operations.***

The global electronic payments industry depends heavily on the overall level of consumer, business and government spending. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. A sustained deterioration in general economic conditions in the markets in which we operate or increases in interest rates may adversely affect our financial performance by reducing the number or average purchase amount of transactions made using electronic payments. A reduction in the amount of consumer spending could result in a decrease in our revenue and profits. If our merchants make fewer sales of their products and services using electronic payments or people spend less money per transaction, we will have fewer transactions to process at lower dollar amounts, resulting in lower revenue.

A downturn in the economy could force retailers to close, resulting in exposure to potential credit losses and future transaction declines. Furthermore, credit card issuers may reduce credit limits and be more selective with respect to whom they issue credit cards. We also have a certain amount of fixed and other costs, including rent, debt service, processing contractual minimums and salaries, which could limit our ability to quickly adjust costs and respond to changes in our business and the economy. Changes in economic conditions could also adversely impact our future revenues and profits and cause a materially adverse effect on our business, financial condition and results of operations.

In addition, a recessionary economic environment could affect our merchants through a higher rate of bankruptcy filings, resulting in lower revenues and earnings for us. Our merchants are liable for any charges properly reversed by the card issuer on behalf of the cardholder. Our associated third parties are also liable for any fines, or penalties, that may be assessed by any card networks. In the event that we are not able to collect such amounts from the associated third parties, due to fraud, breach of contract, insolvency, bankruptcy or any other reason, we may be liable for any such charges.

Reject losses arise from the fact that, in most markets, we collect our fees from our merchants on the first day after the monthly billing period. This results in the build-up of a substantial receivable from our customers. If a merchant has gone out of business during the billing period, we may be unable to collect such fees, which negatively impacts our business, financial condition and results of operations.

***Increases in credit card network fees may result in the loss of customers or a reduction in our earnings.***

From time-to-time, the card networks, including Visa and MasterCard, increase the fees that they charge processors such as us. We could attempt to pass these increases along to our merchant customers, but this strategy 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 such increased fees to our merchant customers in the future, we may have to absorb all or a portion of such increases thereby reducing our net revenues, increasing our operating costs and reducing our earnings.

***Any new or changes made to laws, regulations, card network rules or other industry standards affecting our business in any of the geographic regions in which we operate may require significant development efforts or have an unfavorable impact to our financial results.***

Our business is impacted by laws and regulations that affect our industry in the countries in which we operate. Regulation and proposed regulation of the payments industry has increased significantly in recent years. Failure to comply with regulations or guidelines may result in the suspension or revocation of a license or registration, the limitation, suspension or termination of service, and the imposition of civil and criminal penalties, including fines, or may cause customers or potential customers to be reluctant to do business with us, any of which could have an adverse effect on our financial condition. For example, we are subject to the card network rules of Visa, MasterCard, and other card networks, Interac, and various debit networks; applicable privacy and information security regulations in the regions where we operate and of the card networks; the Payment Services Directive in Europe; The Code of Conduct for the Credit and Debit Card Industry in Canada (issued by Canada's Department of Finance); Housing Assistance Tax Act of 2008 in the United States, which requires information returns to be made for each calendar year by merchant acquiring entities, along with a myriad of consumer protection laws and escheat regulations. We are also subject to examination by the FFIEC (as a result of our provision of data processing services to financial institutions).

Interchange fees (which are typically paid by the acquirer to the issuer in connection with transactions) are subject to increasingly intense legal, regulatory, and legislative scrutiny worldwide. For instance, the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was signed into law in July 2010, significantly changes the U.S. financial regulatory system. Changes affecting the payment processing industry include restricting amounts of debit card fees that certain issuing institutions can charge merchants and allowing merchants to set minimum dollar amounts for the acceptance of credit cards and to offer discounts for different payment methods. On June 29, 2011, the Federal Reserve Board adopted the final rules implementing the debit interchange fee and routing and exclusivity provisions in Dodd-Frank. The overall impact of Dodd-Frank on us is difficult to estimate because it will take some time for the market to react and adjust to the new regulations. These decisions and regulatory actions, even if not directed at us, may require significant efforts to change our systems and products and may require changes to how we price our services to customers. Until final decisions around implementation are announced, we cannot predict the impact of any of these changes on our operations and financial condition.

Changes to legal rules and regulations, or interpretation or enforcement thereof, could have a negative financial effect on our business. In addition, even an inadvertent failure to comply with laws and regulations, as well as rapidly evolving social expectations of corporate fairness, could damage our business or our reputation. Furthermore, we are subject to tax laws in each jurisdiction where we conduct business. Changes in such laws or their interpretations could decrease the value of revenues we receive, the value of tax losses and tax credit carry forwards recorded on our balance sheet and have a material adverse effect on our operating results and financial condition.

***The costs and effects of pending and future litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our business, financial position and results of operations.***

We are from time-to-time involved in various litigation matters and governmental or regulatory investigations or similar matters arising out of our current or future business. Our insurance or indemnities may not cover all claims that may be asserted

against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Furthermore, there is no guarantee that we will be successful in defending ourselves in pending or future litigation or similar matters under various laws. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our business, financial condition and results of operations.

***Risks associated with foreign operations and investments outside the United States could adversely affect our business, financial position and results of operations.***

We are subject to risks related to the changes in currency exchange rates as a result of our investments in foreign operations and from revenues generated in currencies other than the U.S. dollar. Revenue and profit generated by international operations will increase or decrease compared to prior periods as a result of changes in foreign currency exchange rates. Volatility in currency exchange rates has affected and may continue to affect our financial results. For example, for fiscal year 2013, currency exchange rate fluctuations decreased our revenues by $20.3 million and our earnings by $0.05 per diluted share. We historically have not used forward contracts or other derivative instruments to mitigate the risks associated with currency exchange risk.

We also have indirect foreign investments, which are subject to country risk (such as sovereign, economic, political, and location risks). These investments are short-term in nature and with private sector issuers. Country risk could impact the valuation and liquidity of those investments.

In addition, in certain of the jurisdictions in which we operate, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our foreign currency into United States dollars or limit our ability to freely move currency in or out of particular jurisdictions. The occurrence of any of these factors could decrease the value of revenues we receive from our international operations and have a material adverse impact on our business.

***We conduct a portion of our business in various European and Asia-Pacific countries, including the Russian Federation, where the risk of continued political, economic and regulatory change that could impact our operating results is greater than in the United States.***

We expect to continue to expand our operations into various countries in Europe and the Asia-Pacific region. Some of these countries, and other foreign countries in which we operate, such as the Russian Federation and Spain, have undergone significant political, economic and social change in recent years, and the risk of new, unforeseen changes in these countries remains greater than in the United States. In particular, changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, growth, financial condition or results of operations.

Transmittal of data by electronic means and telecommunications is subject to specific regulation in many countries. Although these regulations have not had a material impact on us to date, changes in these regulations, including taxation or limitations on transfers of data between countries, could have a material adverse effect on our business, growth, financial condition or results of operations.

***The integration and conversion of our acquired operations, or other future acquisitions, if any, 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 acquisition, integration, and conversion of businesses involves a number of risks. Core risks are in the area of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration and conversion (managing the complex process of integrating the acquired company's people, products, technology, and other assets to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition). In addition, international acquisitions often involve additional or increased risks including, for example: managing geographically separated organizations, systems, and facilities; integrating personnel with diverse business backgrounds and organizational cultures; complying with foreign regulatory requirements; fluctuations in currency exchange rates; enforcement of intellectual property rights in some foreign countries; difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of those new markets; and general economic and political conditions.

If the integration and conversion process does not proceed smoothly, the following factors, among others, could reduce our revenues and earnings, increase our operating costs, and result in a loss of projected synergies:

- If we are unable to successfully integrate 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 the region, 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, which would reduce our revenues and earnings; 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.

***If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.***

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

***Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a significant portion of these assets would negatively affect our business, financial condition, and results of operations.***

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets (including goodwill). Goodwill and intangible assets, net of amortization, together accounted for approximately 46.2% and 37.8% of the total assets on our balance sheet as of May 31, 2013 and May 31, 2012, respectively. We may not realize the full value of our intangible assets and goodwill. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. We evaluate on a regular basis whether all or a portion of our goodwill and other intangible assets may be impaired. Under current accounting rules, any determination that impairment has occurred would require us to write-off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. An impairment of a significant portion of goodwill or intangible assets could have a material adverse effect on our business, financial condition, and results of operations.

***Unfavorable resolution of tax contingencies or changes to enacted tax rates could adversely affect our tax expense.***

Our tax returns and positions are subject to review and audit by federal, state, local, and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively impacting our results of operations. We have established contingent liabilities for material known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These liabilities reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the liabilities are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial cost less than any related liability. An unfavorable resolution, therefore, could negatively impact our financial position, results of operations and cash flows in the current and/or future periods.

We record deferred income taxes to reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. Deferred income taxes are determined using enacted tax rates. Changes in enacted tax rates may negatively impact our results of operations.

***We may become subject to additional United States, state or foreign taxes that cannot be passed through to our merchant services customers, in which case our earnings could be adversely affected.***

Payment processing companies like us may be subject to taxation by various jurisdictions on our net income or certain portions of our fees charged to customers for our services. Application of these taxes is an emerging issue in our industry and the taxing authorities have not yet all 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 costs will increase, reducing our earnings.

We have structured our business in accordance with existing tax laws and interpretations of such laws which have been confirmed through either tax rulings or opinions obtained in various jurisdictions including those related to value added taxes in Europe. Changes in tax laws or their interpretations could decrease the value of revenues we receive, the amount of our cash flow, and have a material adverse impact on our business.

***Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.***

Section 404 of the Sarbanes-Oxley Act requires us to evaluate annually the effectiveness of our internal controls over financial reporting as of the end of each fiscal year and to include a management report assessing the effectiveness of our internal controls over financial reporting in our annual report. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Further, this assessment may be complicated by any acquisitions we may complete. In certain markets in the Asia-Pacific region, the Republic of Malta and Spain, our member sponsors perform payment processing operations and related support services pursuant to services agreements. We expect that the member sponsors will continue to provide these services until such time as we may integrate these functions into our operations. Accordingly, we rely on our member sponsors to provide financial data, such as revenue billed to merchants, to assist us with compiling our accounting records. As such, our internal controls over financial reporting could be materially affected, or are reasonably likely to be materially affected, by the internal controls and procedures of our member sponsors in these markets. In order to mitigate this risk, we have implemented internal controls over financial reporting which monitor the accuracy of the financial data being provided by our member sponsors

While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market's perception of our business and our stock price.

***Anti-takeover provisions of our articles of incorporation and by-laws and provisions of Georgia law could delay or prevent a change of control that individual shareholders favor.***

Provisions of our articles of incorporation and by-laws, 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.

***We may not be able to or we may decide not to pay dividends at a level anticipated by shareholders of our common stock, which could reduce shareholder returns.***

The payment of dividends on our common stock in the future is at the discretion of our Board of Directors and will depend on, among other factors, our earnings, shareholders' equity, cash position, and financial condition. No assurance can be given that we will be able to or will choose to pay any dividends in the foreseeable future.

***Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.***

We operate in a rapidly changing industry. Accordingly, our risk management policies and procedures may not be fully effective to identify, monitor, and manage our risks. If our policies and procedures are not fully effective or we are not always successful in capturing all risks to which we are or may be exposed, we may suffer uninsured liability, harm to our reputation or be subject to litigation or regulatory actions that could have a material adverse effect on our business, financial condition and results of operations.

***Continued consolidation in the banking and retail industries could adversely affect our growth.***

Historically, the banking industry has been the subject of consolidation, regardless of overall economic conditions, while the retail industry has been the subject of consolidation due to cyclical economic events. Since 2008, there have been multiple bank failures and government-encouraged consolidation. Larger banks and larger merchants with greater transaction volumes may demand lower fees which could result in lower revenues and earnings for us. Our bank alliances and other strategies could also be negatively impacted as a result of consolidations, especially where the banks involved operate competing merchant processing businesses.

***The Company's debt agreements contain restrictions that will limit the Company's flexibility in operating its business.***

Our credit facilities contain various covenants that limit our ability to engage in specified types of transactions. These covenants limit our and our subsidiaries' ability to, among other things:

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

A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions and, in the case of the revolving credit facility, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under our credit facilities, the lenders could elect to declare all amounts outstanding under our credit facilities to be immediately due and payable and terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under certain of our other indebtedness. If we are unable to repay those amounts, the lenders under our credit facilities could accelerate the repayment of borrowings, and we may not have sufficient assets to repay our credit facilities as well as the Company's other indebtedness.

## ITEM 2- PROPERTIES

The following summarizes the type of facilities we use to operate our business as ofMay 31, 2013:

| Type of Facility | Leased | Owned |
|---|---|---|
| Facilities in the United States: | | |
| Multi-Purpose (Operations, Sales, Administrative) | 7 | — |
| Operations/Customer Support | 1 | — |
| Sales and retail branches | 2 | — |
| | 10 | — |
| | | |
| International Facilities: | | |
| Multi-Purpose (Operations, Sales, Administrative) | 8 | 3 |
| Operations/Customer Support | 8 | — |
| Sales and retail branches | 13 | — |
| | 29 | 3 |
| Total | 39 | 3 |

Our principal facilities in the United States are located in Atlanta, Georgia and Owings Mills, Maryland. Our principal international facilities are located in Toronto, Canada; Prague, Czech Republic; Leicester, England; London, England; the Hong Kong Special Administrative Region; Manila, Philippines; Moscow, Russian Federation; and Barcelona, Spain.

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

## ITEM 3- LEGAL PROCEEDINGS

In addition to the class action suit described below, we are party to a number of claims and lawsuits incidental to our business. In our opinion, the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, are not expected to have a material adverse impact on our financial position, liquidity or results of operations.

A class action arising out of the processing system intrusion was filed against us on April 4, 2012 by Natalie Willingham (individually and on behalf of a putative nationwide class). Specifically, Ms. Willingham alleged that we failed to maintain reasonable and adequate procedures to protect her personally identifiable information ("PII") which she claims resulted in two fraudulent charges on her credit card in March 2012. Further, Ms. Willingham asserted that we failed to timely notify the public of the data breach. Based on these allegations, Ms. Willingham asserted claims for negligence, violation of the Federal Stored Communications Act, willful violation of the Fair Credit Reporting Act, negligent violation of the Fair Credit Reporting Act, violation of Georgia's Unfair and Deceptive Trade Practices Act, negligence per se, breach of third-party beneficiary contract, and breach of implied contract. The Plaintiff sought an unspecified amount of damages and injunctive relief. The lawsuit was filed in the United States District Court for the Northern District of Georgia. On May 14, 2012, we filed a motion to dismiss. On July 11, 2012, Plaintiff filed a motion for leave to amend her complaint, and on July 16, 2012, the Court granted that motion. Plaintiff filed an amended complaint on July 16, 2012. The amended complaint did not add any new causes of action. Instead, it added two new named Plaintiffs (Nadine and Robert Hielscher) and dropped Plaintiff's claim for negligence per se. On August 16, 2012, we filed a motion to dismiss the Plaintiffs' amended complaint. The Plaintiffs' filed their response in opposition to our motion to dismiss on October 5, 2012, and we subsequently filed our reply brief on October 22, 2012. The magistrate judge issued a report and recommendation recommending dismissal of all of Plaintiffs' claims with prejudice. The Plaintiffs' subsequently agreed to voluntarily dismiss the lawsuit with prejudice, with each party bearing its own fees and costs. This was the only consideration exchanged by the parties in connection with Plaintiffs' voluntary dismissal with prejudice of the lawsuit. The lawsuit was dismissed with prejudice on March 6, 2013.

## Part II

## ITEM 5- MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on the New York Stock Exchange under the ticker symbol "GPN." The table set forth below provides the intraday high and low sales prices and dividends paid per share of our common stock for the four quarters during fiscal 2013 and 2012. We expect to continue to pay our shareholders a dividend per share, on a quarterly basis, in an amount comparable to the dividends indicated in the table. 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 2013: | | | |
| First Quarter | $ 45.10 | $ 39.37 | $ 0.02 |
| Second Quarter | 44.43 | 41.01 | 0.02 |
| Third Quarter | 51.24 | 42.99 | 0.02 |
| Fourth Quarter | 49.90 | 43.37 | 0.02 |
| | | | |
| Fiscal 2012: | | | |
| First Quarter | $ 52.75 | $ 41.02 | $ 0.02 |
| Second Quarter | 47.70 | 38.26 | 0.02 |
| Third Quarter | 52.55 | 43.69 | 0.02 |
| Fourth Quarter | 53.93 | 41.19 | 0.02 |

The number of shareholders of record of our common stock as of July 12, 2013 was 2,206.

**Equity Compensation Plan Information**

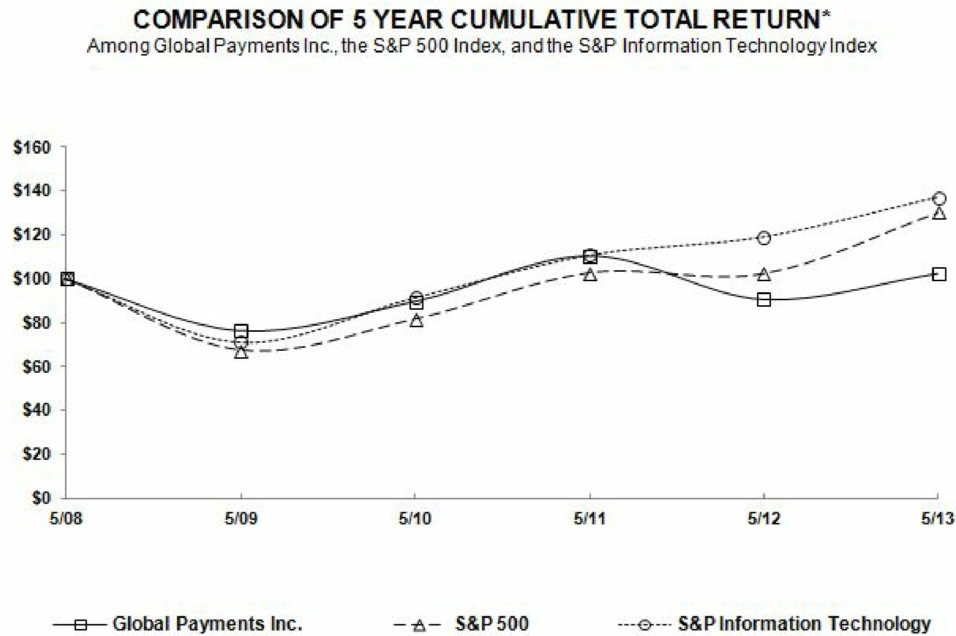
The information regarding our compensation plans under which equity securities are authorized for issuance is set forth in "Item 12- Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Report.

**Sale of Unregistered Securities**

We have not issued any unregistered securities during our fiscal year endedMay 31, 2013.

**Stock Performance Graph**

The following line-graph presentation compares our cumulative shareholder returns with the Standard & Poor's Information Technology Index and the Standard & Poor's 500 Index for the past five years. The line graph assumes the investment of $100 in our common stock, the Standard & Poor's Information Technology Index, and the Standard & Poor's 500 Index on May 31, 2008 and assumes reinvestment of all dividends.




| | Global Payments | S&P 500 | S&P Information Technology |
|---|---|---|---|
| May 31, 2008 | $ 100.00 | $ 100.00 | $ 100.00 |
| May 31, 2009 | 76.32 | 67.73 | 71.24 |
| May 31, 2010 | 89.70 | 81.58 | 91.52 |
| May 31, 2011 | 110.67 | 102.76 | 110.86 |
| May 31, 2012 | 90.64 | 102.33 | 119.25 |
| May 31, 2013 | 102.51 | 130.24 | 137.29 |

**Issuer Purchases of Equity Securities**

On July 26, 2012, our Board of Directors approved a share repurchase program that authorized the purchase of up to $300.0 million of Global Payments' stock in the open market at the current market price, subject to market conditions, business opportunities, and other factors. Under this authorization, we repurchased 3,674,656 shares of our common stock at a cost of $175.3 million, or an average of $47.72 per share, including commissions during fiscal 2013. This share repurchase program has not concluded as of May 31, 2013.

**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 fiscal years ended May 31, 2013, 2012, and 2011 and the balance sheet data as of May 31, 2013 and 2012 are derived from the audited consolidated financial statements included elsewhere in this annual report. The income statement data for fiscal years 2010 and 2009 and the balance sheet data as of May 31, 2011 and 2010 were derived from consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2011. The balance sheet data as of May 31, 2009 was derived from audited consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2010. Amounts related to our discontinued operations in our statements of income for fiscal years 2010 and 2009 were reclassified in fiscal year 2011 to conform to the current presentation.

| | Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| | (in thousands, except per share data) | | | | |
| **Income statement data:** | | | | | |
| Revenue | $ 2,375,923 | $ 2,203,847 | $ 1,859,802 | $ 1,642,468 | $ 1,462,306 |
| Operating income[1] | 357,213 | 307,349 | 331,594 | 323,279 | 292,546 |
| Income from continuing operations, net of tax[1] | 238,713 | 217,566 | 229,131 | 223,010 | 207,017 |
| Net income attributable to Global Payments[1],[2] | 216,125 | 188,161 | 209,238 | 203,317 | 37,217 |
| **Per share data:** | | | | | |
| Basic earnings per share[1],[2] | $ 2.78 | $ 2.39 | $ 2.62 | $ 2.51 | $ 0.46 |
| Diluted earnings per share[1],[2] | 2.76 | 2.37 | 2.60 | 2.48 | 0.46 |
| Dividends per share | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| **Balance sheet data (at year end):** | | | | | |
| Total assets | $ 3,125,056 | $ 2,688,143 | $ 3,350,531 | $ 2,039,326 | $ 1,676,821 |
| Borrowings under lines of credit | 187,461 | 215,391 | 270,745 | 79,187 | 10,174 |
| Borrowings under long-term debt agreements | 963,469 | 312,985 | 354,019 | 421,134 | 197,003 |
| Total equity[3] | 1,286,607 | 1,300,921 | 1,337,817 | 871,517 | 678,243 |

(1) Includes processing system intrusion charges of $36,775 and $84,438 in fiscal 2013 and 2012, respectively. Also includes impairment, restructuring and other charges of $2,583 in fiscal 2010.

(2) Also includes a pre-tax impairment charge of $147,664 in fiscal 2009 related to our money transfer business that has been reclassified to discontinued operations.

(3) Includes the impact of the retrospective adoption of new accounting guidance concerning noncontrolling interests adopted in fiscal year 2010.

**ITEM 7- 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 "Item 1A - Risk Factors" of this report. See also "Cautionary Notice Regarding Forward-Looking Statements" located above "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 annual report.

**General**

We are a provider of electronic payments transaction processing services for consumers, merchants, independent sales organizations (ISOs), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, Brazil, the United Kingdom, Spain, the Republic of Malta, the Czech Republic, the Russian Federation and the Asia-Pacific region. We serve as an intermediary to facilitate payment transactions and operate in two business segments, North America merchant services and International merchant services. We were incorporated in Georgia as Global Payments Inc. in September 2000 and spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have been in the payments business since 1967.

Our North America merchant services and International merchant services segments target customers in many vertical industries including financial institutions, gaming, government, health care, professional services, restaurants, retail, universities, nonprofit organizations and utilities.

Our offerings provide merchants, ISOs and financial institutions with credit and debit card transaction processing and check-related services. Our primary business model provides payment products and services directly to merchants as our end customers. We also provide similar products and services to financial institutions and a limited number of ISOs that, in turn, resell our products and services, in which case, the financial institutions and select ISOs are our end customers. These particular services are marketed in the United States, Canada, and parts of Eastern Europe.

The majority of merchant services revenue is generated on services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are unrelated to the number of transactions or the transaction value. Revenue from credit cards and signature debit cards is generally based on a percentage of transaction value along with other related fees, while revenue from PIN debit cards is typically based on a fee per transaction.

Our products and services are marketed through a variety of sales channels that include a dedicated direct sales force, ISOs, an internal telesales group, retail outlets, trade associations, alliance bank relationships and financial institutions. We seek to leverage the continued shift to electronic payments by expanding market share in our existing markets through our distribution channels or through acquisitions in North America, the Asia-Pacific region and Europe, and investing in and leveraging technology and people, thereby maximizing shareholder value. We also seek to enter new markets through acquisitions in the Asia-Pacific region, Europe, and Latin America.

Our business does not have pronounced seasonality in which more than 30% of our revenues occur in one quarter. However, each geographic channel has somewhat higher and lower quarters given the nature of the portfolio. While there is some variation in seasonality across markets, the first and fourth quarters are generally the strongest, and the third quarter tends to be the weakest due to lower volumes processed in the months of January and February.

**Executive Overview**

In fiscal 2013, revenues increased 7.8% to $2,375.9 million from $2,203.8 million in fiscal 2012. This revenue growth was primarily due to growth driven by our U.S. ISO channel, growth from our direct sales channels and gaming business, and growth in Europe; partially offset by market-based pricing compression in Canada.

Consolidated operating income was $357.2 million for fiscal 2013, compared to $307.3 million for fiscal 2012. Consolidated operating income for fiscal 2013 and 2012 includes processing system intrusion costs of $36.8 million and $84.4 million, respectively. Net income attributable to Global Payments increased $27.9 million, or 14.8%, to $216.1 million in fiscal 2013 from $188.2 million in the prior year, resulting in a $0.39 increase in diluted earnings per share to $2.76 in fiscal 2013 from $2.37 in fiscal 2012.

North America merchant services segment revenue increased $138.4 million, or 8.8%, to $1,705.7 million in fiscal 2013 from $1,567.3 million in fiscal 2012. North America merchant services segment operating income decreased to $258.9 million in fiscal 2013 from $281.3 million in fiscal 2012, with operating margins of 15.2% and 17.9% for fiscal 2013 and 2012, respectively.

International merchant services segment revenue increased $33.6 million, or 5.3%, to $670.2 million in fiscal 2013 from $636.6 million in fiscal 2012. International merchant services operating income also increased to $211.2 million in fiscal 2013 from $196.1 million in fiscal 2012, with operating margins of 31.5% and 30.8% for fiscal 2013 and 2012, respectively.

During fiscal 2013, we completed three acquisitions which expanded our distribution capabilities in the United States, Asia and Spain. In October 2012, we acquired Accelerated Payment Technologies ("APT"), a U.S. provider of integrated payment technology solutions for small and medium sized merchants for a purchase price of $413.0 million, less working capital. In December 2012, we completed the purchase of HSBC Asia's ("HSBC") 44% interest in Global Payments Asia-Pacific Limited ("GPAP") for $242.0 million. Also in December 2012, Comercia Global Payments Entidad de Pago, S.L. ("Comercia"), based in Spain, completed the acquisition of the merchant acquiring business of Banca Civica, S.A. ("Civica") from CaixaBank, S.A. ("CaixaBank") for €17.5 million ($22.9 million equivalent as of the acquisition date).

In early March 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. Our investigation also revealed potential unauthorized access to servers containing personal information collected from merchants who applied for processing services. The merchants who could potentially be affected are limited to those based in the U.S. We cannot verify those potentially affected as it is unclear whether any information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individuals.

As a result of this event, certain card networks removed us from their list of PCI DSS compliant service providers. Our work to remediate our systems and processes is complete. We hired a Qualified Security Assessor, or QSA, to conduct an independent review of the PCI DSS compliance of our systems. Global Payments Direct, Inc., our primary operating entity, has been returned to the list of PCI DSS compliant service providers and we have received reports on compliance covering all of our systems that process, store, transmit or otherwise utilize card data. To date, we have not experienced a material loss of revenue that we can confirm has been related to this event. However, this event and our related remediation efforts could potentially have a negative impact on future revenues.

For year ended May 31, 2013, we recorded $36.8 million of expense associated with this incident, bringing our life-to-date expense to $121.2 million. Of this life to date expense amount, $105.5 million represents costs incurred through May 31, 2013 for professional fees and other costs associated with the investigation and remediation, incentive payments to certain business partners and costs associated with credit monitoring and identity protection insurance. An additional $35.7 million represents total fraud losses, fines and other charges that have been imposed upon us by the card networks. We also recorded $20.0 million of insurance recoveries. During fiscal 2013, we reduced our accrual for fraud losses, fines and other charges by $31.8 million. We based our initial estimate of fraud losses, fines and other charges on our understanding of the rules and operating regulations published by the networks and preliminary communications with the networks. We have now reached resolution with and made payments to the networks, resulting in charges that were less than our initial estimates. The primary difference between our initial estimates and the final charges relates to lower fraud related costs attributed to this event than previously expected.

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**Results of Operations**

***Fiscal Year Ended May 31, 2013 Compared to Fiscal Year Ended May 31, 2012***

The following table shows key selected financial data for the fiscal years endedMay 31, 2013 and 2012, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of fiscal 2012.

| *(dollar amounts in thousands)* | 2013 | % of Revenue[(1)] | 2012 | % of Revenue[(1)] | Change | % Change |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| United States | $ 1,394,675 | 58.7% | $ 1,234,818 | 56.0% | $ 159,857 | 12.9 % |
| Canada | 311,000 | 13.1% | 332,434 | 15.1% | (21,434) | (6.4)% |
| North America merchant services | 1,705,675 | 71.8% | 1,567,252 | 71.1% | 138,423 | 8.8 % |
| Europe | 522,593 | 22.0% | 489,300 | 22.2% | 33,293 | 6.8 % |
| Asia-Pacific | 147,655 | 6.2% | 147,295 | 6.7% | 360 | 0.2 % |
| International merchant services | 670,248 | 28.2% | 636,595 | 28.9% | 33,653 | 5.3 % |
| Total revenues | $ 2,375,923 | 100% | $ 2,203,847 | 100% | $ 172,076 | 7.8 % |
| Consolidated operating expenses: | | | | | | |
| Cost of service | $ 862,075 | 36.3% | $ 784,756 | 35.6% | $ 77,319 | 9.9 % |
| Sales, general and administrative | 1,119,860 | 47.1% | 1,027,304 | 46.6% | 92,556 | 9.0 % |
| Processing system intrusion | 36,775 | 1.5% | 84,438 | 3.8% | (47,663) | (56.4)% |
| Operating income | $ 357,213 | 15.0% | $ 307,349 | 13.9% | $ 49,864 | 16.2 % |
| Operating income (loss) for segments: | | | | | | |
| North America merchant services | $ 258,910 | | $ 281,305 | | $ (22,395) | (8.0)% |
| International merchant services | 211,242 | | 196,137 | | 15,105 | 7.7 % |
| Corporate[(2)] | (112,939) | | (170,093) | | 57,154 | (33.6)% |
| Operating income | $ 357,213 | | $ 307,349 | | $ 49,864 | 16.2 % |
| Operating margin for segments: | | | | | | |
| North America merchant services | 15.2% | | 17.9% | | (2.7)% | |
| International merchant services | 31.5% | | 30.8% | | 0.7 % | |

(1) Percentage amounts may not sum to the total due to rounding.

(2) Includes processing system intrusion costs of$36.8 million and $84.4 million in fiscal 2013 and fiscal 2012, respectively.

*Processing System Intrusion*

In early March 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. Our investigation also revealed potential unauthorized access to servers containing personal information collected from merchants who applied for processing services. The merchants who could potentially be affected are limited to those based in the U.S. We cannot verify those potentially affected as it is unclear whether any information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individuals.

As a result of this event, certain card networks removed us from their list of PCI DSS compliant service providers. Our work to remediate our systems and processes is complete. We hired a Qualified Security Assessor, or QSA, to conduct an independent review of the PCI DSS compliance of our systems. Our QSA completed the evaluation of our remediation work. Global Payments Direct, Inc, our primary operating entity, has been returned to the list of PCI DSS compliant service providers and we have received reports on compliance covering all of our systems that process, store, transmit or otherwise utilize card data. To date, we have not experienced a material loss of revenue that we can confirm has been related to this event. However, this event and our related remediation efforts could potentially have a negative impact on future revenues.

During the fiscal year ended May 31, 2013, we recorded $36.8 million of expense associated with this incident, bringing the life-to-date total expense to $121.2 million. Of this life-to-date expense, $105.5 million represents costs incurred through May 31, 2013 for professional fees and other costs associated with the investigation and remediation, incentive payments to certain business partners and costs associated with credit monitoring and identity protection insurance. An additional $35.7 million represents total fraud losses, fines and other charges that have been imposed upon us by the card networks. We also recorded $20.0 million of insurance recoveries as discussed below. During fiscal 2013, we reduced our accrual for fraud losses, fines and other charges by $31.8 million. We based our initial estimate of fraud losses, fines and other charges on our understanding of the rules and operating regulations published by the networks and preliminary communications with the networks. We have now reached resolution with and made payments to the networks, resulting in charges that were less than our initial estimates. The primary difference between our initial estimates and the final charges relates to lower fraud related costs attributed to this event than previously expected.

A class action arising out of the processing system intrusion was filed against us on April 4, 2012 by Natalie Willingham (individually and on behalf of a putative nationwide class) (the "Plaintiff"). Specifically, Ms. Willingham alleged that we failed to maintain reasonable and adequate procedures to protect her personally identifiable information ("PII") which she claims resulted in two fraudulent charges on her credit card in March 2012. Further, Ms. Willingham asserted that we failed to timely notify the public of the data breach. Based on these allegations, Ms. Willingham asserted claims for negligence, violation of the Federal Stored Communications Act, willful violation of the Fair Credit Reporting Act, negligent violation of the Fair Credit Reporting Act, violation of Georgia's Unfair and Deceptive Trade Practices Act, negligence per se, breach of third-party beneficiary contract, and breach of implied contract. Ms. Willingham sought an unspecified amount of damages and injunctive relief. The lawsuit was filed in the United States District Court for the Northern District of Georgia. On May 14, 2012, we filed a motion to dismiss. On July 11, 2012, Plaintiff filed a motion for leave to amend her complaint, and on July 16, 2012, the Court granted that motion. She then filed an amended complaint on July 16, 2012. The amended complaint did not add any new causes of action. Instead, it added two new named Plaintiffs (Nadine and Robert Hielscher) (together with Plaintiff, the "Plaintiffs") and dropped Plaintiff's claim for negligence per se. On August 16, 2012, we filed a motion to dismiss the Plaintiffs' amended complaint. The Plaintiffs' filed their response in opposition to our motion to dismiss on October 5, 2012, and we subsequently filed our reply brief on October 22, 2012. The magistrate judge issued a report and recommendation recommending dismissal of all of Plaintiffs' claims with prejudice. The Plaintiffs subsequently agreed to voluntarily dismiss the lawsuit with prejudice, with each party bearing its own fees and costs. This was the only consideration exchanged by the parties in connection with Plaintiffs' voluntary dismissal with prejudice of the lawsuit. The lawsuit was dismissed with prejudice on March 6, 2013.

This event could result in additional lawsuits in the future. In addition, governmental entities have made inquiries and the Federal Trade Commission has initiated an investigation related to the event. We have not recorded any loss accruals related to these items or any other claims (except as described above) that have been or may be asserted against us in relation to this incident as we have not determined that losses associated with any such claims or potential claims are probable. Further, we do not have sufficient information to estimate the amount or range of possible losses associated with such matters. As more information becomes available, if we should determine that an unfavorable outcome is probable on such a claim and that the amount of such probable loss that we will incur on that claim is reasonably estimable, we will accrue our estimate of such loss. If and when we record such an accrual, it could be material and could adversely impact our results of operations.

We were insured under policies that we believe may provide coverage of certain costs associated with this event. The policies provided a total of $30.0 million in policy limits and contain various sub-limits of liability and other terms, conditions and limitations, including a $1.0 million deductible per claim. As of May 31, 2013, we have received $20.0 million in insurance recoveries. We will record receivables for any additional recoveries in the periods in which we determine such recovery is probable and the amount can be reasonably estimated.

*Revenues*

We derive our revenues from four primary sources: charges based on volumes and fees for services, charges based on transaction quantity, service fees and equipment sales and rentals. 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.

For fiscal 2013, revenues increased 7.8% to $2,375.9 million compared to the prior year. This growth is primarily due to growth driven by our U.S. ISO channel, growth from our direct sales channels and gaming business, and growth in Europe; partially offset by market-based pricing compression in Canada.

Our revenues have been affected by fluctuations in foreign currency exchange rates. For the year ended May 31, 2013, currency exchange rate fluctuations decreased our revenues by $20.3 million compared to the prior year. To calculate this we converted our fiscal 2013 actual revenues at fiscal 2012 rates.

*North America Merchant Services Segment*

For fiscal 2013, revenue from our North America merchant services segment increased 8.8% compared to the prior year to $1,705.7 million. North America revenue growth was driven by our U.S. ISO channel, strong growth from our direct sales channels, gaming business and reduced interchange expense due to legislation.

We grow our United States revenue primarily by adding small and mid-market merchants in diversified vertical markets, largely through our ISO channel. For fiscal 2013, our United States direct credit and debit card processed transactions grew 11.2% compared to the prior year. Increased spreads have offset the impact of lower average ticket, which decreased by 0.9% in fiscal 2013. This decline in average ticket is primarily due to a shift toward smaller merchants added through our ISO channel. Smaller merchants tend to have lower average tickets than larger merchants.

For fiscal 2013, our Canadian revenue decreased 6.4% to $311.0 million while our credit and debit card processed transactions grew 3.2% compared to the prior year. The decrease in revenue was due to ongoing market-based pricing compression.

*International Merchant Services Segment*

For fiscal 2013, International merchant services revenue increased 5.3% to $670.2 million compared to the prior year. Our Europe merchant services revenue for fiscal 2013 increased 6.8% to $522.6 million compared to the prior year, driven primarily by strong transaction growth in all markets. Asia-Pacific merchant services revenue of $147.7 million was flat for fiscal 2013 compared to the prior year resulting from a slight decrease of 0.8% in the number of credit and debit card processed transactions.

Consolidated Operating Expenses

Cost of service consists primarily of the following costs: salaries, wages and related expenses paid to operations and technology-related personnel, including those who monitor our transaction processing systems and settlement functions; assessments and other fees paid to card networks; transaction processing systems, including third-party services; network telecommunications capability; depreciation and occupancy costs associated with the facilities performing these functions; amortization of intangible assets; and provisions for operating losses. Cost of service increased 9.9% during fiscal 2013, compared to the prior year primarily driven by revenue growth. As a percentage of revenue, cost of service increased to 36.3% for fiscal year 2013 from 35.6% in the prior year.

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 paid to ISOs, independent contractors, and other third parties; advertising costs; other selling expenses; share-based compensation expense and occupancy of leased space directly related to these functions. Sales, general and administrative expenses increased 9.0% for fiscal 2013 compared to the prior year. In addition, as a percentage of revenues, sales, general and administrative expenses increased to 47.1% for fiscal 2013 from 46.6% in the prior year. These increases are primarily due to an increase in commission payments to ISOs and costs associated with our start up operations in Brazil. These increases were somewhat offset by the elimination of ISO commission payments previously made to APT as a result of our acquisition of APT on October 1, 2012.

*Operating Income and Operating Margin for Segments*

For the purpose of discussing segment operations, we refer to operating income as calculated by subtracting segment direct expenses from segment revenue. Overhead and shared expenses, including share-based compensation, are not allocated to segment operations; they are reported in the caption “Corporate.” Similarly, references to operating margin regarding segment operations mean segment operating income divided by segment revenue.

*North America Merchant Services Segment*

Operating income in the North America merchant services segment decreased 8.0% for fiscal2013 compared to the prior year. The decrease in operating income was primarily due to market-based pricing compression in Canada. The operating margin was 15.2% and 17.9% for the fiscal years 2013 and 2012, respectively. The decrease in operating margin was primarily driven by the ISO channel, including the impact of the Durbin amendment, Canadian spread compression and costs associated with our start up operation in Brazil. These increases were somewhat offset by the elimination of ISO commission payments previously made to APT as a result of our acquisition of APT on October 1, 2012. The ISO channel generally has a dilutive effect on our operating margin compared to our other channels due to the ongoing commission payments to the ISOs.

Effective October 1, 2011, the new debit interchange legislation capped the amount of interchange that card issuers may charge on transactions. Our interchange expenses decreased as a result of this. We recognize revenue net of interchange expense; therefore, our revenues increased as a result of lower interchange expense with a resulting increase in operating income as well. Increased revenues came primarily through our ISO channel, where reduced interchange fees led to higher revenues and a dollar-for-dollar increase in ISO commission expense, with an associated reduction in our operating margin.

*International Merchant Services Segment*

Operating income in the International merchant services segment increased 7.7% to$211.2 million for fiscal 2013 compared to the prior year. The operating margin was 31.5% and 30.8% for the fiscal years 2013 and 2012, respectively. The increase in operating margin in our International merchant services segment is due to strong results in Europe, partially offset by last year's marketing fee true-up in Spain, whereby CaixaBank compensated us for favorable pricing to certain CaixaBank customers during the initial phase of our marketing alliance agreement.

*Corporate*

Our corporate expenses include costs associated with our Atlanta headquarters, expenses related to our Global Service Center in Manila, Philippines that have not been allocated to our business segments, insurance, employee incentive programs, share-based compensation programs, and certain corporate staff, including finance, accounting, information technology, including data security, legal, human resources, marketing and executive. We also consider costs associated with the processing system intrusion to be a corporate expense. Our corporate costs decreased 33.6% to $112.9 million for fiscal 2013 compared to the prior year. This decrease is primarily due to lower costs associated with the processing system intrusion and charges related to two contractual disputes in fiscal 2012.

*Consolidated Operating Income*

During the fiscal year 2013, our consolidated operating income increased $49.9 million to$357.2 million from $307.3 million in the prior year. The increase in our consolidated operating income is primarily due to solid financial results in North America and Europe and lower costs associated with the processing system intrusion in fiscal compared to 2012.

*Consolidated Other Income/Expense, Net*

Other expense, net, increased to $22.9 million for fiscal2013 compared to $6.9 million in the prior year period. The increase is due to higher debt balances as well as an $8.4 million distribution to HSBC in fiscal 2013. This distribution was characterized as interest expense in accordance with the provision of ASC 480. For further details, see Note 4 - Business and Intangible Asset Acquisitions in the notes to our consolidated financial statements.

*Provision for Income Taxes*

Our effective tax rates were 28.6% and 27.6% for the years ended May 31, 2013 and 2012, respectively. The effective tax rates for the years ended May 31, 2013 and 2012 reflect adjustments to our U.K. deferred tax asset due to legislated enacted corporate tax rate reductions in the United Kingdom of 2% in each year. Our effective tax rates differ from U.S. statutory rates due to domestic and international tax planning initiatives and the increasing amount of income being generated in lower tax jurisdictions due to international expansion.

*Noncontrolling Interests, Net of Tax*

Noncontrolling interests, net of tax decreased to $22.6 million from $29.4 million for the fiscal years 2013 and 2012, respectively. This decrease is primarily due to the fact that we stopped attributing income to the GPAP redeemable noncontrolling interest subsequent to July 26, 2012, the date of our agreement to purchase HSBC's interest.

***Fiscal Year Ended May 31, 2012 Compared to Fiscal Year Ended May 31, 2011***

The following table shows key selected financial data for the fiscal years ended May 31, 2012 and 2011, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of fiscal 2011. Comercia's results of operations are included in our consolidated results of operations and results of operations of our International merchant services segment from December 20, 2010, the date we acquired our controlling financial interest. Accordingly, results of operations for the year ended May 31, 2011 reflect the results of Comercia's operations for five months, while results of operations for the year ended May 31, 2012 reflect a full year of operating results.

| *(dollar amounts in thousands)* | 2012 | % of Revenue[1] | 2011 | % of Revenue[1] | Change | % Change |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| United States | $ 1,234,818 | 56.0% | $ 1,031,997 | 55.5% | $ 202,821 | 19.7 % |
| Canada | 332,434 | 15.1% | 330,872 | 17.8% | 1,562 | 0.5 % |
| North America merchant services | 1,567,252 | 71.1% | 1,362,869 | 73.3% | 204,383 | 15.0 % |
| Europe | 489,300 | 22.2% | 359,567 | 19.3% | 129,733 | 36.1 % |
| Asia-Pacific | 147,295 | 6.7% | 137,366 | 7.4% | 9,929 | 7.2 % |
| International merchant services | 636,595 | 28.9% | 496,933 | 26.7% | 139,662 | 28.1 % |
| Total revenues | $ 2,203,847 | 100.0% | $ 1,859,802 | 100.0% | $ 344,045 | 18.5 % |
| Consolidated operating expenses: | | | | | | |
| Cost of service | $ 784,756 | 35.6% | $ 665,017 | 35.8% | $ 119,739 | 18.0 % |
| Sales, general and administrative | 1,027,304 | 46.6% | 863,191 | 46.4% | 164,113 | 19.0 % |
| Processing system intrusion | 84,438 | 3.8% | — | NM | 84,438 | NM |
| Operating income | $ 307,349 | 13.9% | $ 331,594 | 17.8% | $ (24,245) | (7.3)% |
| Operating income (loss) for segments: | | | | | | |
| North America merchant services | $ 281,305 | | $ 268,233 | | $ 13,072 | 4.9 % |
| International merchant services | 196,137 | | 143,911 | | 52,226 | 36.3 % |
| Corporate[2] | (170,093) | | (80,550) | | (89,543) | (111.2)% |
| Operating income | $ 307,349 | | $ 331,594 | | $ (24,245) | (7.3)% |
| Operating margin for segments: | | | | | | |
| North America merchant services | 17.9% | | 19.7% | | (1.8)% | |
| International merchant services | 30.8% | | 29.0% | | 1.8 % | |

[1] Percentage amounts may not sum to the total due to rounding.
[2] Includes processing system intrusion costs of $84.4 million in fiscal 2012.

*Processing System Intrusion*

In early March of 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. During fiscal 2012, we recorded $84.4 million of expense associated with this event. For further details, see Note 2 - Processing System Intrusion in the notes to our consolidated financial statements.

*Revenues*

We derive our revenues from four primary sources: charges based on volumes and fees for services, charges based on transaction quantity, service fees and equipment sales and rentals. 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.

For fiscal 2012, revenues increased 18.5% to $2,203.8 million compared to the prior year period primarily due to strong performance across most of our regions, and the impact of our acquisition of a 51.0% controlling financial interest in Comercia on December 20, 2010.

*North America Merchant Services Segment*

For fiscal 2012, revenue from our North America merchant services segment increased15.0% compared to the prior year to$1,567.3 million. The North America merchant services segment revenue growth was driven by our U.S. ISO channel, reduced interchange expense as explained below, strong growth from our gaming business and solid performance from our direct sales channel.

We grow our United States revenue by adding small and mid-market merchants in diversified vertical markets, primarily through our ISO channel. For fiscal 2012, our United States direct credit and debit card processed transactions grew 13.1% compared to the prior year. Increased spreads, primarily driven by lower interchange expense due to the Durbin amendment, have offset the impact of lower average ticket, which decreased by 3.2% in fiscal 2012. This decline in average ticket is primarily due to a shift toward smaller merchants added through our ISO channel. Smaller merchants tend to have lower average tickets than larger merchants. Based on our mix of merchants, slightly more than half of our United States transactions are comprised of a combination of signature- and PIN-based debit transactions, with PIN-based debit transactions representing less than 10.0% of our total transactions.

On June 29, 2011, the Federal Reserve board adopted the final rule implementing Section 1075 (“the Durbin amendment”) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Effective October 1, 2011, the Durbin amendment capped the amount of debit interchange that large card issuers may charge on debit transactions. Our interchange expense decreased as a result of the Durbin amendment. We recognize revenue net of interchange expense; therefore, our revenues increased for fiscal 2012, as a result of lower interchange expense. We believe that any future benefits resulting from the Durbin amendment are uncertain due to our competitive marketplace.

For fiscal 2012, our Canadian revenue remained flat while our credit and debit card processed transactions grew 4.5% compared to the prior year period. Our Canadian business experienced reduced spreads due to market-driven pricing pressure as compared to the prior year.

*International Merchant Services Segment*

For fiscal 2012, International merchant services revenue increased28.1% to $636.6 million.

Our Europe merchant services revenue for fiscal2012 increased 36.1% to $489.3 million compared to the prior year. These revenue increases were driven primarily by the impact of our acquisition in Spain on December 20, 2010, pricing benefits in the United Kingdom and favorable foreign currency trends during fiscal 2012.

Asia-Pacific merchant services revenue for fiscal2012 increased 7.2% to $147.3 million compared to the prior year. The growth was due to solid business performance across the region. Revenues in the prior year included the roll-out of new products by a major retailer with both physical and e-commerce transactions in several markets in the region, continued growth of our installment payment plan and regional roll out of our dynamic currency conversion products.

*Consolidated Operating Expenses*

Cost of service consists primarily of the following costs: operations- and technology-related personnel, including those who monitor our transaction processing systems and settlement functions; assessments and other fees paid to card networks; transaction processing systems, including third-party services; network telecommunications capability; depreciation and occupancy costs

associated with the facilities performing these functions; amortization of intangible assets; and provisions for operating losses. Cost of service increased 18.0% during fiscal 2012, compared to the prior year period primarily driven by revenue growth. As a percentage of revenues, cost of service decreased to 35.6% for fiscal 2012 from 35.8% in the prior year.

Sales, general and administrative expenses consists primarily of salaries, wages and related expenses paid to sales personnel; non-revenue producing customer support functions and administrative employees and management; commissions paid to ISOs, independent contractors, and other third parties; advertising costs; other selling expenses; share-based compensation expense and occupancy of leased space directly related to these functions. Sales, general and administrative expenses increased 19.0% for fiscal 2012 compared to the prior year period. This increase is primarily due to employee termination costs, charges for two contractual disputes, and an increase in commission payments to ISOs. As a percentage of revenues, sales, general and administrative expenses increased to 46.6% for fiscal 2012 from 46.4% in the prior year.

*Operating Income and Operating Margin for Segments*

For the purpose of discussing segment operations, we refer to operating income as calculated by subtracting segment direct expenses from segment revenue. Overhead and shared expenses, including share-based compensation costs, are not allocated to segment operations; they are reported in the caption “Corporate.” Similarly, references to operating margin regarding segment operations mean segment operating income divided by segment revenue.

*North America Merchant Services Segment*

Operating income in the North America merchant services segment increased 4.9% for fiscal 2012 compared to the prior year period. The increase in operating income was driven by growth in the U.S. primarily driven by our ISO and direct channels partially offset by market-based spread compression in Canada and, to a lesser extent, increased investment in Brazil. This resulted in operating margins decreasing during fiscal 2012. The operating margin was 17.9% and 19.7% for the fiscal years 2012 and 2011, respectively. The decrease in operating margin was primarily driven by ISO channel dilution, including the impact of the Durbin amendment, Canadian spread compression and costs associated with our start up in Brazil.

Effective October 1, 2011, the new debit interchange legislation capped the amount of interchange that card issuers may charge on transactions. Our interchange expenses decreased as a result of this. We recognize revenue net of interchange expense; therefore, our revenues increased as a result of lower interchange expense with a resulting increase in operating income as well. Increased revenues came primarily through our ISO channel, where reduced interchange fees led to higher revenues and a dollar-for-dollar increase in ISO commission expense, with an associated reduction in our operating margin.

*International Merchant Services Segment*

Operating income in the International merchant services segment increased 36.3% to $196.1 million for fiscal 2012 compared to the prior year period. The operating margin was 30.8% and 29.0% for the fiscal years 2012 and 2011, respectively. The increase in operating margin in our International merchant services segment is due in part to pricing benefits in the United Kingdom arising from changes to merchant discount rates upon conversion of our merchant portfolio to our processing platform, which allows us to more closely align pricing with underlying transaction characteristics. In addition, the increase in operating margin is partially attributable to a marketing fee true-up in Spain, whereby CaixaBank compensated us for favorable pricing terms extended to certain CaixaBank customers during the initial phase of our marketing alliance agreement.

*Corporate*

Our corporate expenses include costs associated with our Atlanta headquarters, expenses related to our Global Service Center in Manila, Philippines that have not been allocated to our business segments, insurance, employee incentive programs, share-based compensation programs and certain corporate staff, including finance, accounting, information technology, legal, human resources, marketing, and executive. Our corporate costs increased 111.2% to $170.1 million for fiscal 2012 compared to the prior year. This increase is primarily due to costs associated with the processing system intrusion, employee termination costs and charges for two contractual disputes. The prior year corporate costs included expenses related to our Global Service Center in Manila, Philippines and employee and termination benefits.

*Consolidated Operating Income*

During the fiscal year 2012, our consolidated operating income decreased $24.2 million to $307.3 million compared to the prior year. The decrease in our consolidated operating income is primarily due to costs associated with the processing system intrusion.

*Consolidated Other Income/Expense, Net*

Other expense, net, decreased to $6.9 million for fiscal 2012 compared to $7.4 million in the prior year period. Interest expense decreased during fiscal 2012 due to lower term loan borrowings.

*Provision for Income Taxes*

Our effective tax rates were 27.6% and 29.3% for the years ended May 31, 2012 and 2011, respectively. The effective tax rates for the years ended May 31, 2012 and 2011 reflect adjustments to our U.K. deferred tax asset due to legislated enacted corporate tax rate reductions in the United Kingdom of 2.0% and 1.0%, respectively. Our effective tax rates differ from U.S. statutory rates due to domestic and international tax planning initiatives and the increasing amount of income being generated in lower tax jurisdictions due to international expansion.

We have net deferred tax assets associated with our U.K. business of $92.8 million. The measurement of such deferred tax assets is based, in part, on the current enacted corporate tax rate in the United Kingdom. The 2012 United Kingdom budget includes a reduction in the corporate tax rate from 25.0% to 23.0%. Upon enactment of this rate, which was expected during the first half of our fiscal year 2013, we estimated that we will record a reduction in our U.K. deferred tax asset and a corresponding increase to our deferred income tax provision of approximately $5.0 million.

*Noncontrolling Interests, Net of Tax*

Noncontrolling interests, net of tax increased to $29.4 million from $18.9 million for the fiscal year 2012 and 2011, respectively. This increase is primarily due to our acquisition of a 51% controlling financial interest in Comercia on December 20, 2010.

**Liquidity and Capital Resources**

A significant portion of our liquidity comes from operating cash flows. Cash flow from operations is used to make planned capital investments in our business, to pursue acquisitions that meet our corporate objectives, to pay dividends, and to pay down debt and repurchase shares at the discretion of our Board of Directors. Accumulated cash balances are invested in high quality and marketable short-term instruments.

Our capital plan objectives are to support the Company’s operational needs and strategic plan for long-term growth while maintaining a low cost of capital. Lines of credit are used in certain of our markets to fund settlement and as a source of working capital and, along with other bank financing, to fund acquisitions. We regularly evaluate our liquidity and capital position relative to cash requirements, and we may elect to raise additional funds in the future, either through the issuance of debt, equity or otherwise.

At May 31, 2013, we had cash and cash equivalents totaling $680.5 million. Of this amount, we consider $255.0 million to be available cash. Our available cash balance includes $214.1 million of cash held by foreign subsidiaries whose earnings are considered permanently reinvested for U.S. tax purposes. These cash balances reflect our capital investments in these subsidiaries and the accumulation of cash flows generated by each subsidiary's operations, net of cash flows used to service debt locally and fund non-U.S. acquisitions. We believe that we are able to maintain a sufficient level of liquidity for our domestic operations and commitments without repatriation of the earnings of these foreign subsidiaries. If we were to repatriate some or all of the cash held by such foreign subsidiaries, we do not believe that the associated income tax liabilities would have a significant impact on our liquidity.

Available cash excludes settlement related and merchant reserve cash balances. Settlement related cash balances represent funds that we hold on behalf of our member sponsors when the incoming amount from the card networks precedes the member

sponsors' funding obligation to the merchant. Settlement related cash balances are not restricted; however these funds are generally paid out in satisfaction of settlement processing obligations the following day. Merchant reserve cash balances represent funds collected from our merchants that serve as collateral ("Merchant Reserves") to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. At May 31, 2013, our cash and cash equivalents included $280.7 million related to Merchant Reserves. While this cash is not restricted in its use, we believe that designating this cash to collateralize Merchant Reserves strengthens our fiduciary standing with our member sponsors and is in accordance with the guidelines set by the card networks. See *Cash and cash equivalents* and *Settlement processing assets and obligations* under Note 1 and Note 3 in the notes to the consolidated financial statements for additional details.

Operating activities provided net cash of $240.5 million during fiscal year 2013 compared to using net cash of $173.5 million during the prior year. The increase in cash flow from operating activities was primarily due to the change in net settlement processing assets and obligations of $464.3 million driven by the timing of month end cut-off.

Net cash used in investing activities increased from $150.4 million to $528.6 million for the fiscal year ended May 31, 2013 from the prior year, primarily due to our use of $409.3 million and $22.9 million for the acquisitions of APT and Civica, respectively, during the fiscal year ended May 31, 2013.

For fiscal year 2013, financing activities provided $183.5 million in cash compared to using $218.2 million in cash in the prior year. The increase in cash provided by financing activities was primarily related to proceeds of $700.0 million from the term loan and $80.5 million from net long-term revolver borrowings. We used $242.0 million of these proceeds to purchase the remaining 44% of GPAP from HSBC. We also repurchased 3,674,656 shares of our common stock with a cash payment of $175.3 million during fiscal year ended May 31, 2013. In addition, we made payments on term loans and notes payable in the amount of $126.0 million and we made net payments in the amount of $27.9 million on our short-term revolver.

We believe that our current level of cash and borrowing capacity under our 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. During fiscal year 2014, we expect capital expenditures to approximate $90.0 million.

*Long-Term Debt and Credit Facilities*

Outstanding debt consisted of the following:

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| Lines of credit: | (in thousands) | |
| Corporate Credit Facility - long-term | $ 309,955 | $ 229,500 |
| Short-term lines of credit: | | |
| United Kingdom Credit Facility | 74,146 | 85,102 |
| Hong Kong Credit Facility | 38,134 | 54,564 |
| Spain Credit Facility | 28,041 | 17,241 |
| Malaysia Credit Facility | 14,025 | 12,844 |
| Taiwan Credit Facility | 8,359 | — |
| Canada Credit Facility | 6,866 | 20,033 |
| Singapore Credit Facility | 6,459 | 10,318 |
| Philippines Credit Facility | 6,384 | 6,336 |
| Sri Lanka Credit Facility | 1,978 | 2,291 |
| Macau Credit Facility | 1,966 | 2,443 |
| Maldives Credit Facility | 741 | 4,219 |
| Brunei Credit Facility | 362 | — |
| Total short-term lines of credit | $ 187,461 | $ 215,391 |
| Total lines of credit | 497,416 | 444,891 |
| Notes payable | 6,014 | 10,089 |
| Term loans | 647,500 | 73,396 |
| Total debt | $ 1,150,930 | $ 528,376 |
| | | |
| Current portion | $ 259,796 | $ 291,811 |
| Long-term debt | 891,134 | 236,565 |
| Total debt | $ 1,150,930 | $ 528,376 |

Maturity requirements on outstanding debt by fiscal years are as follows (in thousands):

| | |
|---|---|
| 2014 | $ 259,796 |
| 2015 | 71,472 |
| 2016 | 381,427 |
| 2017 | 70,735 |
| 2018 | 367,500 |
| Total | $ 1,150,930 |

**Lines of Credit**

The Corporate Credit Facility is available for general corporate purposes and to fund future strategic acquisitions. Our short-term lines of credit facilities are primarily used to fund settlement. For certain of our lines of credit facilities, the maximum borrowing amount may exceed the stated credit limit by the amount of cash we have on deposit in specific accounts with the lender. Accordingly, the line of credit balance may exceed the stated credit limit at any given point in time, when in fact the combined position is less than the credit limit. The total available incremental borrowings under our Corporate Credit Facilities at May 31, 2013 was $440.0 million. As of May 31, 2013, we had $796.1 million available to fund settlement under our short-term lines of credit.

During the year ended May 31, 2013, the maximum and average borrowings under our lines of credit were $871.9 million and $464.5 million, respectively. The weighted-average interest rates on these borrowings were 1.8% and 2.1%, respectively, for the fiscal years ended May 31, 2013 and May 31, 2012. Our maximum borrowed amount was greater than our average and period end borrowings due to the timing of settlement funding.

Our line of credit facilities consist of the following:

- Corporate - an unsecured five-year, $750.0 million revolving credit facility, which we refer to as the Corporate Credit Facility with a syndicate of financial institutions. The multi-currency facility expires in December 2015 and has a variable interest rate based on a market short-term interest rate plus a leverage based margin. On September 28, 2012, the Corporate Credit Facility was expanded from $600.0 million to $750.0 million by requesting additional commitments from new and existing lenders. The Corporate Credit Facility contains certain financial and non-financial covenants and events of default customary for financings of this nature.

  We plan to use the Corporate Credit Facility to support strategic growth initiatives and for general corporate purposes. As of May 31, 2013, annual interest rate on the credit facility was 2.2% and the aggregate outstanding balance was $310.0 million. The Corporate Credit Facility is included in long-term debt in the accompanying consolidated balance sheets because we are not contractually obligated to make repayments in the next twelve months.

- United Kingdom- a revolving credit facility with HSBC Bank, for up to £140.0 million ($212.3 million USD as of May 31, 2013) to fund settlement. This credit facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate was 1.9%. This facility is subject to annual review. During the year ended May 31, 2013, this facility was amended to facilitate borrowings in multiple currencies.

- Hong Kong - a revolving overdraft facility with HSBC Limited Hong Kong, for up to 1.0 billion Hong Kong dollars ($128.8 million USD as of May 31, 2013) to fund settlement. In addition, the Hong Kong credit facility allows us to expand the size of the uncommitted facility to 1.5 billion Hong Kong dollars. This facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate on the facility was 0.9%. This facility is subject to annual review.

- Canada - a revolving credit facility, which we refer to as our Canada Credit Facility, with the Canadian Imperial Bank of Commerce, or CIBC. The Canada Credit Facility is a facility which consists of a line of credit of $25.0 million Canadian dollars ($24.8 million USD as of May 31, 2013). In addition, the Canada Credit Facility allows us to expand the size of the uncommitted facility to $30.0 million Canadian dollars. This credit facility carries no termination date, but can be terminated by either party with advance notice. This credit facility has card association receivables and CIBC settlement related bank accounts as pledged collateral. This credit facility has a variable interest rate based on the Canadian dollar Interbank Offered Rate or prime rate plus a margin. As of May 31, 2013, the annual interest rate was 1.5%.

- Malaysia - a revolving overdraft facility with HSBC Bank Malaysia Berhad, for up to 90.0 million Malaysian Ringgits ($29.3 million USD as of May 31, 2013) to fund settlement. This facility has a variable short-term interest rate less a margin. As of May 31, 2013, the annual interest rate on the facility was 3.7%. This facility is subject to annual review.

- Spain - a revolving credit facility with CaixaBank, for up to €250.0 million ($324.7 million USD as of May 31, 2013) to fund settlement. This credit facility also allows borrowings in British Pound Sterling, Japanese Yen, and United States dollars, and has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate was 0.3%. The term of this facility is through January 2014.

- Singapore - a revolving overdraft facility with HSBC Banking Corporation Limited, for up to 25.0 million Singapore dollars ($19.8 million USD as of May 31, 2013) to fund settlement. This facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate on the facility was 0.9%. This facility is subject to annual review.

- Philippines - a revolving facility with HSBC Bank, Philippines, for up to 450.0 million Philippine Pesos ($10.6 million USD as of May 31, 2013) and $2.5 million United States dollars to fund settlement. The facility has variable short-term interest rates plus a margin. As of May 31, 2013, the annual interest rates on the facility was 3.8% for the Philippines Pesos tranche. This facility is subject to annual review.

- Maldives - a revolving overdraft facility with HSBC Bank, Maldives, for up to $6.0 million to fund settlement. This facility is denominated in United States dollars and has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate on the facility was 4.7%. This facility is subject to annual review.

- Macau - a revolving overdraft facility with HSBC Asia Pacific, for 40.0 million Macau Pataca ($4.9 million USD as of May 31, 2013) to fund settlement. In addition, the Macau Credit Facility allows us to expand the size of the uncommitted facility to 150.0 million Macau Pataca. This credit facility has a variable interest rate based on the lending rate stipulated by HSBC Asia Pacific, less a margin. As of May 31, 2013, the annual interest rate on the facility was 2.5%. This facility is subject to annual review.

- Sri Lanka - a revolving overdraft facility with HSBC Bank, Sri Lanka, for 550.0 million Sri Lankan Rupees ($4.3 million USD as of May 31, 2013) in two tranches: one to fund settlement and the other for general corporate purposes. The facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate on the two tranches of the facility was 14.0%. This facility is subject to annual review.

- National Bank of Canada - a revolving credit facility for up to $80.0 million Canadian dollars ($77.4 million USD as of May 31, 2013) and $5.0 million United States dollars to provide certain Canadian merchants with same day value for MasterCard credit card transactions and debit card transactions. This credit facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the facility was undrawn.

- Taiwan - a revolving overdraft facility for up to 1.5 billion Taiwan dollars ($50.0 million USD as of May 31, 2013) to fund settlement. This credit facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate on the facility was 2.1%. This facility is subject to annual review.

- Brunei - a revolving overdraft facility for up to 4.5 million Brunei dollars ($3.5 million USD as of May 31, 2013) to fund settlement was entered into in April 2013. This credit facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the annual interest rate on this facility was 2.4%. This facility is subject to annual review.

**Term Loans**

On September 28, 2012, we entered into a five-year unsecured $700.0 million term loan agreement with a syndicate of banks, which we used to partially fund our acquisition of APT and our purchase of HSBC Asia's 44% interest in GPAP and to repay the outstanding balance on the Corporate Credit Facility. The term loan expires in September 2017 and bears interest, at our election, at the prime rate or London Interbank Offered Rate ("LIBOR"), plus a leverage-based margin. As of May 31, 2013, the annual interest rate on the term loan was 2.2%. The term loan has scheduled principal payments of $17.5 million at the end of each fiscal quarter through maturity. As of May 31, 2013, the outstanding balance of the term loan was $647.5 million.

On January 31, 2013, we repaid the outstanding balance of our five-year unsecured $200.0 million term loan agreement with a syndicate of banks in the United States. The term loan had a variable interest rate based on LIBOR plus a leverage based margin.

On July 10, 2012, we repaid the outstanding balance of our five-year unsecured $300.0 million term loan agreement ($230.0 million and £43.5 million) with a syndicate of financial institutions. The term loan had a variable interest rate based on LIBOR plus a leveraged-based margin.

**Notes Payable**

United Card Services, or UCS, our subsidiary in the Russian Federation, has notes payable with a total outstanding balance of approximately $6.0 million at May 31, 2013. These notes have fixed annual interest rates of 8.5% with maturity dates ranging from June 2013 through November 2016.

**Compliance with Covenants**

There are certain financial and non-financial covenants contained in our various credit facilities and term loans. Our term loan agreements include financial covenants requiring a leverage ratio no greater than 3.25 to 1.00 and a fixed charge coverage ratio no less than 2.50 to 1.00. We complied with these covenants as of and for the year ended May 31, 2013.

*Redeemable Noncontrolling Interest*

As of May 31, 2012, we had a redeemable noncontrolling interest associated with our Asia-Pacific merchant services business. Global Payments Asia-Pacific Limited, or GPAP, is the entity through which we conduct our merchant acquiring business in the Asia-Pacific region. We owned 56% of GPAP and HSBC Asia owned the remaining 44%. The GPAP shareholders' agreement included provisions pursuant to which HSBC Asia could have compelled us to purchase, at the lesser of fair value or a net revenue multiple, additional GPAP shares from HSBC Asia (the "Put Option"). Because the Put Option was not solely within our control, we classified this interest as a redeemable noncontrolling interest and reported the maximum total redemption amount in the mezzanine section of the consolidated balance sheet. In accordance with current accounting guidance, we adjusted our redeemable noncontrolling interest to reflect the maximum redemption amount as of May 31, 2012 with a corresponding adjustment to retained earnings on our consolidated balance sheet.

On July 26, 2012, outside the terms of the Put Option, we agreed to purchase all of HSBC Asia's interest in GPAP for $242.0 million. We accounted for the purchase of the remaining 44% of GPAP as an equity transaction with a reduction of redeemable noncontrolling interest of $146.0 million and a reduction of retained earnings of $96 million. In accordance with Accounting Standards Codification 480, *Distinguishing Liabilities from Equity* ("ASC 480"), from the agreement date through the close of the transaction, we accounted for our commitment to purchase the remaining 44% of GPAP as a freestanding forward contract. Accordingly as of July 26, 2012, we stopped attributing income to redeemable noncontrolling interest and any subsequent distributions to holders of the redeemable noncontrolling interest are characterized as interest expense. HSBC Asia is entitled to dividends through the closing of the transaction pursuant to the GPAP shareholders agreement and the purchase agreement. During fiscal 2013, we declared a dividend for fiscal year 2012 of which $8.4 million was paid to HSBC Asia. Such dividend is reflected as interest expense in our consolidated statements of income in the accordance with the provisions of ASC 480. During fiscal year 2014, we expect to declare an additional dividend related to GPAP operations through the closing date. We expect HSBC Asia's share of such dividend to be reflected in interest expense in our fiscal year 2014 consolidated statements of income.

*Data Center Relocation*

We have undertaken the relocation and redesign of our primary data center and processing system. We have entered into agreements related to this relocation and for the ongoing management of the data center, and we are contractually committed to make payments for the ongoing management of our data center through December 31, 2016. These obligations are included in the operating leases and purchase obligations line of the table presented below.

*Off-Balance Sheet Arrangements*

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interest, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market, or credit risk support other than the guarantee products described under "Critical Accounting Estimates" below.

*BIN/ICA Agreements*

In connection with our acquisition of merchant credit card operations of banks, we have entered into sponsorship or depository and processing agreements with certain of the banks. These agreements allow us to use the banks' identification numbers, referred to as Bank Identification Number ("BIN") for Visa transactions and Interbank Card Association ("ICA") number for MasterCard transactions, to clear credit card transactions through Visa and MasterCard. Certain of such agreements contain financial covenants, and we were in compliance with all such covenants as of May 31, 2013.

*Commitments and Contractual Obligations*

The following table summarizes our contractual obligations and commitments as of May 31, 2013:

| | Payments Due by Future Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | 5+ Years |
| | (in thousands) | | | | |
| Operating leases (Note 15) and purchase obligations | $ 159,606 | $ 35,935 | $ 65,153 | $ 39,182 | $ 19,336 |
| Total debt, including current portion (Note 7) | 1,150,930 | 259,796 | 452,899 | 438,235 | — |
| Interest on long-term debt[1] | 49,370 | 14,209 | 23,345 | 11,816 | — |

[1] Interest on variable rate debt is based on rates effective and amounts borrowed as ofMay 31, 2013.

*Note: This table excludes other obligations that we may have, such as employee benefit plan obligations, unrecognized tax benefits, and other current and long-term liabilities reflected in our consolidated balance sheet. At this time, we are unable to make a reasonably reliable estimate of the timing of these payments; therefore such amounts are not included in the above contractual obligation table. We do not have any material purchase commitments as of May 31, 2013.*

**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. In many instances, however, we reasonably could have used different accounting estimates and, in other instances, changes in our accounting estimates could 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." The critical accounting estimates that we discuss below are those that we believe are most important to an understanding of our consolidated financial statements.

We have considered the impact of the processing system intrusion on our critical accounting estimates related to goodwill, long-lived asset and internally developed software valuations. We currently do not believe this event or associated business impacts represent an impairment indicator with respect to any of our goodwill reporting units, individual long-lived assets or asset groups, or internally developed software, whether placed in service or currently under development. Accordingly, we have not deemed it necessary to perform any interim goodwill impairment testing or impairment testing of internally developed software or other long-lived assets. If in future periods we experience or project diminished cash flows due to merchant attrition or other effects of the event, we will reassess the assumptions that underlie the estimates made in preparing our financial statements.

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 1 of the notes to consolidated financial statements and the risk factors contained in "Item 1A - Risk Factors" of this annual report.

***Reserve for operating losses***

As a part of our direct merchant credit card and debit card processing services and check guarantee services we experience merchant losses and check guarantee losses, which we collectively refer to as "operating losses." Merchant losses occur when we are unable to collect amounts from merchant customers for any charges properly reversed by the cardholder. Check guarantee losses occur when we are unable to collect the full amount of a guaranteed check from the checkwriter. Please refer to the notes to consolidated financial statements for a further explanation of these operating losses.

We process credit card transactions for direct merchants and recognize revenue based on a percentage of the gross amount charged. Our direct 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 any other 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, and we also utilize a number of systems and procedures to manage merchant risk. We have, however, historically experienced losses due to merchant defaults.

We account for our potential liability for the full amount of the operating losses discussed above as guarantees. We estimate the fair value of these guarantees by adding a fair value margin to our estimate of losses. This estimate of losses is comprised of estimated known losses and estimated incurred but not reported losses. Estimated known losses arise from specific instances of, for example, merchant bankruptcies, closures or fraud of which we are aware at the balance sheet date, but for which the ultimate amount of associated loss will not be determined until after the balance sheet date. Estimated known loss accruals are recorded when it is probable that we have incurred a loss and the loss is reasonably estimable. Estimated known losses are calculated at the merchant level based on chargebacks received to date, processed volume, and historical chargeback ratios. The estimate is reduced for any collateral that we hold. Accruals for estimated known losses are evaluated periodically and adjusted as appropriate based on actual loss experience. Incurred but not reported losses result from transactions that we process before the balance sheet date for which we have not yet received chargeback notification. We estimate incurred but not reported losses by applying historical loss ratios to our direct merchant credit card and signature debit card sales volumes processed, or processed volume. Historically, this estimation process has been materially accurate.

For the years ended May 31, 2013, 2012, and 2011, our processed volume was $192.8 billion, $180.7 billion, and $167.3 billion, respectively. For these same periods, we recorded provisions for merchant losses of $9.5 million, $8.8 million, and $6.0 million, respectively. As a percentage of processed volume, these charges were 0.0049%, 0.0049%, and 0.0036%, respectively, during the above periods. For these same years, we experienced actual losses of $9.9 million, $9.6 million, and $8.7 million, respectively. We believe that our estimation process has been materially accurate on a historical basis. A 10% increase or decrease in our provision for merchant losses as a percentage of processed volume for the year ended May 31, 2013 would have resulted in a decrease or increase in net income of $0.6 million. As of May 31, 2013 and 2012, $2.3 million has been recorded for guarantees associated with merchant card processing and are included in settlement processing obligations in the accompanying consolidated balance sheets.

In our check guarantee service offering, 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. Our check guarantee loss reserve is comprised of estimated losses on returned checks and estimated incurred but not reported losses. We estimate the loss on returned checks by applying historical collection rates to our claims receivable balance. We estimate incurred but not reported losses by applying historical loss ratios to the face value of our guaranteed checks. For each of the years ended May 31, 2013, 2012, and 2011, we guaranteed total check face values of $2.6 billion. For those same periods, we recorded provisions for check guarantee losses of $11.7 million, $13.4 million, and $14.2 million, respectively. As a percentage of the total guaranteed check face value, these charges were 0.44%, 0.51%, and 0.55%, respectively. For these same years, we experienced actual losses of $12.0 million, $13.8 million, and $14.5 million, respectively. We believe that our estimation process has been materially accurate on a historical basis. A 10% increase or decrease in our percentage assumption for the year ended May 31, 2013 would have resulted in a decrease or increase in net income of $0.8 million. Further, if our guarantee loss as a percentage of guarantee volume for our fiscal 2013 had equaled our guarantee loss as a percentage of guarantee volume of 0.51% for the same prior year period, our net income would have decreased by $1.1 million. As of May 31, 2013 and 2012, we had a check guarantee reserve of $3.1 million and $3.4 million, respectively, which is included in claims receivable, net, in the accompanying consolidated balance sheets.

We derive our projected loss rate assumptions primarily based on a rolling six to twelve month analysis of historic loss activity. These assumptions, however, bear the risk of change, which may occur as a result of several qualitative factors. For merchant losses, these factors include the following: a change in the creditworthiness of our merchant customers; a change in the levels of credit card fraud affecting our merchant customers; and a change in the effectiveness of our internal credit, risk management, and collection departments. For check guarantee losses, these factors include a change in the levels of dishonored consumer checks presented to our guarantee service merchant customers and a change in the effectiveness of our internal check guarantee procedures, customer acceptance and retention policies, or collection protocols. Application of our percentage assumptions involve uncertainty regarding changes in any of the factors above, especially those that are outside of our control, such as the financial health of the economies in the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region, and the Russian Federation at a regional or national level and the related impact on our customers.

***Goodwill and long-lived asset valuations***

We regularly evaluate whether events and circumstances have occurred that indicate the carrying amounts of goodwill, property and equipment, and other intangible assets may warrant revision or may not be recoverable. Goodwill is evaluated for impairment annually by applying a fair value based test. Property and equipment and finite-lived intangible assets are evaluated for impairment when facts and circumstances indicate the carrying values of such assets may exceed their fair values. When factors indicate that these assets should be evaluated for possible impairment, we assess the potential impairment of their carrying values 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.

We completed our most recent annual goodwill and indefinite-life intangible asset impairment test as of January 1, 2013. Goodwill is tested for impairment at the reporting unit level, and the impairment test consists of two steps. In the first step the reporting unit's carrying amount, including goodwill, is compared to its fair value which is measured based upon, among other factors, a discounted cash flow analysis as well as market multiples for comparable companies. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired and step two must be performed. Step two measures the impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of fair value over the amounts allocated to the assets and liabilities of the reporting unit is the implied fair value of goodwill. The excess of the carrying amount over the implied fair value is the impairment loss.

We have six reporting units: North America Merchant Services, U.K. Merchant Services, Asia-Pacific Merchant Services, Central and Eastern Europe Merchant Services, Russia Merchant Services and Spain Merchant Services. We estimate the fair value of our reporting units using a combination of the income approach and the market approach. The income approach utilizes a discounted cash flow model incorporating management's expectations for future revenue, operating expenses, EBITDA, capital expenditures and an anticipated tax rate. We discount the related cash flow forecasts using our estimated weighted-average cost of capital for each reporting unit at the date of valuation. The market approach utilizes comparative market multiples in the valuation estimate. Multiples are derived by relating the value of guideline companies, based on either the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings and cash flow. Such multiples are then applied to the historical and projected earnings and cash flow of the reporting unit in developing the valuation estimate.

Preparation of forecasts and the selection of the discount rates involve significant judgments about expected future business performance and general market conditions. Significant changes in our forecasts, the discount rates selected or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

At May 31, 2013, we had goodwill of $1,044.2 million recorded on our consolidated balance sheet. We completed our most recent annual goodwill impairment test on January 1, 2013 and determined that the fair value of each of our reporting units is substantially in excess of the carrying value. No events or changes in circumstances have occurred since the date of our most recent annual impairment test that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Other intangible assets primarily represent customer-related intangible assets (such as customer lists and merchant contracts), contract-based intangible assets (such as non-compete agreements, referral agreements and processing rights), and trademarks associated with acquisitions. Customer-related intangible assets, contract-based intangible assets and certain trademarks are amortized over their estimated useful lives of up to 30 years. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks are based on our plans to phase out the trademarks in the applicable markets.

We use the accelerated method of amortization for most our customer-related intangible assets. In determining amortization expense under our accelerated method for any given period, we calculate expected cash flows for that period that were used in determining the acquired value of the asset and divide that amount by the expected total cash flows over the estimated life of the asset. We multiply that percentage by the initial carrying value of the asset to arrive at the amortization expense for that period. In addition, if the cash flow patterns that we experience differ significantly than our initial estimates, we will adjust the amortization

schedule accordingly. These cash flow patterns are derived using certain assumptions and cost allocations due to a significant amount of asset interdependencies that exist in our business. During fiscal 2013, we did not adjust the amortization schedules.

We believe that our accelerated method better approximates the distribution of cash flows generated by our acquired customer relationships. We use the straight-line method of amortization for our contract-based intangibles and amortizable trademarks.

***Capitalization of Internally Developed Software***

We develop software that is used in providing processing services to customers. Capitalization of internally developed software, primarily associated with operating platforms, occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The preliminary project stage consists of the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology and the final selection of alternatives. Costs incurred prior to the preliminary project stage are expensed as incurred. Currently unforeseen circumstances in software development, such as a significant change in the manner in which the software is intended to be used, obsolescence or a significant reduction in revenues due to merchant attrition, could require us to implement alternative plans with respect to a particular effort, which could result in the impairment of previously capitalized software development costs. Such impairment would result in a charge to income. Total software capitalized at May 31, 2013 was $167.1 million. Costs capitalized during fiscal 2013, 2012 and 2011 totaled $29.2 million, $31.3 million, and $26.3 million, respectively. Internally developed software has an amortization period of 5 to 10 years. Internally developed software assets are placed into service when they are ready for their intended use.

As of May 31, 2013, we have placed into service$92.2 million of hardware and software associated with our technology processing platform, referred to as G2;$5.7 million of which was placed in service during fiscal 2013. The vision for this platform is to serve as a front-end operating environment for merchant processing and is intended to replace a number of legacy platforms that have higher cost structures. Depreciation and amortization associated with these costs is calculated based on transactions expected to be processed over the life of the platform. We believe that this method is more representative of the platform's use than the straight-line method. We are currently processing transactions on our G2 platform in eight markets in our Asia-Pacific region and for a limited number of U.S. merchants. As these markets represent a small percentage of our overall transactions, depreciation and amortization related to our G2 platform for fiscal 2013 was not significant. Depreciation and amortization expense will increase as we complete migrations of other merchants to the G2 platform.

***Income Taxes***

The determination of our provision for income taxes requires management's judgment in the use of estimates and the interpretation and application of complex tax laws. Judgment is also required in assessing the timing and amounts of deductible and taxable items. We believe our tax return positions are fully supportable; however, we establish liabilities for material tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. Issues raised by a tax authority may be finally resolved at an amount different than the related liability. When facts and circumstances change (including a resolution of an issue or statute of limitations expiration), these liabilities are adjusted through the provision for income taxes in the period of change.

Judgment will be required to determine whether or not some portion or all of our deferred tax assets will not be realized. To the extent we determine that we will not realize the benefit of some or all of our deferred tax assets, then these deferred tax assets will be adjusted through our provision for income taxes in the period in which this determination is made. At May 31, 2013, our consolidated balance sheet includes net deferred tax assets associated with our United Kingdom business of $90.7 million. Our assessment of the recoverability of these deferred tax assets is based, in part, on our projections of future business performance and viable tax planning strategies. If future business performance fails to meet projections, we may determine that some or all of these deferred tax assets will not be realized. In the event of such a determination, we would record a valuation allowance for the amount deemed unrecoverable with a corresponding charge to the provision for income taxes.

***New Accounting Pronouncements***

From time-to-time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standards setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, our management

believes that the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

In March 2013, the FASB issued Accounting Standards Update ("ASU") 2013-05, *"Foreign Currency Matters"* ("ASU 2013-05"). The amendments in ASU 2013-05 resolve the diversity in practice about whether current literature applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment *in* a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business *within* a foreign entity. In addition, the amendments in ASU 2013-05 resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. ASU 2013-05 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013 . This standard is effective for us beginning June 1, 2014 . We are currently evaluating the impact of ASU 2013-05 on our consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11, *"Disclosures About Offsetting Assets and Liabilities"* ("ASU 2011-11"). The amendments in ASU 2011-11 require entities to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on an entity's financial position. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (i) offset in accordance with current literature or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with current literature. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. This standard will become effective for us beginning June 2013. The disclosures required by ASU 2011-11 will be applied retrospectively for all comparative periods presented.

## ITEM 7A- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Foreign Currency Risk

A significant amount of our operations are conducted in foreign currencies. Consequently, our revenues and income generated in currencies other than the United States dollar are affected by fluctuations in foreign currency exchange rates. For fiscal 2013, currency rate fluctuations decreased our revenues by $19.1 million and our diluted earnings per share by $0.04 as compared to the prior year. To calculate this we converted our fiscal 2013 actual revenues and expenses at fiscal 2012 rates.

Generally, the functional currency of our various subsidiaries is their local currency. As a result, we are exposed to currency fluctuations on transactions which are not denominated in the functional currency. Gains and losses on such transactions are included in determining net income for the period. We seek to mitigate our foreign currency risk through timely settlement of transactions and cash flow matching, when possible. For the years ended May 31, 2013, 2012 and 2011, our transaction gains and losses were insignificant.

Additionally, we are affected by currency fluctuations in our funds settlement process on merchant payment, chargeback, and card network settlement transactions which are not denominated in the currency of the underlying credit or debit card transaction. Gains and losses on these transactions are included in revenue for the period.

We are also impacted by fluctuations in exchange rates on our investment in foreign operations. Relative to our net investment in foreign operations, the assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in shareholders' equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of other comprehensive income.

### Interest Rate Risk

We are exposed to market risk related to changes in interest rates on our cash investments and debt. We invest our excess cash in securities that we believe are highly liquid and marketable in the short term. These investments earn a floating rate of interest, and are not held for trading or other speculative purposes.

We have various term loans and lines of credit that we use to fund settlement in certain of our markets and for general corporate purposes and acquisitions. Interest rates on these term loans and lines of credit are based on market rates and fluctuate accordingly. As of May 31, 2013, there was $1,150.9 million outstanding on these term loans and lines of credit.

In certain of our credit card transaction processing markets, the Member uses its own funds to fund merchant settlement and charges us cost of funds. Cost of funds are charged at prevailing market rates and fluctuate accordingly.

Our cash investments and debt are floating rate, and therefore do not carry material risk of change in fair value. Our interest rate exposure related to a change in interest rates on net income is mitigated as an increase in rates increases both interest income and interest expense, and a reduction in rates reduces both interest income and interest expense.

Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes and believe the market risk arising from cash investments and debt is not material.

A 1% increase in interest rates as of May 31, 2013 would not have had a material adverse impact on our current or future consolidated net income or cash flows.

### Derivative Financial Instruments

Historically, we have not entered into derivative financial instruments to mitigate interest rate fluctuation risk or foreign currency exchange rate risk. 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 REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of
Global Payments Inc.
Atlanta, Georgia

We have audited the internal control over financial reporting of Global Payments Inc. and subsidiaries (the "Company") as of May 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2013, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended May 31, 2013 of the Company and our report dated July 25, 2013 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule and included an explanatory paragraph regarding the Company's identification and self-reporting of unauthorized access into its processing system.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
July 25, 2013

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of
Global Payments Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Global Payments Inc. and subsidiaries (the "Company") as of May 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended May 31, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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, such consolidated financial statements present fairly, in all material respects, the financial position of Global Payments Inc. and subsidiaries as of May 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2013, 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 a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, in March 2012, the Company identified and self-reported unauthorized access into its processing system.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of May 31, 2013, based on the criteria established in *Internal Control-Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 25, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
July 25, 2013

**GLOBAL PAYMENTS INC.**
**CONSOLIDATED STATEMENTS OF INCOME**
(in thousands, except per share data)

| | Year Ended May 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Revenues | $ 2,375,923 | $2,203,847 | $ 1,859,802 |
| Operating expenses: | | | |
| Cost of service | 862,075 | 784,756 | 665,017 |
| Sales, general and administrative | 1,119,860 | 1,027,304 | 863,191 |
| Processing system intrusion | 36,775 | 84,438 | — |
| | 2,018,710 | 1,896,498 | 1,528,208 |
| Operating income | 357,213 | 307,349 | 331,594 |
| Other income (expense): | | | |
| Interest and other income | 10,353 | 9,946 | 10,774 |
| Interest and other expense | (33,282) | (16,848) | (18,161) |
| | (22,929) | (6,902) | (7,387) |
| Income from continuing operations before income taxes | 334,284 | 300,447 | 324,207 |
| Provision for income taxes | (95,571) | (82,881) | (95,076) |
| Income from continuing operations, net of tax | 238,713 | 217,566 | 229,131 |
| Loss from discontinued operations, net of tax | — | — | (975) |
| Net income | 238,713 | 217,566 | 228,156 |
| Less: Net income attributable to noncontrolling interests | (22,588) | (29,405) | (18,918) |
| Net income attributable to Global Payments | $ 216,125 | $ 188,161 | $ 209,238 |
| Amounts attributable to Global Payments: | | | |
| Income from continuing operations, net of tax | $ 216,125 | $ 188,161 | $ 210,213 |
| Loss from discontinued operations, net of tax | — | — | (975) |
| Net income attributable to Global Payments | $ 216,125 | $ 188,161 | $ 209,238 |
| Basic earnings per share attributable to Global Payments: | | | |
| Income from continuing operations | $ 2.78 | $ 2.39 | $ 2.63 |
| Loss from discontinued operations | — | — | (0.01) |
| Net income attributable to Global Payments | $ 2.78 | $ 2.39 | $ 2.62 |
| Diluted earnings per share attributable to Global Payments: | | | |
| Income from continuing operations | $ 2.76 | $ 2.37 | $ 2.61 |
| Loss from discontinued operations | — | — | (0.01) |
| Net income attributable to Global Payments | $ 2.76 | $ 2.37 | $ 2.60 |

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
(in thousands)

| | Year End May 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Net income | $ 238,713 | $ 217,566 | $ 228,156 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | 20,629 | (139,722) | 127,722 |
| Income tax benefit (expense) related to foreign currency translation adjustments | 582 | 6,879 | (5,366) |
| Changes in unrecognized pension benefit costs | 2,302 | (3,470) | 198 |
| Income tax (expense) benefit related to changes in unrecognized pension benefit costs | (785) | 1,260 | (88) |
| Other comprehensive income (loss), net of tax | 22,728 | (135,053) | 122,466 |
| Comprehensive income | 261,441 | 82,513 | 350,622 |
| Less: comprehensive income attributable to noncontrolling interests | (30,378) | (3,673) | (17,809) |
| Comprehensive income attributable to Global Payments | $ 231,063 | $ 78,840 | $ 332,813 |

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**
**CONSOLIDATED BALANCE SHEETS**
(in thousands, except share data)

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 680,470 | $ 781,275 |
| Accounts receivable, net of allowances for doubtful accounts of $509 and $532, respectively | 189,435 | 182,962 |
| Claims receivable, net of allowances for losses of $3,144 and $3,435, respectively | 1,156 | 1,029 |
| Settlement processing assets | 259,204 | 217,994 |
| Inventory | 11,057 | 9,864 |
| Deferred income taxes | 6,485 | 21,969 |
| Prepaid expenses and other current assets | 66,685 | 33,646 |
| Total current assets | 1,214,492 | 1,248,739 |
| Goodwill | 1,044,222 | 724,687 |
| Other intangible assets | 400,848 | 290,188 |
| Property and equipment, net | 348,064 | 305,848 |
| Deferred income taxes | 95,178 | 97,235 |
| Other | 22,252 | 21,446 |
| Total assets | $ 3,125,056 | $ 2,688,143 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Lines of credit | $ 187,461 | $ 215,391 |
| Current portion of long-term debt | 72,335 | 76,420 |
| Accounts payable and accrued liabilities | 262,890 | 316,313 |
| Settlement processing obligations | 162,558 | 216,878 |
| Income taxes payable | 18,870 | 12,283 |
| Total current liabilities | 704,114 | 837,285 |
| Long-term debt | 891,134 | 236,565 |
| Deferred income taxes | 170,723 | 106,644 |
| Other long-term liabilities | 72,478 | 62,306 |
| Total liabilities | 1,838,449 | 1,242,800 |
| Commitments and contingencies (See Note 15) | | |
| Redeemable noncontrolling interest | — | 144,422 |
| Equity: | | |
| Preferred stock, no par value; 5,000,000 shares authorized and none issued | — | — |
| Common stock, no par value; 200,000,000 shares authorized; 75,426,099 and 78,551,297 issued and outstanding at May 31, 2013 and 2012, respectively | — | — |
| Paid-in capital | 202,396 | 358,728 |
| Retained earnings | 958,751 | 843,456 |
| Accumulated other comprehensive loss | (15,062) | (30,000) |
| Total Global Payments shareholders' equity | 1,146,085 | 1,172,184 |
| Noncontrolling interest | 140,522 | 128,737 |
| Total equity | 1,286,607 | 1,300,921 |
| Total liabilities and equity | $ 3,125,056 | $ 2,688,143 |

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(in thousands)

| | Year Ended May 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Cash flows from operating activities: | | | |
| Net income | $ 238,713 | $ 217,566 | $ 228,156 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization of property and equipment | 55,023 | 48,403 | 40,545 |
| Amortization of acquired intangibles | 56,765 | 50,696 | 41,692 |
| Share-based compensation expense | 18,427 | 16,391 | 15,885 |
| Provision for operating losses and bad debts | 21,659 | 22,417 | 20,577 |
| Deferred income taxes | 33,112 | (19,498) | 19,154 |
| Loss on disposal of discontinued operations, non-cash | — | — | 602 |
| Other, net | (4,878) | (2,775) | (3,576) |
| Changes in operating assets and liabilities, net of the effects of acquisitions: | | | |
| Accounts receivable | (5,458) | (16,422) | (34,723) |
| Claims receivable | (11,858) | (13,519) | (14,425) |
| Settlement processing assets and obligations, net | (104,007) | (568,335) | 299,895 |
| Inventory | (1,187) | (2,394) | 1,979 |
| Prepaid expenses and other assets | (22,978) | 3,511 | 3,537 |
| Accounts payable and other accrued liabilities | (39,374) | 85,875 | 89,230 |
| Income taxes payable | 6,587 | 4,609 | 1,244 |
| Net cash provided by (used in) operating activities | 240,546 | (173,475) | 709,772 |
| Cash flows from investing activities: | | | |
| Business, intangible and other asset acquisitions, net of cash acquired | (434,016) | (44,274) | (167,968) |
| Capital expenditures | (98,590) | (109,876) | (98,537) |
| Disposition of business, net of cash | — | — | (2,577) |
| Net decrease in financing receivables | 2,812 | 2,565 | 2,062 |
| Proceeds from sale of investment | 1,227 | 1,152 | — |
| Net cash used in investing activities | (528,567) | (150,433) | (267,020) |
| Cash flows from financing activities: | | | |
| Net (payments) borrowings on short-term lines of credit | (27,930) | (55,354) | 191,558 |
| Proceeds from issuance of long-term debt | 1,135,327 | 146,374 | 205,298 |
| Principal payments under long-term debt | (482,349) | (184,235) | (280,198) |
| Acquisition of redeemable noncontrolling interest | (242,000) | — | — |
| Payment of debt issuance costs | (3,987) | — | — |
| Proceeds from stock issued under employee stock plans | 10,543 | 11,446 | 18,364 |
| Common stock repurchased - share based compensation plans | (10,244) | (4,861) | — |
| Repurchase of common stock | (175,297) | (99,604) | (14,900) |
| Tax benefit from employee share-based compensation | 1,863 | 1,441 | 9,141 |
| Distributions to noncontrolling interest | (16,206) | (27,082) | (8,752) |
| Dividends paid | (6,198) | (6,311) | (6,388) |
| Net cash provided by (used in) financing activities | 183,522 | (218,186) | 114,123 |
| Effect of exchange rate changes on cash | 3,694 | (30,916) | 27,464 |
| (Decrease) increase in cash and cash equivalents | (100,805) | (573,010) | 584,339 |
| Cash and cash equivalents, beginning of the period | 781,275 | 1,354,285 | 769,946 |
| Cash and cash equivalents, end of the period | $ 680,470 | $ 781,275 | $ 1,354,285 |

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(in thousands, except share data)

| | Number of Shares | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Global Payments Shareholders' Equity | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance at May 31, 2012 | 78,551 | $ 358,728 | $ 843,456 | $ (30,000) | $ 1,172,184 | $ 128,737 | $ 1,300,921 |
| Net income | | | 216,125 | | 216,125 | 20,774 | 236,899 |
| Changes in unrecognized pension benefit costs, net of tax of ($785) | | | | 1,517 | 1,517 | | 1,517 |
| Foreign currency translation adjustment, net of tax of $582 | | | | 13,421 | 13,421 | 7,217 | 20,638 |
| Stock issued under employee stock plans | 885 | 10,543 | | | 10,543 | | 10,543 |
| Common stock repurchased - share based compensation plans | (335) | (10,244) | | | (10,244) | | (10,244) |
| Tax benefit from employee share-based compensation, net | | 850 | | | 850 | | 850 |
| Share-based compensation expense | | 18,427 | | | 18,427 | | 18,427 |
| Distributions to noncontrolling interest | | | | | | (16,206) | (16,206) |
| Redeemable noncontrolling interest valuation adjustment | | | 817 | | 817 | | 817 |
| Repurchase of common stock | (3,675) | (79,900) | (95,449) | | (175,349) | | (175,349) |
| Purchase of redeemable noncontrolling interest | | (96,008) | | | (96,008) | | (96,008) |
| Dividends paid ($0.08 per share) | | | (6,198) | | (6,198) | | (6,198) |
| Balance at May 31, 2013 | 75,426 | $ 202,396 | $ 958,751 | $ (15,062) | $ 1,146,085 | $ 140,522 | $ 1,286,607 |

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
(in thousands, except share data)

| | Number of Shares | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Global Payments Shareholders' Equity | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance at May 31, 2011 | 80,335 | $ 419,591 | $ 685,624 | $ 79,320 | $ 1,184,535 | $ 153,282 | $ 1,337,817 |
| Net income | | | 188,161 | | 188,161 | 17,804 | 205,965 |
| Changes in unrecognized pension benefit costs, net of tax of $1,260 | | | | (2,210) | (2,210) | | (2,210) |
| Foreign currency translation adjustment, net of tax of $6,879 | | | | (107,110) | (107,110) | (22,991) | (130,101) |
| Stock issued under employee stock plans | 833 | 11,446 | | | 11,446 | | 11,446 |
| Common stock repurchased - share based compensation plans | (327) | (4,861) | | | (4,861) | | (4,861) |
| Tax benefit from employee share-based compensation, net | | 1,176 | | | 1,176 | | 1,176 |
| Share-based compensation expense | | 16,391 | | | 16,391 | | 16,391 |
| Distributions to noncontrolling interest | | | | | | (19,358) | (19,358) |
| Redeemable noncontrolling interest valuation adjustment | | | (9,429) | | (9,429) | | (9,429) |
| Repurchase of common stock | (2,290) | (85,015) | (14,589) | | (99,604) | | (99,604) |
| Dividends paid ($0.08 per share) | | | (6,311) | | (6,311) | | (6,311) |
| Balance at May 31, 2012 | 78,551 | $ 358,728 | $ 843,456 | $ (30,000) | $ 1,172,184 | $ 128,737 | $ 1,300,921 |

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(in thousands, except share data)

| | Number of Shares | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Global Payments Shareholders' Equity | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| Balance at May 31, 2010 | 79,646 | $ 390,325 | $ 515,194 | $ (44,255) | $ 861,264 | $ 10,253 | $ 871,517 |
| Net income | | | 209,238 | | 209,238 | 9,326 | 218,564 |
| Changes in unrecognized pension benefit costs, net of tax of ($88) | | | | 110 | 110 | | 110 |
| Foreign currency translation adjustment, net of tax of $(5,366) | | | | 123,465 | 123,465 | 9,717 | 133,182 |
| Stock issued under employee stock plans | 1,361 | 21,954 | | | 21,954 | | 21,954 |
| Common stock repurchased - share based compensation plans | (327) | (3,590) | | | (3,590) | | (3,590) |
| Tax benefit from employee share-based compensation | | 7,997 | | | 7,997 | | 7,997 |
| Share-based compensation expense | | 15,885 | | | 15,885 | | 15,885 |
| Noncontrolling interest in business acquisitions | | | | | | 132,738 | 132,738 |
| Distributions to noncontrolling interest | | | | | | (8,752) | (8,752) |
| Redeemable noncontrolling interest valuation adjustment | | | (32,420) | | (32,420) | | (32,420) |
| Repurchase of common stock (see Note 1) | (345) | (12,980) | | | (12,980) | | (12,980) |
| Dividends paid ($0.08 per share) | | | (6,388) | | (6,388) | | (6,388) |
| Balance at May 31, 2011 | 80,335 | $ 419,591 | $ 685,624 | $ 79,320 | $ 1,184,535 | $ 153,282 | $ 1,337,817 |

*See Notes to Consolidated Financial Statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Business, Consolidation and Presentation*— Global Payments Inc. is a high-volume processor of electronic transactions for merchants, multinational corporations, financial institutions, consumers, government agencies and other business and non-profit business enterprises to facilitate payments to purchase goods and services or further other economic goals. Our role is to serve as an intermediary in the exchange of information and funds that must occur between parties so that a transaction can be completed. We were incorporated in Georgia as Global Payments Inc. in September 2000 and we spun-off from our former parent company onJanuary 31, 2001. Including our time as part of our former parent company, we have been in the payments business since 1967. Our fiscal year ends on May 31, thus we refer to the years endedMay 31, 2013, 2012, and 2011 as fiscal years 2013, 2012, and 2011, respectively.

These consolidated financial statements include our accounts and those of our majority-owned subsidiaries and all intercompany balances and transactions have been eliminated. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and present our financial position, results of operations, and cash flows.

*Use of estimates*— The preparation of financial statements in conformity with GAAP 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 recognition*— Our two merchant services segments primarily include processing solutions for credit cards, debit cards, electronic payments and check-related services. Revenue is recognized as such services are performed. Revenue for processing services provided directly to merchants is recorded net of interchange fees charged by card issuing banks. Our primary business model provides payment products and services directly to merchants as our end customers. We also provide similar products and services to financial institutions and a limited number of independent sales organizations ("ISOs") that, in turn, resell our products and services, in which case, the financial institutions and select ISOs are our end customers. The majority of merchant services revenue is generated on services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are unrelated to the number of transactions or the transaction value. Revenue from credit cards and signature debit cards is generally based on a percentage of transaction value along with other related fees, while revenue from PIN-based debit cards is typically based on a fee per transaction.

*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. Cash and cash equivalents include reserve funds collected from our merchants that serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement (“Merchant Reserves”). We record a corresponding liability in settlement processing assets and settlement processing obligations in our consolidated balance sheet. While this cash is not restricted in its use, we believe that designating this cash to collateralize Merchant Reserves strengthens our fiduciary standing with our member sponsors and is in accordance with guidelines set by the card networks. As of May 31, 2013 and 2012, our cash and cash equivalents included $280.7 million and $328.2 million, respectively, related to Merchant Reserves.

Our cash and cash equivalents include settlement related cash balances. Settlement related cash balances represent surplus funds that we hold on behalf of our member sponsors when the incoming amount from the card networks precedes the member sponsors’ funding obligation to the merchant. Settlement related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. Please see Note 3 - Settlement processing assets and obligations and discussion below for further information.

*Inventory*— Inventory, which includes electronic point of sale terminals, automated teller machines, and related peripheral equipment, is stated at the lower of cost or fair value. Cost is determined by using the average cost method.

*Settlement processing assets and obligations*— Settlement processing assets and obligations represent intermediary balances arising in our settlement process for direct merchants. In accordance with Accounting Standards Codification ("ASC") 210-20,

*Offsetting*, we apply offsetting to our settlement processing assets and obligations where legal right of set off exists. Please see Note 3 - Settlement Processing Assets and Obligations for further information.

*Reserve for operating losses*— As a part of our merchant credit and debit card processing and check guarantee services, we experience merchant losses and check guarantee losses, which are collectively referred to as "operating losses."

Our credit card processing merchant customers are liable for any charges or losses that occur under the merchant agreement. In the event, however, that we are not able to collect such amount from the merchants, due to merchant fraud, insolvency, bankruptcy or any other merchant-related reason, we may be liable for any such losses based on our merchant agreement. We require cash deposits (Merchant Reserves), 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. We have, however, historically experienced losses due to merchant defaults.

We account for our potential liability for the full amount of the operating losses discussed above as guarantees. We estimate the fair value of these guarantees by adding a fair value margin to our estimate of losses. This estimate of losses is comprised of estimated known losses and estimated incurred but not reported losses. Estimated known losses arise from specific instances of, for example, merchant bankruptcies, closures or fraud of which we are aware at the balance sheet date, but for which the ultimate amount of associated loss will not be determined until after the balance sheet date. Estimated known loss accruals are recorded when it is probable that we have incurred a loss and the loss is reasonably estimable. Estimated known losses are calculated at the merchant level based on chargebacks received to date, processed volume, and historical chargeback ratios. The estimate is reduced for any collateral that we hold. Accruals for estimated known losses are evaluated periodically and adjusted as appropriate based on actual loss experience. Incurred but not reported losses result from transactions that we process before the balance sheet date for which we have not yet received chargeback notification. We estimate incurred but not reported losses by applying historical loss ratios to our direct merchant credit card and signature debit card sales volumes processed, or processed volume. Historically, this estimation process has been materially accurate.

As of May 31, 2013 and 2012, $2.3 million has been recorded to reflect the fair value of guarantees associated with merchant card processing. These amounts are included in settlement processing obligations in the accompanying consolidated balance sheets. The expense associated with the fair value of the guarantees of customer chargebacks is included in cost of service in the accompanying consolidated statements of income. For the years ended May 31, 2013, 2012 and 2011, we recorded such expenses in the amounts of $9.5 million, $8.8 million and $6.0 million, respectively.

In our check guarantee service offering, 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 in accordance with the merchant's agreement with us. The fair value of the check guarantee approximates cost and is equal to the fee charged for the guarantee service, and we defer this fee revenue until the guarantee is satisfied. 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. Our check guarantee loss reserve is comprised of estimated losses on returned checks and estimated incurred but not reported losses. We estimate the loss on returned checks by applying historical collection rates to our claims receivable balance. We estimate incurred but not reported losses by applying historical loss ratios to the face value of our guaranteed checks. As of May 31, 2013 and 2012, we have a check guarantee loss reserve of $3.1 million and $3.4 million, respectively, which is included in net claims receivable in the accompanying consolidated balance sheets. For the years endedMay 31, 2013, 2012 and 2011, we recorded expenses of $11.7 million, $13.4 million and $14.2 million, respectively, which are included in cost of service in the accompanying consolidated statements of income. 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 receivable valuation allowance.

As the potential for merchants' failure to settle individual reversed charges from consumers in our merchant credit card processing offering and the timing of individual checks clearing the checkwriters' banks in our check guarantee offering are not predictable, it is not practicable to calculate the maximum amounts for which we could be liable under the guarantees issued under the merchant card processing and check guarantee service offerings. It is not practicable to estimate the extent to which merchant collateral or subsequent collections of dishonored checks, respectively, would offset these exposures due to these same uncertainties.

*Property and equipment*— Property and equipment are stated at amortized cost. Depreciation and amortization are calculated using the straight-line method, except for certain technology assets discussed below. Leasehold improvements are amortized over

the lesser of the remaining term of the lease or the useful life of the asset. Maintenance and repairs are charged to operations as incurred.

We develop software that is used in providing processing services to customers. Capitalization of internally developed software, primarily associated with operating platforms, occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The preliminary project stage consists of the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology and the final selection of alternatives. Costs incurred prior to the completion of the preliminary project stage are expensed as incurred.

As of May 31, 2013, we have placed into service $92.2 million of hardware and software associated with our technology processing platform, referred to as G2; $5.7 million of which was placed in service during fiscal 2013. G2 serves as a front-end operating environment for merchant processing, and is intended to replace a number of legacy platforms. Depreciation and amortization associated with these costs is calculated based on transactions expected to be processed over the life of the platform. We believe that this method is more representative of the platform's use than the straight-line method. We are currently processing transactions on our G2 platform in eight markets in our Asia-Pacific region and for a limited number of U.S. merchants. As these markets represent a small percentage of our overall transactions, depreciation and amortization related to our G2 platform for fiscal 2013, 2012 and 2011 was not significant. Depreciation and amortization expense will increase as we complete migrations of other merchants to the G2 platform.

*Goodwill and other intangible assets*— We completed our most recent annual goodwill impairment test as of January 1, 2013 and determined that the fair value of each of our reporting units was substantially in excess of the carrying value. No events or changes in circumstances have occurred since the date of our most recent annual impairment test that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Goodwill is tested for impairment at the reporting unit level, and the impairment test consists of two steps. In the first step the reporting unit’s carrying amount, including goodwill, is compared to its fair value. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired and step two must be performed. Step two measures the impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of fair value over the amounts allocated to the assets and liabilities of the reporting unit is the implied fair value of goodwill. The excess of the carrying amount over the implied fair value is the impairment loss.

We have six reporting units: North America Merchant Services, U.K. Merchant Services, Asia-Pacific Merchant Services, Central and Eastern Europe Merchant Services, Russia Merchant Services and Spain Merchant Services. We estimate the fair value of our reporting units using a combination of the income approach and the market approach. The income approach utilizes a discounted cash flow model incorporating management’s expectations for future revenue, operating expenses, EBITDA, capital expenditures and an anticipated tax rate. We discount the related cash flow forecasts using our estimated weighted-average cost of capital for each reporting unit at the date of valuation. The market approach utilizes comparative market multiples in the valuation estimate. Multiples are derived by relating the value of guideline companies, based on either the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings and cash flow. Such multiples are then applied to the historical and projected earnings and cash flow of the reporting unit in developing the valuation estimate.

Preparation of forecasts and the selection of the discount rates involve significant judgments about expected future business performance and general market conditions. Significant changes in our forecasts and the discount rates selected or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Other intangible assets primarily represent customer-related intangible assets (such as customer lists and merchant contracts), contract-based intangible assets (such as non-compete agreements, referral agreements and processing rights), and trademarks associated with acquisitions. Customer-related intangible assets, contract-based intangible assets and certain trademarks are amortized over their estimated useful lives of from 5 to 30 years. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the

assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks are based on our plans to phase out the trademarks in the applicable markets.

Amortization for most of our customer-related intangible assets is calculated using an accelerated method. In determining amortization expense under our accelerated method for any given period, we calculate the expected cash flows for that period that were used in determining the acquired value of the asset and divide that amount by the expected total cash flows over the estimated life of the asset. We multiply that percentage by the initial carrying value of the asset to arrive at the amortization expense for that period. If the cash flow patterns that we experience differ significantly from our initial estimates, we will adjust the amortization schedule accordingly. These cash flow patterns are derived using certain assumptions and cost allocations due to a significant amount of asset interdependencies that exist in our business.

*Impairment of long-lived assets*— We regularly evaluate whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-lived intangible assets may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the potential impairment 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. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market prices or discounted cash flow analyses as applicable. We regularly evaluate whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision. In our opinion, the carrying values of our long-lived assets, including property and equipment and finite-life intangible assets, were not impaired at May 31, 2013 and 2012.

*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. 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.

At May 31, 2013 and 2012, our consolidated balance sheet includes net deferred tax assets associated with our United Kingdom business of $90.7 million and $92.8 million, respectively.

Our effective tax rates were 28.6%, 27.6%, 29.3% for the years ended May 31, 2013, 2012 and 2011, respectively. The effective tax rates for the years ended May 31, 2013 and 2012 reflect adjustments to our U.K. deferred tax asset due to legislated enacted corporate tax rate reductions in the United Kingdom of 2%. Please see Note 9– Income Tax for further information.

*Fair value of financial instruments*— We consider that the carrying amounts of our financial instruments, including cash and cash equivalents, receivables, lines of credit, accounts payable and accrued liabilities, approximate their fair value given the short-term nature of these items. Our term loans include variable interest rates based on the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. At May 31, 2013, the carrying amount of our term loans approximates fair value, which is calculated using Level 2 inputs. Our subsidiary in the Russian Federation has notes payable with a fixed interest rate of 8.5% and maturity dates ranging from June 2013 through November 2016. At May 31, 2013, we believe the carrying amount of these notes approximates fair value, which is calculated using Level 3 inputs. Please see Note 7 – Long-Term Debt and Credit Facilities for further information.

*Financing receivables*— Our subsidiary in the Russian Federation purchases Automated Teller Machines ("ATMs") and leases those ATMs to our sponsor bank. We have determined these arrangements to be direct financing leases. Accordingly, we have $6.3 million and $9.1 million of financing receivables included in our May 31, 2013 and 2012 consolidated balance sheets, respectively.

There is an inherent risk that our customer may not pay the contractual balances due. We periodically review the financing receivables for credit losses and past due balances to determine whether an allowance should be recorded. Historically we have not had any credit losses or past due balances associated with these receivables, and therefore we do not have an allowance recorded. We have had no financing receivables modified as troubled debt restructurings nor have we had any purchases or sales of financing receivables.

*Fair value measurements*— GAAP requires disclosures about assets and liabilities that are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The reporting standard establishes consistency and comparability by providing a fair value hierarchy that prioritizes the inputs to valuation techniques into three broad levels. Level 1 inputs utilize quoted prices in active markets for

identical assets or liabilities. Level 2 inputs are based on other observable market data, such as quoted prices for similar assets and liabilities, and inputs other than quoted prices that are observable such as interest rates and yield curves. Level 3 inputs are developed from unobservable data reflecting our assumptions, and include situations where there is little or no market activity for the asset or liability.

*Foreign currencies*— We have significant operations in a number of foreign subsidiaries 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. For the years ended May 31, 2013 and 2012, our transaction gains and losses were insignificant.

The assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated at the period-end rate of exchange. Income statement items are translated at the weighted average rates prevailing during the period. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of other comprehensive income.

*Retirement Benefits*- We have a noncontributory defined benefit pension plan covering certain of our United States employees who met the eligibility provisions at the time the plan was closed on June 1, 1998. Benefits are based on years of service and the employee's compensation during the highest five consecutive years of earnings out 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 ("ERISA"). Effective May 31, 2004, we modified the pension plan to cease benefit accruals for increases in compensation levels.

We also have a noncontributory defined benefit supplemental executive retirement plan ("SERP") coveringone participant, whose employment ceased in fiscal 2002. This plan was initially formed by our former parent company and was transferred to us in the spin-off transaction that occurred on January 31, 2001. Benefits are based on years of service and the employee's compensation during the highest three consecutive years of earnings out of the lastten years of service. The SERP is a nonqualified, unfunded deferred compensation plan under ERISA.

The measurement date for the pension plans isMay 31, which coincides with the plans' fiscal year. Our plan expenses for fiscal 2013, 2012 and 2011 were actuarially determined. Due to the limited participation by employees in these plans and the related subsequent modifications, the total benefit obligation and funded status of the plans is not material and we have not provided full disclosure of such amounts.

*Earnings per share*— Basic earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period. Earnings available to common shareholders are the same as reported net income attributable to Global Payments for all periods presented.

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period and the impact of securities that 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 are assumed to have a dilutive effect on earnings per share. The diluted share base for the years ended May 31, 2013, 2012 and 2011 excludes shares of0.3 million, 0.2 million and 0.7 million respectively, related to stock options. These shares were not considered in computing diluted earnings per share because including them would have had an antidilutive effect. No additional securities were outstanding that could potentially dilute basic earnings per share.

The following table sets forth the computation of diluted weighted average shares outstanding for the years endedMay 31, 2013, 2012 and 2011:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Basic weighted average shares outstanding | 77,767 | 78,829 | 79,837 |
| Plus: dilutive effect of stock options and other share-based awards | 460 | 602 | 641 |
| Diluted weighted average shares outstanding | 78,227 | 79,431 | 80,478 |

*Repurchased shares* - We account for the retirement of repurchased shares using the par value method. Effective June 1, 2011, we elected to change our method of accounting under the par value method. We previously accounted for the retirement of repurchased shares by charging the entire cost to paid-in capital. Our new method of accounting allocates the cost of repurchased and retired shares between paid-in capital and retained earnings by comparing the price of shares repurchased to the original issue proceeds of those shares. When the repurchase price of the shares repurchased is greater than the original issue proceeds, the excess is charged to retained earnings. We use a last-in, first-out cost flow assumption to identify the original issue proceeds to the cost of the shares repurchased. We believe that this allocation method is preferable because it more accurately reflects our paid-in capital balances by allocating the cost of the shares repurchased and retired to paid-in capital in proportion to paid-in capital associated with the original issuance of said shares.

*New accounting pronouncements*— From time-to-time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standards setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, our management believes that the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

In March 2013, the FASB issued Accounting Standards Update ("ASU") 2013-05, *"Foreign Currency Matters"* ("ASU 2013-05"). The amendments in ASU 2013-05 resolve the diversity in practice about whether current literature applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, the amendments in ASU 2013-05 resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity. ASU 2013-05 is effective prospectively for fiscal years, and interim reporting periods within those years, beginning after December 15, 2013. This standard is effective for us beginning June 1, 2014. We are currently evaluating the impact of ASU 2013-05 on our consolidated financial statements.

In December 2011, the FASB issued ASU 2011-11, *"Disclosures About Offsetting Assets and Liabilities"* ("ASU 2011-11"). The amendments in ASU 2011-11 require entities to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on an entity's financial position. The amendments require enhanced disclosures by requiring improved information about financial instruments and derivative instruments that are either (i) offset in accordance with current literature or (ii) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with current literature. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. This standard will become effective for us beginning June 1, 2013. The adoption of ASU 2011-11 will affect our disclosures of settlement processing assets and obligations. The disclosures required by ASU 2011-11 will be applied retrospectively for all comparative periods presented.

**NOTE 2—PROCESSING SYSTEM INTRUSION**

In early March of 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. Our investigation also revealed potential unauthorized access to servers containing personal information collected from merchants who applied for processing services. The merchants who could potentially be affected are limited to those based in the U.S. We cannot verify those potentially affected as it is unclear whether any information was exported; however, we notified potentially-affected individuals and made available credit monitoring and identity protection insurance at no cost to the individuals.

As a result of this event, certain card networks removed us from their list of Payment Card Industry Data Security Standards ("PCI DSS") compliant service providers. Our work to remediate our systems and processes is complete. We hired a Qualified Security Assessor, or QSA, to conduct an independent review of the PCI DSS compliance of our systems. Global Payments Direct, Inc. our primary operating entity, has been returned to the list of PCI DSS compliant service providers and we have received reports on compliance covering all of our systems that process, store, transmit or otherwise utilize card data. To date, we have not experienced a material loss of revenue that we can confirm has been related to this event. However, this event and our related remediation efforts could potentially have a negative impact on future revenues.

During 2013, we recorded $36.8 million of expense associated with this incident, bringing the life-to-date total expense to $121.2 million. Of this life-to-date expense, $105.5 million represents costs incurred through May 31, 2013 for professional fees and other costs associated with the investigation and remediation, incentive payments to certain business partners and costs associated with credit monitoring and identity protection insurance. An additional $35.7 million represents total fraud losses, fines and other

charges that have been imposed upon us by the card networks. We have also received $20.0 million ($2.0 million in fiscal 2012 and $18.0 million in fiscal 2013) of insurance recoveries, which are netted with related expenses, as discussed below. During fiscal 2013, we reduced our accrual for fraud losses, fines and other charges by $31.8 million. We based our initial estimate of fraud losses, fines and other charges on our understanding of the rules and operating regulations published by the networks and preliminary communications with the networks. We have now reached resolution with and made payments to the networks, resulting in charges that were less than our initial estimates. The primary difference between our initial estimates and the final charges relates to lower fraud related costs attributed to this event than previously expected. The following table reflects the activity in our accrual for fraud losses, fines and other charges for the twelve months ended May 31, 2013 (in thousands):

| | | |
|---|---|---|
| Balance at May 31, 2012 | $ | 67,436 |
| Adjustments | | (31,781) |
| Subtotal | | 35,655 |
| Payments | | (35,655) |
| Balance at May 31, 2013 | $ | — |

We were insured under policies that provided coverage of certain costs associated with this event. The policies provided a total of $30.0 million in policy limits and contained various sub-limits of liability and other terms, conditions and limitations, including a $1.0 million deductible per claim. As of fiscal year 2013, we received assessments from certain networks and submitted additional claims to the insurers and recorded $20.0 million in additional insurance recoveries based on our negotiations with our insurers. We will record receivables for any additional recoveries in the periods in which we determine such recovery is probable and the amount can be reasonably estimated.

A class action arising out of the processing system intrusion was filed against us on April 4, 2012 by Natalie Willingham (individually and on behalf of a putative nationwide class) (the "Plaintiff"). Specifically, Ms. Willingham alleged that we failed to maintain reasonable and adequate procedures to protect her personally identifiable information (“PII”) which she claims resulted in two fraudulent charges on her credit card in March 2012. Further, Ms. Willingham asserted that we failed to timely notify the public of the data breach. Based on these allegations, Ms. Willingham asserted claims for negligence, violation of the Federal Stored Communications Act, willful violation of the Fair Credit Reporting Act, negligent violation of the Fair Credit Reporting Act, violation of Georgia's Unfair and Deceptive Trade Practices Act, negligence per se, breach of third-party beneficiary contract, and breach of implied contract. Ms. Willingham sought an unspecified amount of damages and injunctive relief. The lawsuit was filed in the United States District Court for the Northern District of Georgia. On May 14, 2012, we filed a motion to dismiss. On July 11, 2012, Plaintiff filed a motion for leave to amend her complaint, and on July 16, 2012, the Court granted that motion. She then filed an amended complaint on July 16, 2012. The amended complaint did not add any new causes of action. Instead, it added two new named Plaintiffs (Nadine and Robert Hielscher) (together with Plaintiff, the "Plaintiffs") and dropped Plaintiff's claim for negligence per se. On August 16, 2012, we filed a motion to dismiss the Plaintiffs' amended complaint. The Plaintiffs filed their response in opposition to our motion to dismiss on October 5, 2012, and we subsequently filed our reply brief on October 22, 2012. The magistrate judge issued a report and recommendation recommending dismissal of all of Plaintiffs' claims with prejudice. The Plaintiffs subsequently agreed to voluntarily dismiss the lawsuit with prejudice, with each party bearing its own fees and costs. This was the only consideration exchanged by the parties in connection with Plaintiffs' voluntary dismissal with prejudice of the lawsuit. The lawsuit was dismissed with prejudice on March 6, 2013.

**NOTE 3—SETTLEMENT PROCESSING ASSETS AND OBLIGATIONS**

We are designated as a Merchant Service Provider by MasterCard and an Independent Sales Organization by Visa. These designations are dependent upon member clearing banks (“Member”) sponsoring us and our adherence to the standards of the networks. We have primary financial institution sponsors in the various markets where we facilitate payment transactions with whom we have sponsorship or depository and clearing agreements. These agreements allow us to route transactions under the member banks' control and identification numbers to clear credit card transactions through MasterCard and Visa. In certain markets, we are members in various payment networks, allowing us to process and fund transactions without third-party sponsorship.

Funds settlement refers to the process of transferring funds for sales and credits between card issuers and merchants. For transactions processed on our systems, we use our internal network telecommunication infrastructure to provide funding instructions to the Members who in turn fund the merchants. The standards of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant

is funded. However, in practice and in accordance with the terms of our sponsorship agreements with our Members, we generally follow a net settlement process whereby, if the incoming amount from the card networks precedes the Member's funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member in our account at the Member bank and record a corresponding liability. Conversely, if the Member's funding obligation to the merchant precedes the incoming amount from the card networks, the amount of the Member's net receivable position is either subsequently advanced to the Member by us or the Member satisfies this obligation with its own funds. If the Member uses its own funds, the Member may assess funding cost, which is included in interest and other expense on the accompanying consolidated statements of income. Each participant in the transaction process receives compensation for its services.

Timing differences, interchange expense, Merchant Reserves and exception items cause differences between the amount the Member receives from the card networks and the amount funded to the merchants. These intermediary balances arising in our settlement process for direct merchants are reflected as settlement processing assets and obligations on our statement of financial position. Settlement processing assets and obligations consist of the components outlined below:

- Interchange reimbursement - our receivable from merchants for the portion of the discount fee related to reimbursement of the interchange expense.
- Receivable from Members - our receivable from the Members for transactions we have funded merchants on behalf of the Members in advance of receipt of card association funding.
- Receivable from networks - our receivable from the card networks for transactions processed on behalf of merchants where we are a Member of that particular network.
- Exception items - items such as customer chargeback amounts received from merchants.
- Merchant Reserves - reserves held to minimize contingent liabilities associated with losses that may occur under the merchant agreement.
- Liability to Members - our liability to the Members for transactions for which we have received funding from the Members but have not funded merchants on behalf of the Members. Also cases in which the Member uses its own funds to satisfy a funding obligation to merchants that precedes the incoming amount from the card network.
- Liability to merchants - our liability to merchants for transactions that have been processed but not yet funded where we are a Member of that particular network.
- Reserve for operating losses - see Note 1 -*Summary of Significant Accounting Policies*.
- Reserve for sales allowances.

In accordance with ASC 210-20, *Offsetting, w*e apply offsetting to our settlement processing assets and obligations where legal right of setoff exists. We apply this offsetting by Member because the Member is ultimately responsible for funds settlement. With these Member transactions, we do not have access to the gross proceeds of the receivable and do not have a direct obligation or any ability to satisfy the payable that funds the merchant. In these situations, we apply offsetting to determine a net position with each member sponsor. If that net position is an asset, we reflect the net amount in settlement processing assets on our balance sheet and we present the individual components in the settlement processing assets table below. If that net position is a liability, we reflect the net amount in settlement processing obligations on our consolidated balance sheet and we present the individual components in the settlement processing obligations table below. In markets where we have direct membership, offsetting is not applied, and the individual components are presented as an asset or obligation based on the nature of that component.

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| **Settlement processing assets:** | | |
| Interchange reimbursement | $ 70,348 | $ 28,699 |
| Receivable from Members | 117,404 | 77,073 |
| Receivable from networks | 126,136 | 118,942 |
| Exception items | 2,725 | 1,345 |
| Merchant Reserves | (57,409) | (8,065) |
| **Total** | **$ 259,204** | **$ 217,994** |
| | | |
| **Settlement processing obligations:** | | |
| Interchange reimbursement | $ 200,319 | $ 223,008 |
| (Liability to) receivable from Members | (27,717) | 589 |
| Liability to merchants | (120,875) | (128,663) |
| Exception items | 12,308 | 11,554 |
| Merchant Reserves | (223,314) | (320,168) |
| Reserve for operating losses | (2,318) | (2,325) |
| Reserves for sales allowances | (961) | (873) |
| **Total** | **$ (162,558)** | **$ (216,878)** |

**NOTE 4—BUSINESS AND INTANGIBLE ASSET ACQUISITIONS**

In the years ended May 31, 2013, 2012, and 2011, we acquired the following businesses and intangible assets:

| | Date Acquired | Percentage Ownership |
|---|---|---|
| **Fiscal 2013** | | |
| Accelerated Payment Technologies | October 1, 2012 | 100% |
| Banca Civica | December 12, 2012 | 100% |
| | | |
| **Fiscal 2012** | | |
| Alfa-Bank | December 5, 2011 | 100% |
| HSBC Malta | December 30, 2011 | 100% |
| CyberSource Portfolio | January 31, 2012 | 100% |
| | | |
| **Fiscal 2011** | | |
| Comercia Global Payments Entidad de Pago, S.L. | December 20, 2010 | 51% |
| Various contract-based and customer related intangible assets | Various | 100% |

The business 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 of each acquisition are included in our consolidated statements of income from the dates of each acquisition.

***Fiscal 2013***

*Accelerated Payment Technologies*

On October 1, 2012, we completed the acquisition of 100% of the common stock of Accelerated Payment Technologies ("APT") for $413.0 million less working capital. We funded the acquisition using proceeds from a term loan. We acquired APT, a provider of fully-integrated payment technology solutions for small and medium sized merchants, to expand our direct distribution capabilities in the United States. This acquisition has been recorded as a business combination, and the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price of APT was determined by analyzing the historical and prospective financial statements. Acquisition costs associated with this purchase were not material.

The following table summarizes the purchase price allocation (in thousands):

| | | |
|---|---|---|
| Goodwill | $ | 308,518 |
| Customer-related intangible assets | | 97,200 |
| Contract-based intangible assets | | 30,600 |
| Acquired technology | | 15,000 |
| Fixed assets | | 1,309 |
| Other assets | | 3,708 |
| Total assets acquired | | 456,335 |
| Deferred income taxes | | (46,167) |
| Net assets acquired | $ | 410,168 |

The goodwill associated with the acquisition is not deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 12 years. The contract-based intangible assets have amortization periods of 1.5 to 10 years. The acquired technology has an amortization period of 8 years.

Prior to the acquisition, we processed transactions for the majority of APT's merchants via an ISO relationship. As a result, our revenue will not materially change with this acquisition and the amount of incremental revenue and earnings of APT since the acquisition date included in the consolidated statement of income for fiscal 2013 is not material. With the acquisition, we will no longer pay a monthly residual to APT. The following pro forma information shows the results of our operations for fiscal year ended May 31, 2013 and May 31, 2012 as if the APT acquisition had occurred June 1, 2011. The pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of that date. The pro forma information is also not intended to be a projection of future results due to the integration of the acquired business.

| | Year Ended May 31, Unaudited | | | |
|---|---|---|---|---|
| | 2013 (Actual) | 2013 (Pro forma) | 2012 (Actual) | 2012 (Pro forma) |
| | (in thousands, except per share data) | | | |
| Total revenues | $ 2,375,923 | $ 2,380,098 | $ 2,203,847 | $ 2,212,066 |
| Net income attributable to Global Payments | $ 216,125 | $ 217,122 | $ 188,161 | $ 183,387 |
| | | | | |
| Net income per share attributable to Global Payments, basic | $ 2.78 | $ 2.79 | $ 2.39 | $ 2.33 |
| Net income per share attributable to Global Payments, diluted | $ 2.76 | $ 2.78 | $ 2.37 | $ 2.31 |

*Redeemable Noncontrolling Interest Acquisition*

On July 26, 2012, we entered into an agreement to purchase HSBC Asia's ("HSBC") 44% interest in Global Payments Asia-Pacific Limited ("GPAP") for fair value of $242.0 million. Effective December 1, 2012, we completed the purchase. We used a combination of excess cash and existing borrowings to complete the transaction.

The purchase was treated as an equity transaction and reflected as a financing cash outflow in our statement of cash flows. Accordingly, no additional value was ascribed to the assets of GPAP. The difference between the maximum redemption amount of the redeemable noncontrolling interest at July 26, 2012 and our purchase price was recorded as a reduction of paid-in capital of $96.0 million. In accordance with Accounting Standards Codification 480, *Distinguishing Liabilities from Equity* ("ASC 480"), from the agreement date through the close of the transaction, we accounted for our commitment to purchase the remaining 44% of GPAP as a freestanding forward contract. Accordingly as of July 26, 2012, we stopped attributing income to redeemable noncontrolling interest and any subsequent distributions to holders of the redeemable noncontrolling interest are characterized as interest expense. HSBC is entitled to dividends through the closing of the transaction pursuant to the GPAP shareholders agreement and the purchase agreement. During fiscal 2013, we declared a dividend for fiscal year 2012 of which $8.4 million was paid to HSBC. Such dividend is reflected as interest expense in our consolidated statements of income in the accordance with the provisions of ASC 480. During fiscal year 2014, we expect to declare an additional dividend related to GPAP operations through the closing date. We expect HSBC's share of such dividend to be reflected in interest expense in our fiscal year 2014 consolidated statements of income.

*Banca Civica*

On December 12, 2012, Comercia Global Payments Entidad de Pago, S.L. ("Comercia") completed the acquisition of the merchant acquiring business of Banca Civica, S.A. ("Civica") from CaixaBank, S.A. ("CaixaBank") for €17.5 million ($22.9 million equivalent as of the acquisition date). This transaction has been recorded as a business combination, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price of Civica was determined by analyzing the historical and prospective financial statements. The results of operations of this business were not significant to our consolidated results of operations and accordingly, we have not provided pro forma information relating to this acquisition. Acquisition costs associated with this purchase were not material.

The following table summarizes the purchase price allocation (in thousands):

| | | |
|---|---|---|
| Goodwill | $ | 4,445 |
| Customer-related intangible assets | | 4,576 |
| Contract-based intangible assets | | 13,858 |
| Net assets acquired | $ | 22,879 |

The goodwill associated with the acquisition is not deductible for tax purposes. The customer-related and contract-based intangible assets have estimated amortization periods of 10 and 18 years, respectively.

***Fiscal 2012***

*Alfa-Bank*

On December 5, 2011, we acquired the merchant acquiring business of Alfa-Bank ("Alfa"), the largest privately owned bank in Russia, for $14.1 million in cash. This acquisition has been recorded as a business combination, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. The purchase price of Alfa was determined by analyzing the historical and prospective financial statements. The results of operations of this business were not significant to our consolidated results of operations and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

| | | |
|---|---|---|
| Goodwill | $ | 3,021 |
| Customer-related intangible assets | | 7,004 |
| Fixed assets | | 1,137 |
| Other assets | | 2,888 |
| Net assets acquired | $ | 14,050 |

The customer-related intangible assets have estimated amortization periods of 10 years.

*HSBC Malta*

On December 30, 2011, we acquired a merchant acquiring business in Malta from HSBC Malta for $14.5 million in cash. This acquisition has been recorded as a business combination, and the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values. In conjunction with the acquisition, HSBC Malta agreed to a 10 year marketing alliance agreement in which HSBC Malta will refer customers to us for payment processing services in Malta and provide sponsorship into the card networks. The purchase price of our merchant acquiring business in Malta was determined by analyzing the historical and prospective financial statements. The results of operations of this business were not significant to our consolidated results of operations and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

| | | |
|---|---|---|
| Goodwill | $ | 6,341 |
| Customer-related intangible assets | | 4,543 |
| Contract-based intangible assets | | 2,796 |
| Fixed assets | | 798 |
| Net assets acquired | $ | 14,478 |

The goodwill associated with the acquisition is not deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 16 years. The contract-based intangible assets have estimated amortization periods of 10 years.

*CyberSource Portfolio*

On January 31, 2012, we acquired the U.S. merchant portfolio of CyberSource from Visa for $14.9 million. The merchant portfolio has been classified as customer-related intangible assets with estimated amortization periods of 10 years.

***Fiscal 2011***

*Comercia Global Payments Entidad de Pago, S.L.*

On December 20, 2010, we acquired a 51% controlling financial interest in Comercia, a newly formed company into which CaixaBank contributed its merchant acquiring business in Spain. CaixaBank owns the remaining 49% of Comercia. We formed Comercia with CaixaBank, one of the largest retail banks in Spain, to provide merchant acquiring services to merchants in Spain. We purchased our share of Comercia for €125 million. The shareholders contributed a total of €6.4 million as initial capital to form Comercia. Our total investment in Comercia, including our 51% share of the initial capital was €128.3 million ($173.5 million as of the closing date). We manage the day-to-day operations of the corporation, control all major decisions and, accordingly, consolidate the corporation's financial results for accounting purposes effective with the closing date. In conjunction with the acquisition, CaixaBank agreed to a twenty year marketing alliance agreement in which CaixaBank will refer customers to Comercia for payment processing services in Spain and provide sponsorship into the card networks. We funded the purchase with a combination of existing cash resources in Europe and borrowings on our Corporate Credit Facility. During fiscal 2011, we expensed acquisition costs of $1.0 million associated with this transaction. These costs were recorded in selling, general and administrative expenses in the accompanying consolidated statements of income. The results of operations of Comercia from the date of acquisition through the end of fiscal 2011 were not significant to our fiscal 2011 consolidated results of operations.

The purchase price of Comercia was determined by analyzing the historical and prospective financial statements. The results of operations of this business were not significant to our consolidated results of operations and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

| | |
|---|---|
| Goodwill | $ 147,535 |
| Customer-related intangible assets | 96,100 |
| Contract-based intangible assets | 54,141 |
| Working capital, net | 8,476 |
| Total assets acquired | 306,252 |
| Non-controlling interest | (132,738) |
| Net assets acquired | $ 173,514 |

The goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 10 years. The contract-based intangible assets have estimated amortization periods of 20 years.

*Other*

During fiscal year 2011, we acquired contract-based and customer related intangible assets in our United States merchant services channel for $3.5 million. These intangible assets are being amortized on a straight-line basis over their estimated useful lives of 5 to 7 years.

**NOTE 5—PROPERTY AND EQUIPMENT**

As of May 31, 2013 and 2012, property and equipment consisted of the following:

| | Range of Useful Lives in Years | 2013 | 2012 |
|---|---|---|---|
| | | (in thousands) | |
| Land | N/A | $ 1,983 | $ 1,892 |
| Buildings | 25-30 | 35,216 | 33,753 |
| Equipment | 2-5 | 181,316 | 185,742 |
| Software | 5-10 | 167,084 | 162,065 |
| Leasehold improvements | 5-15 | 12,278 | 11,965 |
| Furniture and fixtures | 5-7 | 5,796 | 5,307 |
| Work in progress | N/A | 101,339 | 67,035 |
| | | 505,012 | 467,759 |
| Less accumulated depreciation and amortization of property and equipment | | 156,948 | 161,911 |
| | | $ 348,064 | $ 305,848 |

Depreciation and amortization expense of property and equipment was $55.0 million, $48.4 million, and $40.5 million for fiscal 2013, 2012 and 2011, respectively.

**NOTE 6—GOODWILL AND INTANGIBLE ASSETS**

As of May 31, 2013 and 2012, goodwill and intangible assets consisted of the following:

| | 2013 | 2012 |
|---|---|---|
| | (in thousands) | |
| Goodwill | $ 1,044,222 | $ 724,687 |
| Other intangible assets: | | |
| Customer-related intangible assets | $ 559,884 | $ 451,095 |
| Trademarks | 6,390 | 7,996 |
| Acquired technology | 15,000 | — |
| Contract-based intangible assets | 110,234 | 66,393 |
| | 691,508 | 525,484 |
| Less accumulated amortization: | | |
| Customer-related intangible assets | 262,649 | 214,285 |
| Trademarks | 3,967 | 4,868 |
| Acquired technology | 1,248 | — |
| Contract-based intangible assets | 22,796 | 16,143 |
| | 290,660 | 235,296 |
| | $ 400,848 | $ 290,188 |

The following table discloses the changes in the carrying amount of goodwill for the years ended May 31, 2013 and 2012:

| | North America merchant services | International merchant services | Total |
|---|---|---|---|
| | | (in thousands) | |
| Balance at May 31, 2011: | $ 217,422 | $ 562,215 | $ 779,637 |
| Accumulated impairment losses | — | — | — |
| | 217,422 | 562,215 | 779,637 |
| Goodwill acquired | — | 9,362 | 9,362 |
| Effect of foreign currency translation | (6,320) | (57,992) | (64,312) |
| Balance at May 31, 2012 | 211,102 | 513,585 | 724,687 |
| Accumulated impairment losses | — | — | — |
| Balance at May 31, 2012 | 211,102 | 513,585 | 724,687 |
| Goodwill acquired | 308,518 | 4,445 | 312,963 |
| Effect of foreign currency translation | (445) | 7,017 | 6,572 |
| Balance at May 31, 2013 | 519,175 | 525,047 | 1,044,222 |
| Accumulated impairment losses | — | — | — |
| Balance at May 31, 2013 | $ 519,175 | $ 525,047 | $ 1,044,222 |

Customer-related intangible assets, contract-based intangible assets and acquired technology acquired during the year ended May 31, 2013 have weighted average amortization periods of 11.9 years, 12.3 years and 8.0 years, respectively. Customer-related intangible assets and contract-based intangible assets acquired during the year ended May 31, 2012 have weighted average amortization periods of 13.5 years and 10.0 years, respectively. Amortization expense of acquired intangibles was $56.8 million, $50.7 million, and $41.7 million for fiscal 2013, 2012 and 2011, respectively.

The estimated amortization expense of acquired intangibles as of May 31, 2013 for the next five fiscal years, calculated using the exchange rate at the date of acquisition, is as follows (in thousands):

| | |
|---|---|
| 2014 | $ 58,455 |
| 2015 | 52,558 |
| 2016 | 47,469 |
| 2017 | 43,303 |
| 2018 | 38,978 |

**NOTE 7—LONG-TERM DEBT AND CREDIT FACILITIES**

Outstanding debt consisted of the following:

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| Lines of credit: | (in thousands) | |
| Corporate Credit Facility - long-term | $ 309,955 | $ 229,500 |
| Short-term lines of credit: | | |
| United Kingdom Credit Facility | 74,146 | 85,102 |
| Hong Kong Credit Facility | 38,134 | 54,564 |
| Spain Credit Facility | 28,041 | 17,241 |
| Malaysia Credit Facility | 14,025 | 12,844 |
| Taiwan Credit Facility | 8,359 | — |
| Canada Credit Facility | 6,866 | 20,033 |
| Singapore Credit Facility | 6,459 | 10,318 |
| Philippines Credit Facility | 6,384 | 6,336 |
| Sri Lanka Credit Facility | 1,978 | 2,291 |
| Macau Credit Facility | 1,966 | 2,443 |
| Maldives Credit Facility | 741 | 4,219 |
| Brunei Credit Facility | 362 | — |
| Total short-term lines of credit | $ 187,461 | $ 215,391 |
| Total lines of credit | 497,416 | 444,891 |
| Notes payable | 6,014 | 10,089 |
| Term loans | 647,500 | 73,396 |
| Total debt | $ 1,150,930 | $ 528,376 |
| | | |
| Current portion | $ 259,796 | $ 291,811 |
| Long-term debt | 891,134 | 236,565 |
| Total debt | $ 1,150,930 | $ 528,376 |

Maturity requirements on outstanding debt by fiscal year are as follows (in thousands):

| | |
|---|---|
| 2014 | $ 259,796 |
| 2015 | 71,472 |
| 2016 | 381,427 |
| 2017 | 70,735 |
| 2018 | 367,500 |
| Total | $ 1,150,930 |

**Lines of Credit**

The Corporate Credit Facility is available for general corporate purposes and to fund future strategic acquisitions. Our short-term lines of credit facilities are primarily used to fund settlement. For certain of our lines of credit facilities, the maximum borrowing amount may exceed the stated credit limit by the amount of cash we have on deposit in specific accounts with the lender. Accordingly, the line of credit balance may exceed the stated credit limit at any given point in time, when in fact the combined position is less than the credit limit. The total available incremental borrowings under our Corporate Credit Facilities at May 31, 2013 was $440.0 million. As of May 31, 2013, we had $796.1 million available to fund settlement under our short-term lines of credit.

Our line of credit facilities consist of the following:

- Corporate - an unsecured five-year, $750.0 million revolving credit facility, which we refer to as the Corporate Credit Facility with a syndicate of financial institutions. The multi-currency facility expires in December 2015 and has a variable interest rate based on a market short-term interest rate plus a leverage based margin. On September 28, 2012, the Corporate Credit Facility was expanded from $600.0 million to $750.0 million by requesting additional commitments from new and existing lenders. The Corporate Credit Facility contains certain financial and non-financial covenants and events of default customary for financings of this nature.

  We plan to use the Corporate Credit Facility to support strategic growth initiatives and for general corporate purposes. As of May 31, 2013, interest rate on the credit facility was 2.2% and the aggregate outstanding balance was $310 million. The Corporate Credit Facility is included in long-term debt in the accompanying consolidated balance sheets because we are not contractually obligated to make repayments in the next twelve months.

- United Kingdom- a revolving credit facility with HSBC Bank, for up to £140.0 million ($212.3 million USD as of May 31, 2013) to fund settlement. This credit facility has a variable short-term interest rate plus a margin. As of May 31, 2013 the interest rate was 1.9%. This facility is subject to annual review. During the year, the facility was amended to facilitate borrowings in multiple currencies.

- Hong Kong - a revolving overdraft facility with HSBC Limited Hong Kong, for up to 1.0 billion Hong Kong dollars ($128.8 million USD as of May 31, 2013) to fund settlement. In addition, the Hong Kong credit facility allows us to expand the size of the uncommitted facility to 1.5 billion Hong Kong dollars. This facility has a variable short term interest rate plus a margin. As of May 31, 2013 the interest rate on the facility was 0.9%. This facility is subject to annual review.

- Canada - a revolving credit facility, which we refer to as our Canada Credit Facility, with the Canadian Imperial Bank of Commerce, or CIBC. The Canada Credit Facility is a facility which consists of a line of credit of $25.0 million Canadian dollars ($24.8 million USD as of May 31, 2013). In addition, the Canada Credit Facility allows us to expand the size of the uncommitted facility to $30.0 million Canadian dollars. This credit facility carries no termination date, but can be terminated by either party with advance notice. This credit facility has card association receivables and CIBC settlement related bank accounts as pledged collateral. This credit facility has a variable interest rate based on the Canadian dollar Interbank Offered Rate or prime rate plus a margin. As of May 31, 2013 the interest rate was 1.5%.

- Malaysia - a revolving overdraft facility with HSBC Bank Malaysia Berhad, for up to 90.0 million Malaysian Ringgits ($29.3 million USD as of May 31, 2013) to fund settlement. This facility has a variable short term interest rate less a margin. As of May 31, 2013 the interest rate on the facility was 3.7%. This facility is subject to annual review.

- Spain - a revolving credit facility with CaixaBank, for up to €250.0 million ($324.7 million USD as of May 31, 2013) to fund settlement. This credit facility also allows borrowings in British Pound Sterling, Japanese Yen, and United States dollars, and has a variable short term interest rate plus a margin. As of May 31, 2013 the weighted interest rate was 0.3%. The term of the facility is through January 2014.

- Singapore - a revolving overdraft facility with HSBC Banking Corporation Limited, for up to 25.0 million Singapore dollars ($19.8 million USD as of May 31, 2013) to fund settlement. This facility has a variable short term interest rate plus a margin. As of May 31, 2013 the interest rate on the facility was 0.9%. This facility is subject to annual review.

- Philippines - a revolving facility with HSBC Bank, Philippines, for up to 450.0 million Philippine Pesos ($10.6 million USD as of May 31, 2013) and $2.5 million United States dollars to fund settlement. The facility has variable short term interest rates plus a margin. As of May 31, 2013 the interest rates on the facility was 3.8% for the Philippines Pesos tranche. This facility is subject to annual review.

- Maldives - a revolving overdraft facility with HSBC Bank, Maldives, for up to $6.0 million to fund settlement. This facility is denominated in United States dollars and has a variable short term interest rate plus a margin. As of May 31, 2013 the interest rate on the facility was 4.7%. This facility is subject to annual review.

- Macau - a revolving overdraft facility with HSBC Asia Pacific, for 40.0 million Macau Pataca ($4.9 million USD as of May 31, 2013) to fund settlement. In addition, the Macau Credit Facility allows us to expand the size of the uncommitted facility to 150.0 million Macau Pataca. This credit facility has a variable interest rate based on the lending rate stipulated by HSBC Asia Pacific, less a margin. As of May 31, 2013 the interest rate on the facility was 2.5%. This facility is subject to annual review.

- Sri Lanka - a revolving overdraft facility with HSBC Bank, Sri Lanka, for 550.0 million Sri Lankan Rupees ($4.3 million USD as of May 31, 2013) in two tranches: one to fund settlement and the other for general corporate purposes. The facility has a variable short term interest rate plus a margin. As of May 31, 2013 the interest rate on the two tranches of the facility was 14.0%. This facility is subject to annual review.

- National Bank of Canada - a revolving credit facility for up to $80.0 million Canadian dollars ($77.4 million USD as of May 31, 2013) and $5.0 million United States dollars to provide certain Canadian merchants with same day value for MasterCard credit card transactions and debit card transactions. This credit facility has a variable short term interest rate plus a margin. As of May 31, 2013 the facility was undrawn.

- Taiwan - a revolving overdraft facility for up to 1.5 billion Taiwan dollars ($50.0 million USD as of May 31, 2013) to fund settlement. This credit facility has a variable short term interest rate plus a margin. As of May 31, 2013 the interest rate on the facility was 2.1%. This facility is subject to an annual review.

- Brunei - a revolving overdraft facility for up to 4.5 million Brunei dollars ($3.5 million USD as of May 31, 2013) to fund settlement was entered into in April 2013. This credit facility has a variable short-term interest rate plus a margin. As of May 31, 2013, the interest rate on this facility was 2.4%. This facility is subject to annual review.

**Term Loans**

On September 28, 2012 we entered into a five year unsecured $700.0 million term loan agreement, with a syndicate of banks, which we used to partially fund our acquisition of APT and our purchase of HSBC Asia's 44% interest in GPAP and to repay the outstanding balance on the Corporate Credit Facility. The term loan expires in September 2017 and bears interest, at our election, at the prime rate or LIBOR, plus a leverage based margin. As of May 31, 2013 the interest rate on the term loan was 2.2%. The term loan has scheduled quarterly principal payments of $17.5 million at the end of each fiscal quarter through maturity. As of May 31, 2013, the outstanding balance of the term loan was $647.5 million.

On January 31, 2013, we repaid the outstanding balance of our five-year unsecured $200.0 million term loan agreement with a syndicate of banks in the United States. The term loan had a variable interest rate based on LIBOR plus a leverage based margin.

On July 10, 2012 we repaid the outstanding balance of our five-year unsecured $300.0 million term loan agreement ($230.0 million and £43.5 million) with a syndicate of financial institutions. The term loan had a variable interest rate based on LIBOR plus a leveraged-based margin.

**Notes Payable**

UCS, our subsidiary in the Russian Federation, has notes payable with a total outstanding balance of approximately $6.0 million at May 31, 2013. These notes have a fixed interest rate of 8.5% with maturity dates ranging from June 2013 through November 2016.

**Compliance with Covenants**

There are certain financial and non-financial covenants contained in our various credit facilities and term loans. Our term loan agreements include financial covenants requiring a leverage ratio no greater than 3.25 to 1.00 and a fixed charge coverage ratio no less than 2.50 to 1.00. We complied with these covenants as of and for the year ended May 31, 2013.

## NOTE 8—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of May 31, 2013 and 2012, accounts payable and accrued liabilities consisted of the following:

| | 2013 | 2012 |
|---|---|---|
| | (in thousands) | |
| Trade accounts payable | $ 18,497 | $ 11,817 |
| Compensation and benefits | 39,623 | 36,116 |
| Third-party processing expenses | 10,340 | 10,578 |
| Commissions to third parties | 61,279 | 64,581 |
| Accrued fees and assessment expenses | 30,490 | 27,149 |
| Transition services payable to HSBC UK, HSBC Asia and CaixaBank | 16,528 | 17,920 |
| Accrued processing system intrusion costs | 9,021 | 79,666 |
| Other | 77,112 | 68,486 |
| | $ 262,890 | $ 316,313 |

## NOTE 9—INCOME TAX

The provisions for income taxes for the fiscal years ended May 31 include:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Current tax expense: | | | |
| Federal | $ 16,326 | $ 52,875 | $ 42,034 |
| State | 987 | 2,989 | 2,597 |
| Foreign | 36,020 | 35,029 | 18,358 |
| | 53,333 | 90,893 | 62,989 |
| Deferred tax expense (benefit): | | | |
| Federal | 26,302 | (21,088) | 17,849 |
| State | 3,568 | (813) | (1,045) |
| Foreign | 12,368 | 13,889 | 15,283 |
| | 42,238 | (8,012) | 32,087 |
| Provision for income taxes | 95,571 | 82,881 | 95,076 |
| Tax allocated to noncontrolling interest in a taxable entity | (4,178) | (6,604) | (3,027) |
| Net income tax expense attributable to Global Payments | $ 91,393 | $ 76,277 | $ 92,049 |

The following presents our income from continuing operations before income taxes for the fiscal years ended May 31:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Income before income taxes and noncontrolling interest - U.S. | $ 137,501 | $ 103,163 | $ 177,345 |
| Income before income taxes and noncontrolling interest - Foreign | 196,783 | 197,284 | 146,862 |
| Income from continuing operations before income taxes | $ 334,284 | $ 300,447 | $ 324,207 |

Our effective tax rates, as applied to income from continuing operations before income taxes for the years ended May 31, 2013, 2012, and 2011, respectively, differ from federal statutory rates as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Federal statutory rate | 35.0 % | 35.0 % | 35.0 % |
| State income taxes, net of federal income tax benefit | 0.9 | 0.5 | 0.3 |
| Foreign income taxes | (7.0) | (6.3) | (3.8) |
| Foreign interest income not subject to tax | (2.8) | (2.2) | (2.7) |
| Tax credits and other | 3.7 | 1.8 | 1.4 |
| Effective tax rate attributable to Global Payments | 29.8 % | 28.8 % | 30.2 % |
| Noncontrolling interest | (1.2) | (1.2) | (0.9) |
| Effective tax rate | 28.6 % | 27.6 % | 29.3 % |

Deferred income taxes are determined based on the difference between the financial statement values and tax bases of assets and liabilities using enacted tax laws and rates. Deferred income taxes as of May 31, 2013 and 2012 reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. As of May 31, 2013 and 2012, principal components of deferred tax items were as follows:

| | 2013 | 2012 |
|---|---|---|
| | (in thousands) | |
| Deferred tax assets: | | |
| Share-based compensation | $ 12,266 | $ 11,888 |
| Bad debt expense | 2,292 | 2,415 |
| Foreign net operating loss ("NOL") carryforward | 8,221 | 4,639 |
| U.S. NOL carryforward | 243 | 1,083 |
| U.S. capital loss carryforward | 20,176 | 19,905 |
| Basis difference - U.K. business | 90,678 | 92,802 |
| Foreign tax credit | 14,413 | 12,468 |
| Processing system intrusion | — | 24,361 |
| Other tax credits | 1,733 | 1,731 |
| | 150,022 | 171,292 |
| Less: valuation allowance | (28,464) | (26,090) |
| Net deferred tax asset | 121,558 | 145,202 |
| | | |
| Deferred tax liabilities: | | |
| Taxes on unremitted earnings and other | 13,729 | 9,744 |
| Foreign currency translation | 30,163 | 30,745 |
| Acquired intangibles | 90,205 | 41,333 |
| Prepaid expenses | 2,523 | 2,632 |
| Property and equipment | 53,998 | 48,188 |
| | 190,618 | 132,642 |
| Net deferred tax (liability) asset | (69,060) | 12,560 |
| Less: current net deferred tax asset | 6,485 | 21,969 |
| Net noncurrent deferred tax liability | $ (75,545) | $ (9,409) |

The net deferred tax liability and asset is reflected on our consolidated balance sheets as follows:

| | 2013 | 2012 |
|---|---|---|
| | (in thousands) | |
| Non-current deferred income tax asset per balance sheet | $ 95,178 | $ 97,235 |
| Non-current deferred income tax liability per balance sheet | (170,723) | (106,644) |
| Net non-current deferred tax liability | $ (75,545) | $ (9,409) |

Undistributed earnings of $407.4 million from certain foreign subsidiaries are permanently invested abroad and will not be repatriated to the United States in the foreseeable future. In accordance with FASB guidance, because those earnings are considered to be indefinitely reinvested, no domestic federal or state deferred income taxes have been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, we would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Because of the availability of United States foreign tax credits, it is not practicable to determine the domestic federal income tax liability that would be payable if such earnings were not reinvested indefinitely.

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. Changes to our valuation allowance during the fiscal year ended May 31, 2013 and 2012 are summarized below (in thousands):

| | | |
|---|---|---|
| Valuation allowance at May 31, 2011 | $ | (28,629) |
| Allowance for net operating losses of foreign subsidiaries | | (1,012) |
| Allowance for foreign tax credit carryforward | | 3,686 |
| Other | | (135) |
| Valuation allowance at May 31, 2012 | $ | (26,090) |
| Allowance for net operating losses of foreign subsidiaries | | (3,415) |
| Release of allowance for foreign tax credit carryforward | | 15 |
| Other | | 1,026 |
| Valuation allowance at May 31, 2013 | $ | (28,464) |

Net operating loss carryforwards of foreign subsidiaries totaling $37.1 million and U.S. net operating loss carryforwards previously acquired totaling $0.5 million at May 31, 2013 will expire if not utilized between May 31, 2017 and May 31, 2029. Capital loss carryforwards of U.S. subsidiaries totaling $56.2 million will expire if not utilized by May 31, 2017. Tax credit carryforwards totaling $8.3 million at May 31, 2013 will expire if not utilized between May 31, 2017 and May 31, 2021.

Due to the June 12, 2009 acquisition of the remaining 49% interest in our U.K. merchant acquiring business from HSBC Merchant Services, LLP, our tax basis in the LLP exceeds our book basis and we recorded a deferred tax asset, currently valued at $90.7 million.

As of May 31, 2013, other long-term liabilities included liabilities for unrecognized income tax benefits of $53.8 million.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits for the years ended May 31, 2013, 2012, and 2011 is as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Balance at the beginning of the year | $ 45,595 | $ 37,197 | $ 20,750 |
| Additions based on tax positions related to the current year | 8,778 | 10,684 | 13,608 |
| Additions for tax positions of prior years | 142 | 118 | 287 |
| Foreign currency impact for tax positions | (601) | (2,340) | 2,741 |
| Reductions for tax positions of prior years | (151) | (64) | (56) |
| Settlements with taxing authorities | — | — | (133) |
| Balance at the end of the year | $ 53,763 | $ 45,595 | $ 37,197 |

As of May 31, 2013, the total amount of gross unrecognized tax benefits that, if recognized, would affect the effective tax rate is $2.0 million. The amount of unrecognized tax benefits that will impact income tax during the upcoming fiscal year is insignificant.

We recognize accrued interest related to unrecognized income tax benefits in interest expense and accrued penalty expense related to unrecognized tax benefits in sales, general and administrative expenses. Interest and penalties recognized in the income statement were insignificant in fiscal years 2013, 2012 and 2011.

We conduct business globally and file income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States and the United Kingdom. We are currently under examination for fiscal years ended May 31, 2011 and May 31, 2010 with taxing authorities in the United States and the United Kingdom. We are no longer subject to income tax examinations for years ended May 31, 2006 and prior.

**NOTE 10—SHAREHOLDERS' EQUITY**

On July 26, 2012, our Board of Directors approved a share repurchase program that authorized the purchase of up to $150.0 million of Global Payments' stock in the open market at the current market price, subject to market conditions, business opportunities, and other factors. On January 8, 2013, our Board of Directors approved an additional share repurchase program of up to $150.0 million, bringing the total share repurchase authorization to $300.0 million.

On January 14, 2013, pursuant to the authorization described above, we entered into an Accelerated Share Repurchase program ("ASR") with a financial institution to repurchase an aggregate of $125.0 million of the Company's common stock. In exchange for an up-front payment of $125.0 million, the financial institution committed to deliver a number of shares during the ASR's purchase period, which ended on March 30, 2013. The total number of shares delivered under this ASR was 2,544,455 at an average price of $49.13 per share. These shares were retired and accounted for as a reduction of shareholders' equity in the consolidated balance sheet. We accounted for the initial delivery of shares component of the ASR as a repurchase of common stock for purposes of calculating earnings per share. We accounted for the variable component of shares to be delivered under the ASR as a forward contract indexed to our stock which met all of the applicable criteria for equity classification, and, therefore, was not accounted for as a derivative instrument, but instead was also accounted for as a component of equity.

In addition to the shares repurchased under the ASR, we repurchased 1,130,201 shares of our common stock at a cost of $50.3 million, or an average of $44.55 per share, including commissions, during fiscal 2013.

On August 8, 2011, our Board of Directors approved a share repurchase program that authorized the purchase of up to $100.0 million of Global Payments' stock in the open market at the current market price, subject to market conditions, business opportunities, and other factors. Under this authorization, we repurchased 2,290,059 shares of our common stock at a cost of $99.6 million, or an average of $43.49 per share, including commissions, during fiscal 2012. This share repurchase program has concluded.

**NOTE 11—SHARE-BASED AWARDS AND OPTIONS**

As of May 31, 2013, we have awards outstanding under four share-based employee compensation plans. The fair value of share-based awards is amortized as compensation expense on a straight-line basis over the vesting period.

Non-qualified stock options and restricted stock have been granted to officers, key employees and directors under the Global Payments Inc. 2000 Long-Term Incentive Plan, as amended and restated (the “2000 Plan”), the Global Payments Inc. Amended and Restated 2005 Incentive Plan (the “2005 Plan”), an Amended and Restated 2000 Non-Employee Director Stock Option Plan (the “Director Plan”), and the Global Payments Inc. 2011 Incentive Plan (the “2011 Plan”) (collectively, the “Plans”). There were no further grants made under the 2000 Plan after the 2005 Plan was effective and the Director Plan expired by its terms on February 1, 2011 so no further grants will be granted thereunder.

On September 27, 2011, we held our 2011 Annual Meeting of Shareholders (the “Annual Meeting”). At the Annual Meeting, our shareholders approved the 2011 Plan, a plan that permits grants of equity to employees, officers, directors and consultants. A total of 7.0 million shares of our common stock was reserved and made available for issuance pursuant to awards granted under the 2011 Plan. Effective with the adoption of the 2011 Plan, there will be no future grants under the 2005 Plan.

The following table summarizes the share-based compensation cost charged to income for (i) all stock options granted, (ii) our restricted stock program (including PRSUs and TSRs), and (iii) our employee stock purchase plan. The total income tax benefit recognized for share-based compensation in the accompanying statements of income is also presented.

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in millions) | |
| Share-based compensation expense | $ 18.4 | $ 16.4 | $ 15.9 |
| Income tax benefit | $ (5.6) | $ (6.0) | $ (5.5) |

**Restricted Stock**

Shares and performance units awarded under the restricted stock program of the Plans are held in escrow and released to the grantee upon the grantee's satisfaction of conditions of the grantee's restricted stock agreement. The grant date fair value of restricted stock awards is based on the quoted fair market value of our common stock at the award date.

Certain executives are granted two different types of performance units under our restricted stock program. A portion of those performance units represent the right to earn 0% to 200% of a target number of shares of Global Payments common stock depending upon the achievement level of certain performance measures during the grant year ("PRSUs"). The target number of PRSUs and the performance measures (at threshold, target, and maximum) are set by the Compensation Committee of our Board of Directors. PRSUs are converted to a time-based restricted stock grant only if the Company's performance during the fiscal year exceeds pre-established goals. The other portion of these performance units represent the right to earn 0% to 200% of target shares of Global Payments stock based on Global Payments' relative total shareholder return compared to peer companies over a three year performance period ("TSRs"). The target number of TSRs for each executive is set by the Compensation Committee of our Board of Directors and a monte carlo simulation is used to calculate the estimated share payout.

Grants of restricted awards are subject to forfeiture if a grantee, among other conditions, leaves our employment prior to expiration of the restricted period. New grants of restricted awards generally vest one year after the date of grant in 25% increments over a four year period, with the exception of TSRs which vest after a three year period.

The following table summarizes the changes in non-vested restricted stock awards for the years ended May 31, 2013 and 2012 (share awards in thousands):

| | Shares | Weighted Average Grant-Date Fair Value |
|---|---|---|
| Non-vested at May 31, 2011 | 869 | $ 40 |
| Granted | 472 | 48 |
| Vested | (321) | 40 |
| Forfeited | (79) | 43 |
| Non-vested at May 31, 2012 | 941 | 44 |
| Granted | 561 | 44 |
| Vested | (315) | 43 |
| Forfeited | (91) | 44 |
| Non-vested at May 31, 2013 | 1,096 | $ 44 |

The total fair value of share awards vested during the years ended May 31, 2013, 2012 and 2011 was $13.6 million, $12.9 million and $10.8 million, respectively.

We recognized compensation expense for restricted stock of $16.2 million, $13.6 million, and $12.5 million in the years ended May 31, 2013, 2012 and 2011, respectively. As of May 31, 2013, there was $33.5 million of total unrecognized compensation cost related to unvested restricted stock awards that is expected to be recognized over a weighted average period of 2.5 years.

**Employee Stock Purchase Plan**

We have an Employee Stock Purchase Plan under which the sale of 2.4 million shares of our common stock has 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 85% of the market value on the last day of the quarterly purchase period. As of May 31, 2013,

1.0 million shares had been issued under this plan, with 1.4 million shares reserved for future issuance. We recognized compensation expense for the plan of $0.5 million in the years ended May 31, 2013, 2012 and 2011.

The weighted average grant-date fair value of each designated share purchased under this plan during the years ended May 31, 2013 , 2012 and 2011 was $6, $7 and $6, respectively, which represents the fair value of the 15% discount.

**Stock Options**

Stock options are granted at 100% of fair market value on the date of grant and have 10-year terms. Stock options granted vest one year after the date of grant in 25% increments over a four year period. The Plans provide for accelerated vesting under certain conditions. There were no options granted under the Plans during the years ended May 31, 2013 and May 31, 2012.

The following is a summary of our stock option activity as of and for the years ended May 31, 2013 and 2012:

| | Options (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (years) | Aggregate Intrinsic Value (in millions) |
|---|---|---|---|---|
| Outstanding at May 31, 2011 | 2,471 | $ 32 | 5.1 | $ 45.9 |
| Granted | — | — | | |
| Forfeited | (72) | 28 | | |
| Exercised | (254) | 32 | | |
| Outstanding at May 31, 2012 | 2,145 | 34 | 4.1 | 20.7 |
| Granted | — | — | | |
| Forfeited | (72) | 39 | | |
| Exercised | (308) | 23 | | |
| Outstanding at May 31, 2013 | 1,765 | $ 35 | 3.5 | $ 23.9 |
| Options vested and exercisable at May 31, 2013 | 1,586 | $ 34 | 3.1 | $ 22.3 |
| Options vested and exercisable at May 31, 2012 | 1,770 | $ 32 | 3.4 | $ 19.7 |

The aggregate intrinsic value of stock options exercised during the fiscal years ended 2013, 2012 and 2011 was $6.3 million, $4.4 million and $14.8 million, respectively. We recognized compensation expense for stock options of $1.7 million, $2.4 million, and $2.9 million in the years ended May 31, 2013, 2012 and 2011, respectively. As of May 31, 2013, we had $1.1 million of total unrecognized compensation cost related to unvested options which we expect to recognize over a weighted average period of 0.65 years.

The weighted average grant-date fair values of each option granted in fiscal 2013, 2012, and 2011 under each plan are as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| 2005 Plan | $ — | $ — | $ 11 |
| Director Plan | $ — | $ — | $ 12 |

The fair value of each option granted was estimated on the date of grant using the Black-Scholes valuation model with the following weighted average assumptions for grants during fiscal 2011:

| | 2011 |
|---|---|
| 2005 Plan: | |
| Risk-free interest rates | 1.74% |
| Expected volatility | 31.96% |
| Dividend yields | 0.21% |
| Expected lives | 5 years |
| | |
| Director Plan: | |
| Risk-free interest rates | 1.31% |
| Expected volatility | 31.96% |
| Dividend yields | 0.21% |
| Expected lives | 5 years |

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. Our assumption on expected volatility is based on our historical volatility. The dividend yield assumption is calculated using our average stock price over the preceding year and the annualized amount of our current quarterly dividend. We based our assumptions on the expected lives of the options on our analysis of the historical exercise patterns of the options and our assumption on the future exercise pattern of options.

**NOTE 12—SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental cash flow disclosures and non-cash investing and financing activities for the years endedMay 31, 2013, 2012, and 2011 are as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Supplemental cash flow information: | | | |
| Income taxes paid, net of refunds | $ 55,218 | $ 74,199 | $ 44,254 |
| Interest paid [1] | $ 29,677 | $ 13,631 | $ 15,537 |
| | | | |
| Financing receivables: | | | |
| Investment in equipment for financing leases | $ — | $ — | $ (54) |
| Principal collections from customers - financing leases | 2,812 | 2,565 | 2,116 |
| Net decrease in financing receivables | $ 2,812 | $ 2,565 | $ 2,062 |

[1] Includes an $8.4 million distribution to HSBC in fiscal 2013 characterized as interest expense pursuant to ASC 480. See Note 4 - Business and Intangible Asset Acquisitions.

**NOTE 13—NONCONTROLLING INTERESTS**

The following table details the components of redeemable noncontrolling interests for the fiscal years ended May 31,2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| | (in thousands) | |
| Beginning balance | $ 144,422 | $ 133,858 |
| Net income attributable to redeemable noncontrolling interest | 1,814 | 11,601 |
| Distributions to redeemable noncontrolling interest | — | (7,725) |
| Foreign currency translation adjustment | 573 | (2,741) |
| (Decrease) increase in the maximum redemption amount of redeemable noncontrolling interest | (817) | 9,429 |
| Purchase of redeemable noncontrolling interest | (145,992) | — |
| Ending balance | $ — | $ 144,422 |

For the fiscal years ended May 31,2013, 2012 and 2011, net income included in the consolidated statements of changes in equity is reconciled to net income presented in the consolidated statements of income as follows:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Net income attributable to Global Payments | $ 216,125 | $ 188,161 | $ 209,238 |
| Net income attributable to nonredeemable noncontrolling interests | 20,774 | 17,804 | 9,326 |
| Subtotal per statement of changes in equity | 236,899 | 205,965 | 218,564 |
| Net income attributable to redeemable noncontrolling interest | 1,814 | 11,601 | 9,592 |
| Net income | $ 238,713 | $ 217,566 | $ 228,156 |

The following table is the reconciliation of net income attributable to noncontrolling interest to comprehensive income attributable to noncontrolling interest for the fiscal years ended May 31, 2013 and May 31, 2012:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Net income attributable to noncontrolling interest, net of tax | $ 22,588 | $ 29,405 | $ 18,918 |
| Foreign currency translation attributable to nonredeemable noncontrolling interests | 7,217 | (22,991) | 9,717 |
| Foreign currency translation attributable to redeemable noncontrolling interests | 573 | (2,741) | (10,826) |
| Comprehensive income attributable to noncontrolling interests, net of tax | $ 30,378 | $ 3,673 | $ 17,809 |

## NOTE 14—SEGMENT INFORMATION

### General information

We operate in two reportable segments, North America merchant services and International merchant services. The merchant services segments primarily offer processing solutions for credit cards, debit cards, and check-related services.

### Information about profit and assets

We evaluate performance and allocate resources based on the operating income of each segment. The operating income of each segment includes the revenues of the segment less those expenses that are directly related to those revenues. Operating overhead,

shared costs and certain compensation costs are included in Corporate in the following table. Interest expense or income and income tax expense are not allocated to the individual segments. Lastly, we do not evaluate performance or allocate resources using segment asset data. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note 1.

Information on segments, including revenue by geographic distribution within segments, and reconciliations to consolidated revenues and consolidated operating income are as follows for the years ended May 31, 2013, 2012, and 2011:

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (in thousands) | |
| Revenues: | | | |
| United States | $ 1,394,675 | $ 1,234,818 | $ 1,031,997 |
| Canada | 311,000 | 332,434 | 330,872 |
| North America merchant services | 1,705,675 | 1,567,252 | 1,362,869 |
| | | | |
| Europe | 522,593 | 489,300 | 359,567 |
| Asia-Pacific | 147,655 | 147,295 | 137,366 |
| International merchant services | 670,248 | 636,595 | 496,933 |
| Consolidated revenues | $ 2,375,923 | $ 2,203,847 | $ 1,859,802 |
| Operating income (loss) for segments: | | | |
| North America merchant services | $ 258,910 | $ 281,305 | $ 268,233 |
| International merchant services | 211,242 | 196,137 | 143,911 |
| Corporate [1] | (112,939) | (170,093) | (80,550) |
| Consolidated operating income | $ 357,213 | $ 307,349 | $ 331,594 |
| Depreciation and amortization: | | | |
| North America merchant services | $ 48,882 | $ 35,479 | $ 32,605 |
| International merchant services | 57,520 | 60,462 | 48,104 |
| Corporate | 5,386 | 3,158 | 1,528 |
| Consolidated depreciation and amortization | $ 111,788 | $ 99,099 | $ 82,237 |

[1] Includes processing system intrusion costs of $36.8 million and $84.4 million in fiscal 2013 and fiscal 2012, respectively.

Our results of operations and our financial condition are not significantly reliant upon any single customer.

The following is a breakdown of long-lived assets by geographic regions as of May 31, 2013 and 2012:

| | 2013 | 2012 |
|---|---|---|
| | (in thousands) | |
| United States | $ 826,972 | $ 352,419 |
| Canada | 162,374 | 167,024 |
| Europe | 719,991 | 715,512 |
| Asia-Pacific | 82,538 | 85,592 |
| Latin America | 1,259 | 176 |
| | $ 1,793,134 | $ 1,320,723 |

**NOTE 15—COMMITMENTS AND CONTINGENCIES**

**Leases**

We conduct a major part of our operations using leased facilities and equipment. Many of these leases have renewal and purchase options and provide that we pay the cost of property taxes, insurance and maintenance. Rent expense on all operating leases for fiscal 2013, 2012 and 2011 was $16.5 million, $16.0 million, and $14.0 million, respectively.

Future minimum lease payments for all non-cancelable operating leases at May 31, 2013 were as follows:

| Fiscal years ending May 31: | | |
|---|---|---|
| 2014 | $ | 11,057 |
| 2015 | | 8,985 |
| 2016 | | 7,378 |
| 2017 | | 6,700 |
| 2018 | | 6,164 |
| Thereafter | | 16,812 |
| Total future minimum lease payments | $ | 57,096 |

**Legal**

We are party to a number of claims and lawsuits incidental to our business. In our opinion, the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, are not expected to have a material adverse impact on our financial position, liquidity or results of operations.

**Operating Taxes**

We define operating taxes as taxes that are unrelated to income taxes, such as sales, property, value-add and other business taxes. During the course of operations, we must interpret the meaning of various operating tax matters in the United States and in the foreign jurisdictions in which we do business. Taxing authorities in those various jurisdictions may arrive at different interpretations of applicable tax laws and regulations as they relate to such operating tax matters, which could result in the payment of additional taxes in those jurisdictions. As of May 31, 2013 and 2012, we did not have liabilities for contingencies related to operating tax items based on management's best estimate given our history with similar matters and interpretations of current laws and regulations.

**BIN/ICA Agreements**

We have entered into sponsorship or depository and processing agreements with certain banks. These agreements allow us to use the banks' identification numbers, referred to as Bank Identification Number ("BIN") for Visa transactions and Interbank Card Association ("ICA") number for MasterCard transactions, to clear credit card transactions through Visa and MasterCard. Certain of such agreements contain financial covenants, and we were in compliance with all such covenants as of May 31, 2013.

Our Canadian Visa sponsorship, which was originally obtained through a Canadian financial institution, expired in March 2011. We have filed an application with the Office of the Superintendent of Financial Institutions Canada ("OSFI") for the formation of a wholly owned loan company in Canada which would serve as our financial institution sponsor. On December 12, 2012, the loan company received a restricted Order to Commence and Carry on Business from OSFI which will enable the loan company to become a direct Visa member at such time that Global Payments concludes the appropriate BIN transfer process with Visa. In March 2011, we obtained temporary direct participation in the Visa Canada system, while the loan company application was pending. We anticipate that the BIN transfer process with Visa will be completed by September 30, 2013.

**NOTE 16—QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

Summarized quarterly results for the years ended May 31, 2013 and 2012 (in thousands, except per share data) are as follows:

| | Quarter Ended | | | |
|---|---|---|---|---|
| | August 31 | November 30 | February 28 | May 31 |
| 2013: | | | | |
| Revenues | $ 590,287 | $ 588,538 | $ 578,746 | $ 618,352 |
| Operating income[1] | 80,488 | 116,582 | 90,774 | 69,369 |
| Net income | 54,162 | 75,371 | 62,814 | 46,366 |
| Net income attributable to Global Payments | 46,675 | 70,183 | 58,462 | 40,805 |
| Basic earnings per share attributable to Global Payments | 0.59 | 0.89 | 0.75 | 0.54 |
| Diluted earnings per share attributable to Global Payments | 0.59 | 0.89 | 0.75 | 0.53 |

| | Quarter Ended | | | |
|---|---|---|---|---|
| | August 31 | November 30 | February 29 | May 31 |
| 2012: | | | | |
| Revenues | $ 542,771 | $ 530,505 | $ 533,539 | $ 597,032 |
| Operating income[1] | 108,610 | 96,580 | 92,348 | 9,811 |
| Net income | 72,081 | 68,149 | 65,690 | 11,646 |
| Net income attributable to Global Payments | 63,974 | 61,181 | 57,920 | 5,086 |
| Basic earnings per share attributable to Global Payments | 0.80 | 0.78 | 0.74 | 0.06 |
| Diluted earnings per share attributable to Global Payments | 0.79 | 0.78 | 0.73 | 0.06 |

[1] Includes processing system intrusion charges of $36.8 million and $84.4 million for the years ended May 31, 2013 and May 31, 2012, respectively.

**GLOBAL PAYMENTS INC.**
**SCHEDULE II**

**Valuation & Qualifying Accounts**

| Description | Balance at Beginning of Year | Charged to Costs and Expenses | Acquired Balances | Uncollectible Accounts Write-Off | Balance at End of Year |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Allowance for doubtful accounts | | | | | |
| May 31, 2011 | 269 | 848 | — | 645 | 472 |
| May 31, 2012 | 472 | 165 | — | 105 | 532 |
| May 31, 2013 | 532 | 444 | — | 467 | 509 |
| | | | | | |
| Reserve for operating losses-Merchant card processing [1] | | | | | |
| May 31, 2011 | 5,810 | 6,010 | — | 8,718 | 3,102 |
| May 31, 2012 | 3,102 | 8,848 | — | 9,625 | 2,325 |
| May 31, 2013 | 2,325 | 9,484 | — | 9,491 | 2,318 |
| | | | | | |
| Reserve for sales allowances-Merchant card processing [1] | | | | | |
| May 31, 2011 | 871 | 8,888 | — | 6,484 | 3,275 |
| May 31, 2012 | 3,275 | 3,913 | — | 6,315 | 873 |
| May 31, 2013 | 873 | 2,074 | — | 1,986 | 961 |
| | | | | | |
| Reserve for operating losses-Check guarantee processing | | | | | |
| May 31, 2011 | 4,208 | 14,175 | — | 14,513 | 3,870 |
| May 31, 2012 | 3,870 | 13,404 | — | 13,839 | 3,435 |
| May 31, 2013 | 3,435 | 11,731 | — | 12,022 | 3,144 |
| | | | | | |
| Deferred tax asset valuation allowance | | | | | |
| May 31, 2011 | 22,406 | 6,223 | — | — | 28,629 |
| May 31, 2012 | 28,629 | (2,539) | — | — | 26,090 |
| May 31, 2013 | 26,090 | 2,374 | — | — | 28,464 |

[1] Included in settlement processing obligations

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

None.

## ITEM 9A- CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As of May 31, 2013, management carried out, under the supervision and with the participation of our principal executive officer and principal financial officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of May 31, 2013, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and are designed to ensure that information required to be disclosed in those reports is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

### Management Report on Internal Control over Financial Reporting

Our management team is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our management assessed the effectiveness of our internal control over financial reporting as of May 31, 2013. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework.* As of May 31, 2013, management believes that the Company's internal control over financial reporting is effective based on those criteria. Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting, which is included in this annual report.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Due to such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, such risk.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting or in other factors that occurred during the quarter ended May 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B- OTHER INFORMATION

None.

# PART III

## ITEM 10- DIRECTORS, EXECUTIVE OFFICERS OF THE REGISTRANT AND CORPORATE GOVERNANCE

We incorporate by reference in this Item 10 information about our directors and our corporate governance contained under the headings "Certain Information Concerning the Nominees and Directors," "Other Information About the Board and its Committees" 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 2013 Annual Meeting of Shareholders to be held on November 20, 2013.

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 | 61 | Chairman of the Board of Directors and Chief Executive Officer | Chairman of the Board of Directors (since October 2002); Chief Executive Officer of Global Payments (since February 2001); 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). |
| Jeffrey Sloan | 46 | President | President, Global Payments Inc. (since June 2010); Partner, Goldman Sachs Group, Inc. (December 2004 - May 2010) ; Managing Director, Goldman Sachs Group, Inc. (December 2001 - November 2004); Vice President, Goldman Sachs Group, Inc. (September 1998 - November 2001). |
| David E. Mangum | 47 | Senior Executive Vice President and Chief Financial Officer | Senior Executive Vice President and Chief Financial Officer (since November 2008) of Global Payments; Executive Vice President of Fiserv Corp., which acquired CheckFree Corporation in December 2007, (December 2007 - August 2008); Executive Vice President and Chief Financial Officer of CheckFree Corporation (July 2000 to December 2007); Senior Vice President, Finance and Accounting of CheckFree Corporation (September 1999 - June 2000); Vice President, Finance and Administration, Managed Systems Division for Sterling Commerce, Inc. (July 1998 - September 1999). |
| Morgan "Mac" Schuessler | 43 | President - International | President - International (since August 2012); Executive Vice President and Chief Administrative Officer (November 2008 - August 2012); Executive Vice President, Human Resources and Corporate Communications of Global Payments (June 2007 - November 2008); Senior Vice President, Human Resources and Corporate Communications of Global Payments (June 2006 - June 2007); Senior Vice President, Marketing and Corporate Communications of Global Payments (October 2005 - June 2006); Vice President, Global Purchasing Solutions of American Express Company (February 2002 - February 2005). |

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| Name | Age | Current Position(s) | Position with Global Payments and Other Principal Business Affiliations |
|---|---|---|---|
| Suellyn P. Tornay | 52 | Executive Vice President and General Counsel | Executive Vice President (since June 2004) and General Counsel for Global Payments Inc. (since February 2001); Interim General Counsel for NDCHealth (1999-2001); Group General Counsel, eCommerce Division of NDCHealth (1996-1999); Senior Attorney, eCommerce Division of NDCHealth (1987-1995); Associate, Powell, Goldstein, Frazer, & Murphy (1985-1987). |
| Daniel C. O'Keefe | 47 | Senior Vice President and Chief Accounting Officer | Senior Vice President and Chief Accounting Officer (since August 2008); Vice President of Accounting Policy and External Reporting of Global Payments (April 2008 - August 2008); Chief Accounting Officer of Ocwen Financial Corporation (November 2006 - April 2008); Vice President, Business Management of RBS Lynk (February 2005 - October 2006); Assistant Controller of Beazer Homes, USA Inc. (November 2002 - November 2005). |

We have adopted a code of ethics that applies to our senior financial officers. The senior financial officers include our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller or persons performing similar functions. The code of ethics is available in the investor information section of our website at www.globalpaymentsinc.com, and as indicated in the section entitled “Where To Find Additional Information” in Part I to this Annual Report on Form 10-K.

## ITEM 11- EXECUTIVE COMPENSATION

We incorporate by reference in this Item 11 the information relating to executive and director compensation contained under the headings “Other Information about the Board and its Committees,” “Compensation and Other Benefits” and “Report of the Compensation Committee” from our proxy statement to be delivered in connection with our 2013 Annual Meeting of Shareholders to be held on November 20, 2013.

## 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 “Common Stock Ownership of Management” and “Common Stock Ownership by Certain Other Persons” from our proxy statement to be delivered in connection with our 2013 Annual Meeting of Shareholders to be held on November 20, 2013.

The following table provides certain information as ofMay 31, 2013 concerning the shares of the Company’s common stock that may be issued under existing equity compensation plans. 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: | 1,765,510 | $ 34.92 | 7,927,210 | (1) |
| Equity compensation plans not approved by security holders: | — | — | — | |
| Total | 1,765,510 | $ 34.92 | 7,927,210 | (1) |

(1) Also includes shares of common stock available for issuance other than upon the exercise of an option, warrant or right under the Global Payments Inc. 2000 Long-Term Incentive Plan, as amended and restated, the Global Payments Inc. Amended and Restated 2005 Incentive Plan, Amended and Restated 2000 Non-Employee Director Stock Option Plan, Global Payments Employee Stock Purchase Plan and the Global Payments Inc. 2011 Incentive Plan.

## ITEM 13- CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We incorporate by reference in this Item 13 the information regarding certain relationships and related transactions between us and some of our affiliates and the independence of our Board of Directors contained under the headings “Certain Relationships and Related Transactions” and “Other Information about the Board and its Committees” from our proxy statement to be delivered in connection with our 2013 Annual Meeting of Shareholders to be held on November 20, 2013.

## ITEM 14- PRINCIPAL ACCOUNTING FEES AND SERVICES

We incorporate by reference in this Item 14 the information regarding principal accounting fees and services contained under the section Ratification of the Reappointment of Auditors from our proxy statement to be delivered in connection with our 2013 Annual Meeting of Shareholders to be held on November 20, 2013.

# PART IV

## ITEM 15- EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

Our consolidated financial statements listed below are set forth in "Item 8-Financial Statements and Supplementary Data" of this report:


| | Page Number |
|---|---|
| Reports of Independent Registered Public Accounting Firm | 48 |
| Consolidated Statements of Income for the years ended May 31, 2013, 2012 and 2011 | 50 |
| Consolidated Statements of Comprehensive Income for the years ended May 31, 2013, 2012 and 2011 | 50 |
| Consolidated Balance Sheets as of May 31, 2013 and 2012 | 52 |
| Consolidated Statements of Cash Flows for the years ended May 31, 2013, 2012 and 2011 | 53 |
| Consolidated Statements of Changes in Equity for the years ended May 31, 2013, 2012, and 2011 | 54 |
| Notes to Consolidated Financial Statements | 57 |


**(a) 2. Financial Statement Schedules**


| | |
|---|---|
| Schedule II, Valuation and Qualifying Accounts | 86 |


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 SEC and are incorporated in this Item 15 by reference to those prior filings.

| | |
|---|---|
| 3.1** | Second Amended and Restated Articles of Incorporation of Global Payments Inc. |
| 3.2** | Sixth Amended and Restated By-laws of Global Payments Inc. |
| 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* | 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. |
| 10.2* | Amendment to Employment Agreement for Paul R. Garcia, filed as Exhibit 10.3 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference |
| 10.4* | Employment Agreement for Suellyn P. Tornay dated June 1, 2001, filed as Exhibit 10.23 to the Registrant's Annual Report on Form 10-K dated May 31, 2004, File No. 001-16111, and incorporated herein by reference. |
| 10.5* | Amendment to Employment Agreement for Suellyn P. Tornay dated June 1, 2001, filed as Exhibit 10.5 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference. |
| 10.6* | Amended and Restated 2000 Long-Term Incentive Plan, filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K dated May 31, 2003, File No. 001-16111, and incorporated herein by reference. |
| 10.7* | First Amendment to Amended and Restated 2000 Long-Term Incentive Plan, dated March 28, 2007, filed as Exhibit 10.17 to the Registrant's Annual Report on Form 10-K dated May 31, 2007, File No. 001-16111, and incorporated herein by reference. |
| 10.8* | Second Amendment to Amended and Restated 2000 Long-Term Incentive Plan, dated December 15, 2008 filed as Exhibit 10.1 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference. |

| | |
|---|---|
| 10.9* | Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, dated June 1, 2004, filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K dated May 31, 2007, File No. 001-16111, and incorporated herein by reference. |
| 10.10* | Amendment to the Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, dated March 28, 2007 filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K dated May 31, 2007, File No. 001-16111, and incorporated herein by reference. |
| 10.11* | Amended and Restated 2000 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. |
| 10.13* | Third Amended and Restated Global Payments Inc. 2005 Incentive Plan, dated December 31, 2008 filed as Exhibit 10.2 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference. |
| 10.14* | Form of Performance Unit Award (U.S. Officers) pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference. |
| 10.15* | Form of Performance Unit Award (Non-U.S. Officers) pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference. |
| 10.16* | Form of Non-Statutory Stock Option Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference. |
| 10.17* | Form of Non-Statutory Stock Option Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan (Hong Kong employees) filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference. |
| 10.18* | Form of Non-Statutory Stock Option Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan (certain Asia-Pacific employees) filed as Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference. |
| 10.19* | Form of Restricted Stock Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference. |
| 10.20* | Form of Stock-Settled Restricted Stock Unit Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference. |
| 10.21 | Amended and Restated Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce as administrative agent, and the financial institutions party thereto as lenders named therein, dated November 19, 2004, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated November 23, 2004, File No. 001-16111 and incorporated herein by reference. |
| 10.30 | Form of Marketing Alliance Agreement with HSBC Bank plc dated June 30, 2008 filed as Exhibit 10.30 to the Registrant's Annual Report on Form 10-K dated May 31, 2008, File No. 001-16111, and incorporated herein by reference. |
| 10.31 | First Amended and Restated Marketing Alliance Agreement with HSBC Bank plc, dated June 12, 2009 filed as Exhibit 10.39 to the Registrant's Annual Report on Form 10-K dated May 31, 2009, File No. 001-16111, and incorporated herein by reference. |
| 10.39* | Global Payments Inc. Annual Performance Plan (sub-plan to the Third Amended and Restated Global Payments Inc. 2005 Incentive Plan, dated December 31, 2008) dated August 29, 2011, filed as Exhibit 10.5 to the to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2011, File No. 001-16111, and incorporated herein by reference. |
| 10.40* | Form of the Performance Unit Award Agreement pursuant to the Third Amended and Restated Global Payments Inc. 2005 Incentive Plan, dated December 31, 2008, filed as Exhibit 10.6 to the to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2011, File No. 001-16111, and incorporated herein by reference. |

| | |
|---|---|
| 10.41* | Form of the Performance Unit Award Agreement (TSR) pursuant to the Third Amended and Restated Global Payments Inc. 2005 Incentive Plan, dated December 31, 2008, filed as Exhibit 10.7 to the to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2011, File No. 001-16111, and incorporated herein by reference. |
| 10.42* | Global Payments Inc. 2011 Non-Employee Director Compensation Plan (sub-plan to the Global Payments Inc. 2011 Incentive Plan, dated September 27, 2011) dated September 28, 2011, filed as Exhibit 10.8 to the to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2011, File No. 001-16111, and incorporated herein by reference. |
| 10.43* | Global Payments Inc. 2011 Incentive Plan filed as Exhibit 99. to the Registrant's Registration Statement on Form S-8 dated September 27, 2011, File No. 001-16111, and incorporated herein by reference. |
| 10.44* | Global Payments Inc. Amendment to Employment Agreement for Morgan M. Schuessler dated February 1, 2012, filed as Exhibit 10.9 to the to the Registrant's Quarterly Report on Form 10-Q dated February 29, 2012, File No. 001-16111, and incorporated herein by reference. |
| 10.45* | Key Position Agreement for Paul Garcia, filed as Exhibit 10.1 to Current Report on Form 8-K dated January 6, 2010, File No. 001-16111, and incorporated herein by reference. |
| 10.46* | Employment Agreement for David E. Mangum, filed as Exhibit 10.1 to Current Report on Form 8-K dated March 1, 2010, File No. 001-16111, and incorporated herein by reference. |
| 10.47* | Employment Agreement for Jeffery S. Sloan, filed as Exhibit 10.1 to Current Report on Form 8-K dated March 30, 2010, File No. 001-16111, and incorporated herein by reference. |
| 10.48* | Employment Agreement for Morgan M. Schuessler, Jr., filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q dated October 12, 2010, File No. 001-16111, and incorporated herein by reference. |
| 10.49* | Global Payments Inc. Non-Qualified Deferred Compensation Plan, filed as Exhibit 99.1 to the Registrant's Registration Statement on Form S-8 dated September 16, 2010, File No. 333-169436, and incorporated herein by reference. |
| 10.50* | Credit Agreement among Global Payments Inc., the other borrowers party thereto, Bank of America, N.A. as administrative agent and the financial institutions party thereto as lenders, dated December 7, 2010, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated December 7, 2010, File No. 001-16111, and incorporated herein by reference. |
| 10.51* | Term Loan Agreement among Global Payments Inc., Bank of America, N.A. as administrative agent and the financial institutions party thereto as lenders, dated September 28, 2012, filed as Exhibit 10.4 to the Registrant's Current Report on Form 10-Q dated October 2, 2012, File No. 001-16111, and incorporated herein by reference. |
| 10.52** | Global Payments Inc. Annual Performance Plan (sub-plan to the Global Payments Inc. 2011 Incentive Plan, dated September 27, 2011) dated August 29, 2012. |
| 14 | Code of Ethics for Senior Financial Officers, filed as Exhibit 14 to the Registrant's Annual Report on Form 10-K dated May 31, 2004, File No. 001-16111 and incorporated herein by reference. |
| 18 | Preferability Letter from Independent Registered Public Accounting Firm dated October 11, 2011, filed as Exhibit 18 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2011, File No. 001-16111 and incorporated herein by reference. |
| 21** | List of Subsidiaries |
| 23.1** | Consent of Independent Registered Public Accounting Firm |
| 31.1** | Rule 13a-14(a)/15d-14(a) Certification of CEO |
| 31.2** | Rule 13a-14(a)/15d-14(a) Certification of CFO |
| 32.1** | CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002. |

* Compensatory management agreement
** Filed with this report

**(b) Exhibits**

See the "Index to Exhibits" on page 97

**(c) Financial Statement Schedules**

See Item 15(a) (2) above.

**SIGNATURES**

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 July 25, 2013.

GLOBAL PAYMENTS INC.

By: /s/ Paul R. Garcia
**Paul R. Garcia**
***Chairman of the Board of Directors and Chief Executive Officer***
***(Principal Executive Officer)***

By: /s/ David E. Mangum
**David E. Mangum**
***Senior Executive Vice President and Chief Financial Officer***
***(Principal Financial Officer)***

By: */s/ Daniel C. O'Keefe*
***Daniel C. O'Keefe***
***Senior Vice President and Chief Accounting Officer***
***(Principal Accounting Officer)***

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Global Payments Inc. and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Paul R. Garcia<br>**Paul R. Garcia** | Chairman of the Board | July 25, 2013 |
| /s/ William I Jacobs<br>**William I Jacobs** | Lead Director | July 25, 2013 |
| /s/ Edwin H. Burba, Jr.<br>**Edwin H. Burba, Jr.** | Director | July 25, 2013 |
| /s/ Alex W. (Pete) Hart<br>**Alex W. (Pete) Hart** | Director | July 25, 2013 |
| /s/ Raymond L. Killian<br>**Raymond L. Killian** | Director | July 25, 2013 |
| /s/ Ruth Ann Marshall<br>**Ruth Ann Marshall** | Director | July 25, 2013 |
| /s/ Alan M. Silberstein<br>**Alan M. Silberstein** | Director | July 25, 2013 |
| /s/ Michael W. Trapp<br>**Michael W. Trapp** | Director | July 25, 2013 |
| /s/ Gerald J. Wilkins<br>**Gerald J. Wilkins** | Director | July 25, 2013 |

**GLOBAL PAYMENTS INC.**
**FORM 10-K**
**INDEX TO EXHIBITS**

| Exhibit Numbers | Description |
|---|---|
| 3.1 | Second Amended and Restated Articles of Incorporation of Global Payments Inc. |
| 3.2 | Sixth Amended and Restated By-laws of Global Payments Inc. |
| 10.52 | Global Payments Annual Performance Plan 2013 |
| 21 | List of Subsidiaries |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of CEO |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of CFO |
| 32.1 | CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002. |

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LIST OF SUBSIDIARIES
Global Payments Inc. has the following subsidiaries and ownership interests.

| NAME | JURISDICTION OF ORGANIZATION |
| --- | --- |
| Comercia Global Payments Entidad de Pago, S.L. | Spain (1) |
| DolEx Belgium, S.P.R.L. | Belgium |
| DolEx Europe, S.L. | Spain |
| Global Payment Holding Company | Delaware |
| Global Payment Systems Asia-Pacific (Malaysia) Sdn. Bhd. | Malaysia |
| Global Payment Systems LLC | Georgia |
| Global Payment Systems of Canada, Ltd. | Canada |
| Global Payments Acquisition Corp. 1 B.V. | Netherlands |
| Global Payments Acquisition Corp. 2 B.V. | Netherlands |
| Global Payments Acquisition Corp. 3 B.V. | Netherlands |
| Global Payments Acquisition Corp. 4 B.V. | Netherlands |
| Global Payments Acquisition Corporation 2 S.á.r.l. | Luxembourg |
| Global Payments Acquisition Corporation 3 S.á.r.l. | Luxembourg |
| Global Payments Acquisition Corporation 4 S.á.r.l. | Luxembourg |
| Global Payments Acquisition PS 1 C.V. | Netherlands |
| Global Payments Acquisition PS 2 C.V. | Netherlands |
| Global Payments Acquisition PS1—Global Payments Direct S.e.n.c. | Luxembourg |
| Global Payments Asia-Pacific (Hong Kong) Limited | Hong Kong |
| Global Payments Asia-Pacific (Hong Kong Holding) Limited | Hong Kong |
| Global Payments Asia-Pacific India Private Limited | India |
| Global Payments Asia-Pacific Lanka (Private) Limited | Sri Lanka |
| Global Payments Asia-Pacific Limited | Hong Kong |
| Global Payments Asia-Pacific Philippines Incorporated | Philippines |
| Global Payments Asia-Pacific Processing Company Limited | Hong Kong |
| Global Payments Asia-Pacific (Shanghai) Limited | People's Republic of China |
| Global Payments Asia-Pacific (Singapore) Private Limited | Singapore |
| Global Payments Asia-Pacific (Singapore Holding) Private Limited | Singapore |
| GP Asia-Pacific (Macau) Limited | Macau |
| Global Payments Canada GP | Canada |
| Global Payments Canada Inc. | Canada |
| Global Payments Card Processing Malaysia Sdn. Bhd | Malaysia |
| Global Payments Check Recovery Services, Inc. | Georgia |
| Global Payments Check Services, Inc. | Illinois |
| Global Payments Comerica Alliance, LLC | Delaware (2) |
| Global Payments Direct, Inc. | New York |
| Global Payments Europe, s.r.o. | Czech Republic |
| Global Payments Gaming Canada, Inc. | Canada |
| Global Payments Gaming International, Inc. | Georgia |
| Global Payments Gaming Services, Inc. | Illinois |
| Global Payments Process Centre Inc. | Philippines |
| Global Payments Singapore Private Limited | Singapore |
| Global Payments South America, Brasil—Servicos De Pagamentos Ltda. | Brazil |
| Global Payments UK Ltd. | United Kingdom |
| Global Payments UK 2 Ltd. | United Kingdom |

| | |
|---|---|
| GP Finance, Inc. | Delaware |
| GPC Financial Corporation | Canada |
| GPS Holding Limited Partnership | Georgia |
| HSBC Merchant Services LLP | United Kingdom |
| GPUK LLP | United Kingdom |
| Greater Giving, Inc. | Delaware |
| HSBC Merchant Services Limited | Malta |
| Merchant Services U.S.A., Inc. | North Carolina |
| Modular Data, Inc. | Delaware |
| NDC Holdings (UK) Ltd. | Georgia |
| NDPS Holdings, Inc. | Delaware |
| OOO UCS—Terminal | Russian Federation |
| Sabrir Invest, S.L.U. | Spain |
| United Card Service Private Company | Russian Federation |
| Global Payments - Servicos de Pagamentos s.a. | Brazil |
| GP-Direct APT, LLC | Delaware |

*(1) Comercia Global Payments Entidad de Pago, S.L. has a shareholder unrelated to Global Payments Inc. which owns a 49% noncontrolling interest.*

*(2) Global Payments Comerica Alliance, LLC has members unrelated to Global Payments Inc. which collectively own a 49% noncontrolling interest.*

# SECOND AMENDED AND RESTATED ARTICLES OF INCORPORATION
# OF
# GLOBAL PAYMENTS INC.

## ARTICLE ONE

## NAME

The name of the corporation is Global Payments Inc. (the "Corporation").

## ARTICLE TWO

## CAPITALIZATION

The Corporation shall have authority, to be exercised by the board of directors, to issue no more than (i) Two Hundred Million (200,000,000) shares of common stock, without par value, which shall be entitled to one vote per share and shall be entitled to receive the net assets of the Corporation upon dissolution and (ii) Five Million (5,000,000) shares of preferred stock, without par value. Shares of preferred stock may be issued from time to time in one or more classes or series, each such class or series to be so designated as to distinguish the shares thereof from the shares of all other classes and series. The Board of Directors is hereby vested with the authority to divide preferred stock into classes or series and to fix and determine the relative rights, preferences, qualifications, and limitation of the shares of any class or series so established.

## ARTICLE THREE

## BOARD OF DIRECTORS

**3.1 Classified Board of Directors.** The number of directors of the Corporation shall be as fixed from time to time by or pursuant to the Corporation's Bylaws. The directors shall be divided into three classes, Class I, Class II and Class III. At the annual shareholders meeting in 2001, the terms of the initial Class I directors shall expire and a new Class I shall be elected for a term expiring at the third annual meeting of shareholders following their election and upon the election and qualification of their respective successors; at the annual shareholders meeting in 2002, the terms of the initial Class II directors shall expire and a new Class II shall be elected for a term expiring at the third annual meeting of shareholders following their election and upon the election and qualification of their respective successors; and at the annual shareholders meeting in 2003, the terms of the initial Class III directors shall expire and a new Class III shall be elected for a term expiring at the third annual meeting of shareholders following their election and upon the election and qualification of their respective successors. At each succeeding annual meeting of shareholders, successors to the class of directors whose term expires at the annual meeting of shareholders shall be elected for a term expiring at the third annual meeting of shareholders following their election and upon the election and qualification of their respective successor.

**3.2 Removal.** Directors may only be removed from the Board of Directors for cause and only at a special meeting of shareholders called for such a purpose by the affirmative vote of at least two-thirds (2/3) of the total number of votes of the then outstanding shares of the Corporation's capital stock entitled to vote in the election of directors and only if notice of such proposal was contained in the notice of such meeting. Any vacancy in the Board of Directors resulting from such removal shall be filled in accordance with Section 3.4 hereof. For purposes of this Section, "cause" shall mean only (a) conviction of a felony,

(b) declaration of unsound mind or order of a court, (c) gross dereliction of duty, (d) commission of an action involving moral turpitude, or (e) commission of an action which constitutes intentional misconduct or a knowing violation of law if such action in either event results both in an improper substantial personal benefit and a material injury to the Corporation.

**3.3 Vacancies and Changes of Authorized Number.** All vacancies and any newly created directorship resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although fewer than a quorum, or by a sole remaining director. Each director chosen in accordance with this Section shall hold office until the next election of the class for which such director shall have been chosen, and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal; provided, however that a director chosen in accordance with this Section to fill a newly-created directorship shall hold office only until the next election of directors by the shareholders and until such director's successor is elected and qualified, or until the director's earlier death, resignation or removal.

**3.4 Amending or Repealing Article Three**. Notwithstanding any provision hereof, or of the Bylaws or any law which might otherwise permit a lesser vote, the affirmative vote of the holders of at least two-thirds (2/3) of all classes of stock entitled to vote in the election of directors shall be required to alter, amend or repeal this Article Three.

## ARTICLE FOUR

## CONSTITUENCY CONSIDERATIONS

In discharging the duties of their respective positions and in determining what is believed to be in the best interests of the Corporation, the Board of Directors, committees of the Board of Directors, and individual directors, in addition to considering the effects of any action on the Corporation or its shareholders, may consider the interests of the employees, customers, suppliers, and creditors of the Corporation, the communities in which offices or other establishments of the Corporation are located, and all other factors such directors consider pertinent; provided, however, that this Article shall be deemed solely to grant discretionary authority to the directors and shall not be deemed to provide to any constituency and right to be considered.

## ARTICLE FIVE

## AMENDMENT OF BYLAWS

Except as otherwise provided in this Article Five, the Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, by (a) the affirmative vote of the holders of two-thirds (2/3) of the shares of stock then outstanding and entitled to vote in the election of directors, or (b) the Board of Directors of the Corporation, but any Bylaw adopted by the Board of Directors may be altered, amended, or repealed, or new Bylaws may be adopted, by the affirmative vote of the holders of two-thirds (2/3) of the shares of stock entitled to vote in the election of directors. The shareholders may prescribe, by so expressing in the action they take in amending or adopting any Bylaw or Bylaws, that the Bylaw or Bylaws so amended or adopted by them shall not be altered, amended or repealed by the Board of Directors. Notwithstanding the foregoing, Section 4.05 of the Bylaws may not be modified, amended or repealed except by the affirmative vote of the holders of a majority of the shares of stock then outstanding and entitled to vote in the election of directors.

## ARTICLE SIX

## LIMITATION OF DIRECTOR LIABILITY

**6.1 Limitation of Liability.** A director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for any action taken, or any failure to take any action, as a director, except liability:

**(i)** for any appropriation, in violation of his or her duties, of any business opportunity of the Corporation;

**(ii)** for acts or omissions which involve intentional misconduct or a knowing violation of law;

**(iii)** for the types of liability set forth in Section 14-2-832 of the Georgia Business Corporation Code; or

**(iv)** for any transaction from which the director received an improper personal benefit.

**6.2 Repeal or Modification of this Article.** Any repeal or modification of the provisions of this Article by the shareholders of the Corporation shall be prospective only and shall not adversely affect any limitation on the liability of a director of the corporation with respect to any act or omission occurring prior to the effective date of such repeal or modification.

**6.3 Additional Provisions.** If the Georgia Business Corporation Code is amended, after this Article becomes effective, to authorize corporate action further eliminating or limiting the liability of directors, then, without further corporate action, the liability of a director of the Corporation, in addition to the limitation on liability provided herein, shall be limited to the fullest extent permitted by the Georgia Business Corporation Code, as so amended.

**6.4 Severability.** In the event that any of the provisions of this Article (including any provision within a single sentence) is held by a court of competent jurisdiction to be invalid, void, or otherwise unenforceable, the remaining provisions are severable and shall remain enforceable to the fullest extent permitted by law.

* * *

These Second Amended and Restated Articles of Incorporation contain amendments requiring shareholder approval and were duly adopted in accordance with the applicable provisions of Section 14-2-1003 of the Georgia Business Corporation Code by the Board of Directors of the Corporation on July 24, 2012 and by the shareholders of the Corporation on September 19, 2012.

These Second Amended and Restated Articles of Incorporation supersede the Amended and Restated Articles of Incorporation and all amendments thereto.

IN WITNESS WHEREOF, the Corporation has caused these Second Amended and Restated Articles of Incorporation to be executed by its duly authorized officer on this 19th day of December, 2012.

GLOBAL PAYMENTS INC.

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By: Suellyn Pryde Tornay
Executive Vice President and General Counsel

The foregoing were filed with the State of Georgia and are effective on December 20, 2012.

# SIXTH AMENDED AND RESTATED
# BYLAWS
# OF GLOBAL PAYMENTS INC.

Effective January 15, 2013

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## Article I. OFFICES AND AGENT

### Section 1.01 Registered Office and Agent

The corporation shall continuously maintain in the state of Georgia a registered office that may be the same as any of the corporation's places of business. In addition, the corporation shall continuously maintain a registered agent whose business office is identical with the registered office. The registered agent may be an individual who resides in the state of Georgia, a domestic corporation or nonprofit domestic corporation, or a foreign corporation or nonprofit foreign corporation authorized to transact business in the state of Georgia.

### Section 1.02 Other Offices

In addition to having a registered office, the corporation may have other offices, located in or out of the state of Georgia, as the corporation's board of directors ("Board of Directors") may designate from time to time.

## Article II. MEETINGS OF SHAREHOLDERS

### Section 2.01 Annual Meetings

The corporation shall hold a meeting of shareholders annually at a time designated by the Board of Directors for the purpose of electing directors and transacting any other business that may properly come before the shareholders. If the corporation does not hold an annual meeting as provided in this Section, any business, including the election of directors, that might properly have been acted upon at an annual meeting may be acted upon by the shareholders at a special meeting held in accordance with these bylaws or in accordance with a court order.

### Section 2.02 Special Meetings

Special meetings of shareholders may be called at any time by (i) the Board of Directors, (ii) the Chairman of the Board of Directors, (iii) the Chief Executive Officer of the corporation or (iv) the holders of two-thirds (2/3) of the votes entitled to be cast on any issue proposed to be considered at such special meeting following delivery by such holders to the Secretary of the corporation of one or more signed and dated written requests setting forth the purposes of such meeting. The business that may be transacted at any special meeting of shareholders shall be limited to that proposed in the notice of the special meeting given in accordance with Section 2.04 (including related or incidental matters that may be necessary or appropriate to effectuate the proposed business).

### Section 2.03 Place of Meetings

The corporation may hold shareholders' meetings, both annual and special, at any place in or out of the state of Georgia except that the corporation shall hold any meeting at the place set forth in the notice of the meeting or, if the meeting is held in accordance with

a waiver of notice of the meeting, at the place set forth in the waiver of notice. If no place is specified in the notice or the waiver of notice, the corporation shall hold the meeting at the corporation's principal office.

**Section 2.04 Notice of Meetings**

The corporation shall notify shareholders of the date, time, and place of each annual and special shareholders' meeting no fewer than ten (10) nor more than sixty (60) days before the meeting date. Unless the Georgia Business Corporation Code, as amended (the "Code"), or the Articles of Incorporation require otherwise, the corporation shall notify only those shareholders entitled to vote at the meeting who have not waived, in accordance with Section 5.02, the right to receive notice. In the case of an annual meeting, the notice need not state the purposes of the meeting unless the Articles of Incorporation or the Code provide otherwise. Notice of a special meeting shall include a description of the purpose or purposes for which the meeting is called. Notwithstanding the foregoing, as and to the extent permitted by Code Section 14-2-705(f), the corporation need not provide any notice required by this Section 2.04 to a shareholder to whom: (1) notices of two consecutive annual meetings; or (2) all and at least two payments of dividends or interest on securities or dividend reinvestment confirmations during a 12 month period, have been mailed addressed to the shareholder's address shown in the corporation’s current record of shareholders and have been returned as undeliverable. Any action or meeting which shall be taken or held without notice to any such shareholder shall have the same force and effect as if such notice had been duly given. If any such shareholder shall deliver to the corporation written notice setting forth such shareholder's then current address, the requirement that notice be given to such shareholder shall be resumed. If the action taken by the corporation requires the filing of a document under any provision of the Code, the document need not state that notice was not given to shareholders to whom notice was not required to be given pursuant hereto.

**Section 2.05 Shareholder Proposals and Director Nominations**

(a) No proposal for a shareholder vote (other than director nominations which are described in Section 2.05(b)) shall be submitted by a shareholder (a “Shareholder Proposal”) to the corporation’s shareholders unless the shareholder submitting such proposal (the “Proponent”) shall have filed a written notice setting forth with particularity (i) the names and business addresses of the Proponent (including each beneficial owner, if any, on whose behalf the Shareholder Proposal is being made) and all natural persons, corporations, partnerships, trusts or any other type of legal entity or recognized ownership vehicle (collectively, “Persons”) acting in concert with the Proponent (or such beneficial owner); (ii) the name and address of the Proponent

(including each beneficial owner, if any, on whose behalf the Shareholder Proposal is being made) and the other Persons identified in clause (i), as they appear on the corporation’s books (if they so appear); (iii) the class and number of shares of the corporation that are owned beneficially and of record by the Proponent (including each beneficial owner, if any, on whose behalf the Shareholder Proposal is being made) and the other Persons identified in clause (i); (iv) a description of the Shareholder Proposal containing all material information relating thereto, including ; (A) the text of the Shareholder Proposal (including the text of any resolutions proposed for consideration and in the event that such Shareholder Proposal

includes a proposal to amend the bylaws of the corporation, the language of the proposed amendment); (B) the reasons for submission of such Shareholder Proposal at the meeting and (C) any material interest in such Shareholder Proposal of each Proponent (and each beneficial owner, if any, on whose behalf the proposal is being made) and the other Persons identified in clause (i); (v) a description of any agreement, arrangement or understanding with respect to the Shareholder Proposal between or among the Proponent and each beneficial owner, if any, on whose behalf the Shareholder Proposal is being made, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing; (vi) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of such written notice by, or on behalf of, the Proponent and each beneficial owner, if any, on whose behalf the Shareholder Proposal is being made, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, the Proponent or such beneficial owner, with respect to securities of the corporation; (vii) a representation that the Proponent is a holder of record of stock of the corporation entitled to vote at such meeting and will so remain at the time of such meeting, and intends to appear in person or by proxy at the meeting to propose such business; (viii) a representation whether such Proponent or any beneficial owner on whose behalf the Shareholder Proposal is being made intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to approve or adopt the Shareholder Proposal or (2) otherwise to solicit proxies from shareholders in support of such Shareholder Proposal; (ix) any other information relating to such shareholder and such beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to and in accordance with Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder; and (x) such other information as the Board of Directors reasonably determines is necessary or appropriate to enable the Board of Directors and shareholders of the corporation to consider the Shareholder Proposal. Without limiting the foregoing, the information required by clauses (iii), (v), and (vi) of this Section 2.05(a) shall be updated by the Proponent and each beneficial owner, if any, on whose behalf the Shareholder Proposal is being submitted not later than 10 days after the record date for the meeting to

disclose such information as of the record date. The presiding officer at any shareholders' meeting may determine that any Shareholder Proposal was not made in accordance with the procedures prescribed in these bylaws or is otherwise not in accordance with law, and if it is so determined, such officer shall so declare at the meeting and the Shareholder Proposal shall be disregarded. Notwithstanding anything in these bylaws to the contrary, no provision of these bylaws shall affect any rights of shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 of the Exchange Act.

(b) Only persons who are selected and recommended by the Board of Directors or the committee of the Board of Directors designated to make nominations, or who are nominated by shareholders in accordance with the procedures set forth in this Section

2.05(b), shall be eligible for election, or qualified to serve, as directors. Nominations of individuals for election to the Board of Directors of the corporation at any annual meeting or any special meeting of shareholders at which directors are to be elected may be made by any shareholder of the corporation entitled to vote for the election of directors at that meeting by compliance with the procedures set forth in this Section 2.05(b). Nominations by shareholders shall be made by written notice (a "Nomination Notice"), which shall set forth (i) as to each individual nominated, (A) the name, date of birth, business address and residence address of such individual; (B) the educational background, the business experience during the past five years of such nominee, including his or her principal occupations and employment during such period, the name and principal business of any corporation or other organization in which such occupations and employment were carried on, and such other information as to the nature of his or her responsibilities and level of professional competence as may be sufficient to permit assessment of his or her prior business experience; (C) whether the nominee is or has ever been at any time a director, officer or owner of 5% or more of any class of capital stock, partnership interests or other equity interest of any corporation, partnership or other entity; (D) any directorships held by such nominee in any company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940, as amended; (E) whether such nominee has ever been convicted in a criminal proceeding or has ever been subject to a judgment, order, finding or decree of any federal, state or other governmental entity, concerning any violation of federal, state or other law, or any proceeding in bankruptcy, which conviction, order, finding, decree or proceeding may be material to an evaluation of the ability or integrity of the nominee; (F) any other information relating to such nominee that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Exchange Act, and (G) a written statement from the shareholder making the recommendation stating why such recommended candidate meets the criteria and would be able to fulfill the duties of a director, and (ii) as to the Person submitting the Nomination Notice, each beneficial owner, if any, on whose behalf the nomination is made and any Person acting in concert with such Persons, (A) the name and business address of such Person, (B) the name and

address of each such Person as they appear on the corporation's books (if they so appear), (C) the class and number of shares of the corporation that are owned beneficially and of record by each such Person, (D) a description of any agreement, arrangement or understanding with respect to the nomination between or among such Persons, any of their respective affiliates or associates, and any others acting in concert with any of the foregoing; (E) a description of any agreement, arrangement or understanding (including any derivative or short positions, profit interests, options, warrants, convertible securities, stock appreciation or similar rights, hedging transactions, and borrowed or loaned shares) that has been entered into as of the date of such written notice by, or on behalf of, each such Person, whether or not such instrument or right shall be subject to settlement in underlying shares of capital stock of the corporation, the effect or intent of which is to mitigate loss to, manage risk or benefit of share price changes for, or increase or decrease the voting power of, each such Person, with respect to securities of the corporation; (F) a representation that the Person submitting the Nomination Notice is a holder of record of stock of the corporation entitled to vote at such meeting and will so remain at the time of such meeting, and intends to appear in person or by proxy at the meeting to make such nomination; (G) a representation whether

any such Person intends or is part of a group which intends (1) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect each nominee or (2) otherwise to solicit proxies from shareholders in support of such nomination; and (H) any other information relating to such shareholder and such beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in an election contest pursuant to and in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder. A written consent to being named in a proxy statement as a nominee, and to serve as a director if elected, signed by each nominee, shall be filed with any Nomination Notice. Without limiting the foregoing, the information required by clauses (ii)(C), (D), and (E) of this Section 2.05(b) shall be updated by the Person delivering such Nomination Notice and each beneficial owner, if any, on whose behalf the Nomination Notice is being submitted not later than
10 days after the record date for the meeting to disclose such information as of the record date. The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility or qualification of such proposed nominee to serve as a director of the corporation. If the presiding officer at any shareholders' meeting determines that a nomination was not made in accordance with the procedures prescribed by these bylaws or any nominee is otherwise not eligible or qualified to serve as a director, he shall so declare to the meeting and the defective nomination shall be disregarded.

(c) Nomination Notices and Shareholder Proposals in connection with an annual meeting shall be delivered to the Secretary of the corporation at the principal executive office of the corporation not less than 120 nor more than 150 calendar days before the first anniversary of the date of the corporation's notice of annual meeting sent to shareholders in connection with the previous year's annual meeting; provided, that if no annual meeting was held in the previous year or the date of the annual meeting has
been established to be more than 30 calendar days earlier than or 60 calendar days after the anniversary of the previous year's annual meeting, notice by a shareholder, to be timely, must be so received not later than the later of (x) 90 days prior to the annual meeting or (y) the close of business on the 10th day following the day on which such notice of the date the annual meeting was mailed. Nomination Notices in connection with a special meeting at which directors are to be elected shall be delivered to the Secretary of the corporation at the principal executive office of the corporation not later than the close of business on the later of (i) the 90th day prior to such special meeting or (ii) the 10th day following the day on which public announcement is first made of the date of the special meeting and of the fact that directors are to be elected at such meeting. Shareholder Proposals in connection with a special meeting called by the Proponent in accordance with Section 2.02 shall be included in the written requests delivered pursuant to Section 2.02. In no event shall the public announcement of an adjournment or postponement of an annual or special meeting commence a new time period (or extend any time period) for the giving of a shareholder's notice as described above.

**Section 2.06 Voting Group**

The term "voting group" means all shares of one or more classes or series that under the Code or the Articles of Incorporation are entitled to vote and be counted together collectively on a matter at a meeting of shareholders. All shares entitled by the Code or the Articles of Incorporation to vote generally on the matter are for that purpose a single voting group.

**Section 2.07 Quorum for Voting Groups**

Shares entitled to vote as a separate voting group may take action on a matter at a meeting of shareholders only if a quorum of those shares exists with respect to that matter. Unless the Code or the Articles of Incorporation provide otherwise, a majority of the votes (as represented by person or by proxy) entitled to be cast on the matter by the voting group constitutes a quorum of that voting group for action on that matter. Once a share is represented for any purpose at a meeting, other than solely to object to holding the meeting or to transacting business at the meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is or must be set for that adjourned meeting as provided in Section 7.07.

**Section 2.08 Vote Required for Action**

If a quorum exists, action on a matter (other than the election of directors) by a voting group is approved if the votes cast within the voting group favoring the action exceed the votes cast opposing the action, unless the Code, the Articles of Incorporation, or the bylaws require a greater number of affirmative votes. If the Code or the Articles of Incorporation provide for voting by a single voting group on a matter, action on that matter is taken when voted upon by that voting group as provided in this Section and in Sections 2.06 and 2.07. If the Code or the Articles of Incorporation provide for voting by two or more voting groups on a matter, action on that matter is taken only when voted upon by each of those voting groups counted separately as provided in this section and in Sections 2.06 and 2.07. Action may be taken by one voting group on a matter even though no action is taken by another voting group entitled to vote on the matter.

**Section 2.09 Voting for Directors**

Unless otherwise provided in the Articles of Incorporation or the Code, directors are elected in accordance with Section 3.02. Shareholders do not have a right to cumulate their votes for directors unless the Articles of Incorporation so provide.

**Section 2.10 Voting of Shares**

Unless the Code or the Articles of Incorporation provide otherwise, each outstanding share having voting rights is entitled to one vote on each matter voted on at a meeting of shareholders.

**Section 2.11 Proxies**

(a) A shareholder may vote his or her shares in person or by proxy. For a shareholder to vote shares by proxy, a shareholder or his or her agent or attorney in fact shall appoint a proxy to vote or otherwise act for the shareholder by signing an appointment form or by an electronic transmission that is suitable for the retention, retrieval and reproduction of information by the recipient. An electronic transmission must contain or be accompanied by information from which it can be determined that the shareholder, the shareholder's agent, or the shareholder's attorney in fact authorized the electronic transmission. . An appointment of proxy is effective when received by the inspector of election or the officer or agent of the corporation authorized to tabulate votes. The appointment of proxy is valid for only one meeting and any adjournments, and the appointment form must specify that meeting. In any event, the appointment is not valid for longer than eleven (11) months unless the appointment form expressly provides for a longer period. Any copy, facsimile transmission, or other reliable reproduction of the writing or electronic transmission created pursuant to this Section may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used, provided that such copy, facsimile transmission, or other reproduction shall be a complete reproduction of the entire original writing or electronic transmission.

(b) An appointment of proxy is revocable or irrevocable as provided in the Code.

(c) If any person questions the validity of an appointment of proxy, that person shall submit the appointment form for examination to the secretary of the shareholders' meeting or to a proxy officer or committee appointed by the person presiding at the meeting. The secretary, proxy officer, or committee, as the case may be, will determine the appointment form's validity. The secretary's reference in the meeting's minutes to the regularity of the appointment of proxy will be *prima facie* evidence of the facts stated in the minutes for establishing a quorum at the meeting and for all other purposes.

**Section 2.12 Chairman of the Board; Conduct of Meetings**

The Chairman of the Board shall preside over every shareholders' meeting unless these bylaws or the Board of Directors designate another person to preside at a meeting. The person presiding at a meeting may appoint any persons he or she deems necessary to assist with the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of a meeting of shareholders as it shall deem appropriate. Subject to such rules and regulations as the Board may adopt, at any meeting of shareholders, the person presiding at the meeting may establish the rules of order and procedures governing the conduct of business at such meeting, and do all such acts as, in the judgment of the presiding person, are appropriate for the proper conduct of such meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the person presiding at the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to shareholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the person presiding at the meeting

shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The person presiding at any meeting of shareholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and, if such presiding person should so determine, shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered.

**Section 2.13 Inspectors**

The corporation shall appoint one or more inspectors to act at a shareholders' meeting and to make a written report of the inspectors' determinations. Each inspector shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of the inspector's ability. The inspector shall: ascertain the number of shares outstanding and the voting power of each; determine the shares represented at a meeting; determine the validity of proxies and ballots; count all votes; and determine the result. An inspector may be an officer or employee of the corporation.

**Section 2.14 Adjournments**

Whether or not a quorum is present to organize a meeting, any meeting of shareholders (including an adjourned meeting) may be adjourned by the holders of a majority of the voting shares represented at the meeting to reconvene at a specific time and place, but no later than 120 days after the date fixed for the original meeting unless the requirements of the Code concerning the selection of a new record date have been met. At any reconvened meeting within that time period, any business may be transacted that could have been transacted at the meeting that was adjourned. If notice of the adjourned meeting was properly given, it shall not be necessary to give any notice of the reconvened meeting or of the business to be transacted, if the date, time and place of the reconvened meeting are announced at the meeting that was adjourned and before adjournment; provided, however, that if a new record date is or must be fixed, notice of the reconvened meeting must be given to persons who are shareholders as of the new record date.

**Section 2.15 Action by Shareholders Without a Meeting**

Action required or permitted by the Code to be taken at a shareholders' meeting may be taken without a meeting if the action is taken by all shareholders entitled to vote on the action. The action must be evidenced by one or more written consents bearing the date of signature and describing the action taken, signed by all shareholders entitled to take action without a meeting, and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

## Article III. THE BOARD OF DIRECTORS

**Section 3.01 General Powers**

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All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors and those committees of the Board of Directors established pursuant to Section 3.06 of these bylaws, subject to any limitation set forth in the Articles of Incorporation, bylaws approved by the shareholders, or agreements among the shareholders that are otherwise lawful.

**Section 3.02 Number, Election and Term of Office**

The number of directors of the corporation shall be no less than two (2) and no greater than twelve (12) and may be adjusted by resolution of the shareholders or of the Board of Directors from time to time. Any resolution of the Board of Directors increasing or decreasing the number of directors of the corporation shall require the affirmative vote of at least two-thirds (2/3) of the entire Board of Directors. The directors

shall be divided into three classes, Class I, Class II and Class III, each consisting, as nearly equal in number as possible, of one third of the total number of directors constituting the entire Board of Directors. At each annual meeting of shareholders, successors to the class of directors whose term expires at the annual meeting of shareholders shall be elected for a three year term. Except as provided in Section 3.04, each director shall be elected by a majority of the votes cast with respect to the director by the shares represented in person or by proxy and entitled to vote at any meeting for the election of directors at which a quorum is present; provided, however, that if the number of director nominees exceeds the number of directors to be elected ten days before the mailing of the definitive proxy statement, then each director shall be elected by a vote of the plurality of the shares represented in person or by proxy at such meeting and entitled to vote on the election of directors. For purposes of this Section 3.02, a majority of the votes cast means that the number of shares voted “for” a director must exceed the number of votes cast “against” that director.

The number of directors may be increased or decreased from time to time as provided herein or by amendment to these bylaws and the Articles of Incorporation of the corporation; provided, however, that any amendment to the bylaws by the Board of Directors which increases or decreases the number of directors of the corporation must be approved by the affirmative vote of at least two-thirds (2/3) of the entire Board of Directors; provided further, that the total number of directors at any time shall not be less than two (2) provided further, that no decrease in the number of directors shall have the effect of shortening the term of an incumbent director. In the event of any increase or decrease in the authorized number of directors, each director then serving shall continue as a director of the class of which he is a member until the expiration of his current term, or his earlier resignation, retirement, disqualification, removal from office or death, and the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three classes of directors so as to maintain such classes as nearly equal as possible; provided, however, that any such additional directors elected by the Board shall serve only for a term expiring at the next meeting of the shareholders called for the purpose of electing directors. Each director shall serve until his successor is elected and qualified or until his earlier resignation, retirement, disqualification, removal from office, or death.

**Section 3.03 Removal**

The shareholders may remove one or more directors only for cause and only by the affirmative vote of the holders of at least two-thirds (2/3) of all votes entitled to be cast in the election of such directors. If the director was elected by a voting group of shareholders, only the shareholders of that voting group may participate in the vote to remove the director. The shareholders may remove a director only at a special meeting called for the purpose of removing the director, and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the director. For purposes of this Section, "cause" shall mean only (i) conviction of a felony, (ii) declaration of unsound mind by an order of a court, (iii) gross dereliction of duty, (iv) commission of an action involving moral turpitude or (v) commission of an action which constitutes intentional misconduct or a knowing violation of law if such action results in an improper substantial personal benefit and a material injury to the corporation.

**Section 3.04 Vacancies**

If a vacancy occurs on the Board of Directors, the vacancy may be filled by a majority of the directors then in office, even if fewer than a quorum, or by a sole remaining director. Each director chosen in accordance with this Section shall hold office until the next election of the class for which such director shall have been chosen, and until such director's successor is elected and qualified, or until the director's earlier death. Even if the directors remaining in office constitute fewer than a quorum of the Board of Directors, the directors may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office. If the vacant office was held by a director elected by a voting group of shareholders, only the holders of shares of that voting group or the remaining directors elected by that voting group are entitled to vote to fill the vacancy.

**Section 3.05 Compensation**

Unless the Articles of Incorporation provide otherwise, the Board of Directors may determine from time to time the compensation, if any, that directors may receive for their services as directors. A director may also serve the corporation in a capacity other than that of director and receive compensation determined by the Board of Directors for services rendered in such other capacity.

**Section 3.06 Committees**

The Board of Directors by resolution may create one or more committees and appoint members of the Board of Directors to serve on such committees at the discretion of the Board of Directors. Except as limited by the Code, each committee will have the authority set forth in the resolution establishing such committee or in such committee's charter as approved by the Board.

## Article IV. MEETINGS OF THE BOARD OF DIRECTORS

**Section 4.01 Regular Meetings**

The Board of Directors shall hold a regular meeting on the same day as or immediately after an annual shareholders' meeting or a special shareholders' meeting held in lieu of an annual meeting. In addition, the Board of Directors may schedule and hold other meetings at regular intervals throughout the year.

**Section 4.02 Special Meetings**

The Board of Directors shall hold a special meeting upon the call of the Chairman of the Board, the President or any two directors.

**Section 4.03 Place of Meetings**

The Board of Directors may hold meetings, both regular and special, at any place in or out of the state of Georgia. Regular meetings shall be held at the place established from time to time for regular meetings. Special meetings shall be held at the place set forth in the notice of the meeting or, if the special meeting is held in accordance with a waiver of notice of the meeting, at the place set forth in the waiver of notice.

**Section 4.04 Notice of Meetings**

Unless Section 4.05 or the Articles of Incorporation provide otherwise, the corporation is not required to give notice of the date, time, place, or purpose of a regular meeting of the Board of Directors. Unless Section 4.05 or the Articles of Incorporation provide otherwise, the corporation shall give each member of the Board of Directors at least one (1) day's prior notice of the date, time, and place of a special meeting of the Board of Directors. Notices of special meetings shall comply with Section 5.01 and may be waived in accordance with Section 5.02.

**Section 4.05 Notice of Certain Directors Meetings**

Notwithstanding Section 4.04, the corporation shall give each member of the Board of Directors at least five (5) days prior written notice of any regular or special meeting at which any business combination transaction involving the corporation or any of its subsidiaries, including, without limitation, any merger, consolidation or sale of substantially all of its assets, is to be considered by the Board of Directors, which notice shall also state that such a transaction is to be considered and specify in reasonable detail the material terms of such transaction.

**Section 4.06 Quorum**

Unless the Code, the Articles of Incorporation, or these bylaws require a greater number, a quorum of the Board of Directors consists of a majority of the total number of directors that has been initially fixed in the Articles of Incorporation or that has been later

prescribed by resolution of the shareholders or of the Board of Directors in accordance with Section 3.02.

**Section 4.07 Vote Required for Action**

(a) If a quorum is present when a vote is taken, the affirmative vote of a majority of directors present is the act of the Board of Directors unless the Code, the Articles of Incorporation, or these bylaws require the vote of a greater number of directors.

(b) A director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when corporate action is taken is deemed to have assented to the action taken unless:

(i) he or she objects at the beginning of the meeting (or promptly upon his or her arrival) to holding it or transacting business at the meeting;

(ii) his or her dissent or abstention from the action taken is entered in the minutes of the meeting; or

(iii) he or she delivers written notice of his or her dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation immediately after adjournment of the meeting.

The right to dissent or abstain is not available to a director who votes in favor of the action taken.

**Section 4.08 Participation by Conference Telephone**

Any or all directors may participate in a meeting of the Board of Directors or of a committee of the Board of Directors through the use of any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means shall be deemed to be present in person at the meeting.

**Section 4.09 Adjournments**

A majority of the directors present at a meeting may adjourn the meeting from time to time. This right to adjourn exists whether or not a quorum is present at the meeting and applies to regular as well as special meetings, including any meetings that are adjourned and reconvened. If a meeting of the Board of Directors is adjourned to a different date, time, or place, the corporation is not required to give notice of the new date, time, or place or of the business to be transacted, if the new date, time, or place is announced at the meeting before adjournment. At the meeting reconvened after adjournment, the Board of Directors may transact any business that could have been transacted at the meeting that was adjourned.

**Section 4.10 Action by Directors Without a Meeting**

Any action required or permitted by the Code to be taken at any meeting of the Board of Directors (or a committee of the Board of Directors) may be taken without a meeting if the action is taken by all of the members of the Board of Directors (or the committee, as the case may be). The action must be evidenced by one or more written consents describing the action taken, signed by each of the directors (or each of the directors serving on the committee, as the case may be), and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

## Article V. MANNER OF NOTICE TO AND WAIVER OF NOTICE BY SHAREHOLDERS AND DIRECTORS

**Section 5.01 Manner of Notice**

(a) Whenever these bylaws require notice to be given to any shareholder or director, the notice must comply with this Section 5.01 in addition to any other section of these bylaws concerning notice and any provision in the Articles of Incorporation.

(b) Notice to shareholders shall be in writing or oral if oral notice is reasonable under the circumstances. Notice to a director may be written or oral.

(c) Except as specified in Section 4.05, notice may be communicated in person; by telephone, telegraph, teletype, facsimile, or other form of wire or wireless communication; or by mail or private carrier. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published, or by radio, television, or other form of public broadcast communication. Unless otherwise provided in the Code, the Articles of Incorporation, or these bylaws, notice by facsimile or electronic transmission, telegraph, or teletype shall be deemed to be notice in writing.

(d) Written notice to the corporation's shareholders, if in comprehensible form, is effective when mailed, if mailed with first-class postage prepaid and correctly addressed to the shareholder's address shown in the corporation's current record of shareholders; provided, however, that if the corporation has more than 500 shareholders of record entitled to vote at a meeting, it may utilize a class of mail other than first class if the notice of meeting is mailed, with adequate postage prepaid, not less than 30 days before the date of the meeting.

(e) Except as provided in subsection 5.01(d), written notice, if in a comprehensible form, is effective at the earliest of the following unless otherwise required by law:

(i) when received, or when delivered, properly addressed, to the addressee's last known principal place of business or residence;

(ii) five (5) days after its deposit in the mail, as evidenced by the postmark, or such longer period as provided in the Articles of Incorporation or these bylaws, if mailed with first-class postage prepaid and correctly addressed; or

(iii) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee.

(f) Oral notice is effective when communicated if communicated in a comprehensible manner.

(g) In calculating time periods for notice, when a period of time measured in days, weeks, months, years, or other measurement of time is prescribed for the exercise of any privilege or the discharge of any duty, the first day shall not be counted but the last day shall be counted.

**Section 5.02 Waiver of Notice**

(a) A shareholder may waive any notice before or after the date and time stated in the notice. Except as provided in subsection 5.02(b), the waiver must be in writing or by electronic transmission, be signed by the shareholder entitled to the notice, and be delivered to the corporation for inclusion in the minutes or filing with the corporate records.

(b) A shareholder's attendance at a meeting:

(i) waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and

(ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

(c) A shareholder's waiver of notice is not required to specify the business transacted or the purpose of the meeting unless required by the Code or these bylaws.

(d) A director may waive any notice before or after the date and time stated in the notice. Except as provided in paragraph (e) of this Section 5.02, the waiver must be in writing or by electronic transmission, signed by the director entitled to the notice, and delivered to the corporation for inclusion in the minutes or filing with the corporate records.

(e) A director's attendance at or participation in a meeting waives any required notice to him or her of the meeting unless the director at the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

## Article VI. OFFICERS

### Section 6.01 Duties

The officers of the corporation may include a Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President and Secretary and any other officers as may be appointed by the Board of Directors, as it determines, in its sole discretion, to be necessary or desirable. The officers will have the authority and will perform the duties as set forth in these bylaws. The other officers that are appointed will have the authority and will perform the duties as established by the Board of Directors from time to time.

### Section 6.02 Appointment and Term

The Board of Directors appoints the individuals who will serve as officers of the corporation. An individual may simultaneously hold more than one office. Any officer appointed in accordance with this Article VI may appoint one or more officers or assistant officers. All officers serve at the pleasure of the Board of Directors. The Board of Directors may remove with or without cause any officer.

### Section 6.03 Compensation

The Board of Directors or a committee thereof will fix the compensation, if any, of all corporate officers.

### Section 6.04 Chairman of the Board

The Chairman of the Board shall preside at all meetings of shareholders and the Board of Directors. The Chairman of the Board shall have such other powers and duties as may be delegated to him or her from time to time by the Board of Directors.

### Section 6.05 Chief Executive Officer

The Chief Executive Officer shall be primarily responsible for the general management of the business affairs of the Corporation and for implementing policies and directives of the board of directors. The Chief Executive Officer shall also preside at all meetings of shareholders and the Board of Directors during the absence or disability of

the Chairman of the Board. Unless the Articles of Incorporation, these bylaws, or a resolution of the Board of Directors provides otherwise, the Chief Executive Officer may execute and deliver on behalf of the corporation any contract, conveyance, or similar document not requiring approval by the Board of Directors or shareholders as provided in the Code. The

Chief Executive Officer shall have any other authority and will perform any other duties that the Board of Directors may delegate to him or her from time to time.

**Section 6.06 President**

In the absence of the Chairman of the Board and the Chief Executive Officer, or if there is none, the President shall preside at meetings of the shareholders and Board of Directors. The President shall assume and perform the duties of the Chairman of the Board in the absence or disability of the Chairman of the Board and the Chief Executive Officer or whenever the offices of the Chairman of the Board and the Chief Executive Officer are vacant. The President will have any other authority and will perform any other duties that the Board of Directors may delegate to him or her from time to time.

**Section 6.07 Chief Financial Officer**

The Chief Financial Officer shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors, Chief Executive Officer or the President. The Chief Financial Officer will have responsibility for the custody of all funds and securities belonging to the corporation and for the receipt, deposit, or disbursement of funds and securities under the direction of the Board of Directors. The Chief Financial Officer will cause to be maintained true accounts of all receipts and disbursements and will make reports of these to the Board of Directors, upon its request, and to the Chief Executive Officer or the President, upon his or her request. The Chief Financial Officer will have any other authority and will perform any other duties that the Board of Directors may delegate to him or her from time to time.

**Section 6.08 Secretary**

The Secretary will have responsibility for preparing minutes of the acts and proceedings of all meetings of the shareholders, of the Board of Directors, and of any committees of the Board of Directors, as directed by the chairperson of a particular committee. The Secretary will have authority to give all notices required by the Code, other applicable law, or these bylaws. The Secretary will have responsibility for the custody of the corporate books, records, contracts, and other corporate documents. The Secretary will have authority to affix the corporate seal to any lawfully executed document and will sign any instruments that require his or her signature. The Secretary will authenticate records of the corporation. The Secretary will have any other authority and will perform any other duties that the Board of Directors may delegate to him or her from time to time. In the case of absence or disability of the Secretary, or at the direction of the Chief Executive Officer or the President, any assistant secretary has the authority and may perform the duties of the Secretary.

**Section 6.09 Bonds**

The Board of Directors by resolution may require any or all of the officers, agents, or employees of the corporation to give bonds to the corporation, with sufficient surety or sureties, conditioned on the faithful performance of the duties of their respective offices or positions, and to comply with any other conditions that from time to time may be required by the Board of Directors.

## Article VII. SHARES

### Section 7.01 Authorization and Issuance of Shares

The Board of Directors may authorize shares of any class or series provided for in the Articles of Incorporation to be issued for consideration deemed valid under the provisions of the Code. In addition, before the corporation issues the shares authorized by the Board of Directors, the Board of Directors must determine that the consideration received or to be received for shares to be issued is adequate. To the extent provided in the Articles of Incorporation, the Board of Directors will determine the preferences, limitations, and relative rights of such shares before their issuance.

### Section 7.02 Share Certificates

Shares of the corporation's stock may be certificated or uncertificated, as provided under the Code. The interest of each shareholder may be evidenced by a certificate or certificates representing shares of the corporation which, if any, shall be in such form as Board of Directors may from time to time adopt. Share certificates, if any, shall be numbered consecutively, shall be in registered form shall indicate the date of issuance, the name of the corporation and that it is organized under the laws of the State of Georgia, the name of the shareholder, and the number and class of shares and the designation of the series, if any, represented by the certificate. Each certificate shall be signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, or the Secretary, provided, however, that where a certificate is signed (either manually or by facsimile) by a transfer agent, or registered by a registrar, the signatures of those officers may be facsimiles. If a certificate is signed in facsimile, then it must be countersigned by a transfer agent or registered by a registrar other than the corporation itself or an employee of the corporation. The transfer agent or registrar may sign either manually or by facsimile. The corporate seal need not be affixed. The interest of a shareholder in the corporation also may be evidenced by registration in the holder's name in uncertificated, book-entry form on the books of the corporation in accordance with a direct registration system approved by the Securities and Exchange Commission and by the New York Stock Exchange (or its successor) or any
securities exchange or automated quotation system on which the shares of the corporation's stock may from time to time be quoted or listed.

### Section 7.03 Registered Owner

The corporation may treat the registered owner of any share of stock of the corporation as the person exclusively entitled to vote that share and to receive any

dividend or other distribution with respect to that share and as the exclusive owner of that share for all other purposes. Accordingly, the corporation is not required to recognize any other person's equitable, or other, claim to or interest in that share, whether or not the corporation has express or other notice of the claim or interest, except as provided otherwise by law.

**Section 7.04 Transfers of Shares**

The Board of Directors shall have power and authority to make all rules and regulations as they may deem expedient concerning the transfer and registration of shares of the corporation. Transfer of shares shall be in accordance with such rules and regulations.

The Board of Directors shall have authority to appoint a transfer agent and/or a registrar for the shares of its capital stock, and to empower them or either of them in such manner and to such extent as it may deem best, and to remove such agent or agents from time to time, and to appoint another agent or other agents. Transfers of shares shall be made upon the transfer books of the corporation, kept at the office of the transfer agent designated to transfer the shares, only upon direction of the registered owner, or by an attorney lawfully constituted in writing. With respect to certificated shares, before a new certificate is issued, the old certificate shall be surrendered for cancellation or, in the case of a certificate alleged to have been lost, stolen, or destroyed, the requirements of Section 7.06 of these bylaws shall have been met. Upon transfer of uncertificated shares, the record of such person’s stock shall be cancelled and shares shall be transferred to the person entitled thereto upon the issuance of a certificate or electronic transfer of such shares.

**Section 7.05 Duty of Corporation to Register Transfer**

Notwithstanding any provision in Section 7.04, the corporation is not under a duty to register the transfer of a share unless:

(a) the certificate representing that share is endorsed by the appropriate person or persons;

(b) reasonable assurance is given that the endorsement or affidavit (in the case of a lost, stolen, or destroyed certificate) is genuine and effective;

(c) the corporation either has no duty to inquire into adverse claims or has discharged that duty;

(d) the requirements of any applicable law relating to the collection of taxes for the proposed transfer have been met; and

(e) the transfer is in fact rightful or is to a bona fide purchaser.

**Section 7.06 Lost, Stolen, or Destroyed Certificates**

Any person claiming a share certificate has been lost, stolen, or destroyed must make an affidavit or affirmation of that fact in the manner prescribed by the Board of Directors. In addition, if the Board of Directors requires, the person must give the corporation a bond of indemnity in a form and amount, and with one or more sureties, satisfactory to the Board of Directors. Once the person has satisfactorily completed these steps, the corporation will issue an appropriate new certificate to replace the certificate alleged to have been lost, stolen, or destroyed.

**Section 7.07 Record Date with Regard to Shareholder Action**

If not otherwise fixed under Code Section 14-2-703 or 14-2-707, the record date for determining shareholders entitled to notice of and entitled to vote at an annual or special shareholders' meeting is the close of business on the day before the first notice is delivered to shareholders. The Board of Directors may fix a future date as the record date in order to determine the shareholders entitled to notice of a shareholders' meeting, to demand a special meeting, to vote, or to take any other action (except an action provided for in Section 8.02). Any future date fixed as a record date may not be more than seventy (70) days before the date on which the meeting is to be held or the action requiring a determination of shareholders is to be taken. A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting. If the Board of Directors does not fix a future date as a record date, the corporation will determine the record date in accordance with the Code.

## Article VIII. DISTRIBUTIONS

**Section 8.01 Authorization or Declaration**

Subject to any restriction in the Articles of Incorporation, the Board of Directors from time to time in its discretion may authorize or declare and the corporation may make distributions to the shareholders in accordance with the Code.

**Section 8.02 Record Date With Regard to Distributions**

The Board of Directors may fix a future date as the record date in order to determine shareholders entitled to a distribution (other than one involving a purchase, redemption, or other reacquisition of the corporation's shares). If the Board of Directors does not fix a future date as the record date, the corporation will determine the record date in accordance with the Code.

## Article IX. INDEMNIFICATION

**Section 9.01 Definitions**

As used in this Article, the term:

(a) "corporation" includes any domestic or foreign predecessor entity of the corporation in a merger or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(b) "director" or "officer" means an individual who is or was a director or board-elected officer, respectively, of the corporation or who, while a director or officer of the corporation, is or was serving at the corporation's request as a director, officer, partner, trustee, employee, or agent of another domestic or foreign corporation, partnership, joint venture, trust, employee benefit plan, or other entity. A director or officer is considered to be serving an employee benefit plan at the corporation's request if his or her duties to the corporation also impose duties on, or otherwise involve services by, the director or officer to the plan or to participants in or beneficiaries of the plan. "Director" or "officer" includes, unless the context otherwise requires, the estate or personal representative of a director or officer.

(c) "disinterested director" or "disinterested officer" means a director or officer, respectively who at the time of an evaluation referred to in subsection 9.05(b) is not:

(i) A party to the proceeding; or

(ii) An individual having a familial, financial, professional, or employment relationship with the person whose advance for expenses is the subject of the decision being made with respect to the proceeding, which relationship would, in the circumstances, reasonably be expected to exert an influence on the director's or officer's judgment when voting on the decision being made.

(d) "expenses" includes counsel fees.

(e) "liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to an employee benefit plan), or reasonable expenses incurred with respect to a proceeding.

(f) "party" includes an individual who was, is, or is threatened to be made a named defendant or respondent in a proceeding.

( g ) "proceeding" means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative or investigative and whether formal or informal.

(h) "Reviewing Party" shall mean the person or persons making the determination as to reasonableness of expenses pursuant to Section 9.05 of this Article, and shall not include a court making any determination under this Article or otherwise.

**Section 9.02 Basic Indemnification Arrangement**

(a) The corporation shall indemnify an individual who is a party to a proceeding because he or she is or was a director or officer against liability incurred in the proceeding; provided, however that the corporation shall not indemnify a director or officer under this Article for any liability incurred in a proceeding in which the director or officer is adjudged liable to the corporation or is subjected to injunctive relief in favor of the corporation:

(i) For any appropriation, in violation of his or her duties, of any business opportunity of the corporation;

(ii) For acts or omissions which involve intentional misconduct or a knowing violation of law;

(iii) For the types of liability set forth in Section 14-2-832 of the Code; or

(iv) For any transaction from which he or she received an improper personal benefit.

(b) If any person is entitled under any provision of this Article to indemnification by the corporation for some portion of liability incurred by him or her, but not the total amount thereof, the corporation shall indemnify such person for the portion of such liability to which he or she is entitled.

**Section 9.03 Advances for Expenses**

(a) The corporation shall, before final disposition of a proceeding, advance funds to pay for or reimburse the reasonable expenses incurred by a director or
officer who is a party to a proceeding because he or she is a director or officer if he or she delivers to the corporation:

(i) A written affirmation of his or her good faith belief that his or her conduct does not constitute behavior of the kind described in subsection 9.02(a) above; and

(ii) His or her written undertaking (meeting the qualifications set forth below in subsection 9.03(b)) to repay any funds advanced if it is ultimately determined that he or she is not entitled to indemnification under this Article or the Code.

(b) The undertaking required by subsection 9.03(a)(ii) above must be an unlimited general obligation of the proposed indemnitee but need not be secured and shall be accepted without reference to the financial ability of the proposed indemnitee to make repayment. If a director or officer seeks to enforce his or her rights to indemnification in a

court pursuant to Section 9.04 below, such undertaking to repay shall not be applicable or enforceable unless and until there is a final court determination that he or she is not entitled to indemnification, as to which all rights of appeal have been exhausted or have expired.

**Section 9.04 Court-Ordered Indemnification and Advances for Expenses**

(a) A director or officer who is a party to a proceeding because he or she is a director or officer may apply for indemnification or advance for expenses to the court conducting the proceeding or to another court of competent jurisdiction. For purposes of this Article, the corporation hereby consents to personal jurisdiction and venue in any court in which is pending a proceeding to which a director or officer is a party. Regardless of any determination by the Reviewing Party as to the reasonableness of expenses, and regardless of any failure by the Reviewing Party to make a determination as to the reasonableness of expenses, such court's review shall be a *de novo* review. After receipt of an application and after giving any notice it considers necessary, the court shall:

(i) Order indemnification or advance for expenses if it determines that the director or officer is entitled to indemnification or advance for expenses; or

(ii) Order indemnification or advance for expenses if it determines, in view of all the relevant circumstances, that it is fair and reasonable to indemnify the director or officer, or to advance expenses to the director or officer, even if the director or officer failed to comply with the requirements for advance of expenses, or was adjudged liable in a proceeding referred to in subsection 9.02(a)(iv) above.

(b) If the court determines that the director or officer is entitled to indemnification or advance for expenses, the corporation shall pay the director's or
officer's reasonable expenses to obtain court-ordered indemnification or advance for expenses.

**Section 9.05 Determination of Reasonableness of Expenses**

(a) The corporation acknowledges that indemnification of a director or officer under Section 9.02 has been pre-authorized by the corporation as permitted by Section 14-2-859(a) of the Code, and that pursuant to authority exercised under Section
14-2-856 of the Code, no determination need be made for a specific proceeding that indemnification of the director or officer is permissible in the circumstances because he or she has met a particular standard of conduct. Nevertheless, except as set forth in subsection 9.05(b) below, evaluation as to reasonableness of expenses of a director or officer for a specific proceeding shall be made as follows:

(i) If there are two or more disinterested directors, by the board of directors of the corporation by a majority vote of all disinterested directors (a majority of

whom shall for such purpose constitute a quorum) or by a majority of the members of a committee of two or more disinterested directors appointed by such a vote; or

(ii) If there are fewer than two disinterested directors, by the board of directors (in which determination directors who do not qualify as disinterested directors may participate); or

(iii) By the shareholders, but shares owned by or voted under the control of a director or officer who at the time does not qualify as a disinterested director or disinterested officer may not be voted on the determination.

(b) Notwithstanding the requirement under subsection 9.05(a) that the Reviewing Party evaluate the reasonableness of expenses claimed by the proposed indemnitee, any expenses claimed by the proposed indemnitee shall be deemed reasonable if the Reviewing Party fails to make the evaluation required by subsection 9.05(a) within sixty (60) days following the later of:

(1) the corporation's receipt of the affirmative undertaking required by Section 9.03 (a); or

(2) the corporation's receipt of invoices for specific expenses to be reimbursed or advance.

**Section 9.06 Indemnification of Employees and Agents**

The corporation may indemnify and advance expenses under this Article to an employee or agent of the corporation who is not a director or officer to the same extent and subject to the same conditions that a Georgia corporation could, without shareholder approval under Section 14-2-856 of the Code, indemnify and advance expenses to a director, or to any lesser extent (or greater extent if permitted by law) determined by the Board of Directors, in each case consistent with public policy.

**Section 9.07 Liability Insurance**

The corporation may purchase and maintain insurance on behalf of an individual who is a director, officer, employee or agent of the corporation or who, while a director, officer, employee or agent of the corporation, serves at the corporation's request as a director, officer, partner, trustee, employee or agent of another domestic or foreign corporation, partnership, joint venture, trust, employee benefit plan, or other entity against liability asserted against or incurred by him or her in that capacity or arising from his or her status as a director, officer, employee, or agent, whether or not the corporation would have power to indemnify or advance expenses to him or her against the same liability under this Article or the Code.

**Section 9.08 Witness Fees**

Nothing in this Article shall limit the corporation's power to pay or reimburse expenses incurred by a person in connection with his or her appearance as a witness in a proceeding at a time when he or she is not a party.

**Section 9.09 Report to Shareholders**

To the extent and in the manner required by the Code from time to time, if the corporation indemnifies or advances expenses to a director or officer in connection with a proceeding by or in the right of the corporation, the corporation shall report the indemnification or advance to the shareholders.

**Section 9.10 Security for Indemnification Obligations**

The corporation may at any time and in any manner, at the discretion of the board of directors, secure the corporation's obligations to indemnify or advance expenses to a person pursuant to this Article.

**Section 9.11 No Duplication of Payments**

The corporation shall not be liable under this Article to make any payment to a person hereunder to the extent such person has otherwise actually received payment (under any insurance policy, agreement or otherwise) of the amounts otherwise payable hereunder.

**Section 9.12 Subrogation**

In the event of payment under this Article, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the indemnitee, who shall

execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring suit to enforce such rights.

**Section 9.13 Contract Rights.**

The right to indemnification and advancement of expenses conferred hereunder to directors and officers shall be a contract right and shall not be affected adversely to any director or officer by any amendment of these bylaws with respect to any action or inaction occurring prior to such amendment; provided, however, that this provision shall not confer upon any indemnitee or potential indemnitee (in his or her capacity as such) the right to consent or object to any subsequent amendment of these bylaws.

**Section 9.14 Specific Performance**

In any proceeding brought by or on behalf of an officer or director to specifically enforce the provisions of this Article, the corporation hereby waives the claim or defense therein that the plaintiff or claimant has an adequate remedy at law, and the corporation shall not urge in any such proceeding the claim or defense that such remedy at law exists. The provisions of this Section 9.14, however, shall not prevent the officer or director from seeking a remedy at law in connection with any breach of the provisions of this Article.

**Section 9.15 Non-exclusivity, Etc.**

The rights of a director or officer hereunder shall be in addition to any other rights with respect to indemnification, advancement of expenses or otherwise that he or she may have under contract or the Georgia Business Corporation Code or otherwise.

**Section 9.16 Amendments**

It is the intent of the corporation to indemnify and advance expenses to its directors and officers to the full extent permitted by the Georgia Business Corporation Code, as amended from time to time. To the extent that the Georgia Business Corporation Code is hereafter amended to permit a Georgia business corporation to provide to its directors greater rights to indemnification or advancement of expenses than those specifically set forth hereinabove, this Article shall be deemed amended to require such greater indemnification or more liberal advancement of expenses to the corporation's directors and officers, in each case consistent with the Georgia Business Corporation Code as so amended from time to time. No amendment, modification or rescission of this Article, or any provision hereof, the effect of which would diminish the rights to indemnification or advancement of expenses as set forth herein shall be effective as to any person with respect to any action taken or omitted by such person prior to such amendment, modification or rescission.

**Section 9.17 Severability**

To the extent that the provisions of this Article are held to be inconsistent with the provisions of Part 5 of Article 8 of the Georgia Business Corporation Code, such provisions of such Code shall govern. In the event that any of the provisions of this Article (including any provision within a single section, subsection, division or sentence) is held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, the remaining provisions of this Article shall remain enforceable to the fullest extent permitted by law.

## Article X. MISCELLANEOUS

**Section 10.01 Inspection of Records**

The Board of Directors may determine what corporate records, other than those specifically required by the Code to be made open to inspection, will be made open to the right of inspection by the shareholders. In addition, the Board of Directors may fix reasonable rules not in conflict with the Code regarding the inspection of corporate records that are

required by the Code or are permitted by determination of the Board of Directors to be made open to inspection. The right of inspection granted in Section 14-2-
1602(c) of the Code is not available to any shareholder owning two percent (2%) or less of the shares outstanding, unless the Board of Directors in its discretion grants prior approval for the inspection to the shareholder.

**Section 10.02 Fiscal Year**

The Board of Directors may determine the fiscal year of the corporation and may change the fiscal year from time to time as the Board of Directors deems appropriate.

**Section 10.03 Corporate Seal**

If the Board of Directors determines that the corporation should have a corporate seal for the corporation, the corporate seal will be in the form the Board of Directors from time to time determines.

**Section 10.04 Financial Statements**

In accordance with the Code, the corporation shall prepare and provide to the shareholders such financial statements as may be required by the Code.

**Section 10.05 Conflict with Articles of Incorporation**

In the event that any provision of these bylaws conflicts with any provision of the
Articles of Incorporation, the provision in the Articles of Incorporation will govern.

## Article XI. AMENDMENTS

**Section 11.01 Power to Amend Bylaws.**

Except as otherwise explicitly provided in this Section 11.01, the bylaws may be altered, amended or repealed, and new bylaws may be adopted, by (a) the affirmative vote of the holders of two-thirds (2/3) of the shares of stock then outstanding and entitled to vote in the election of directors, or (b) the Board of Directors of the Corporation, but any bylaw adopted by the Board of Directors may be altered, amended, or replaced, or new bylaws may be adopted, by the affirmative vote of the holders of two-thirds (2/3) of the shares of stock entitled to vote in the election of directors. The shareholders may prescribe, by so expressing in the action they take in amending or adopting any bylaw or bylaws, that the bylaw or bylaws so amended or adopted by them shall not be altered, amended or repealed by the Board of Directors. Notwithstanding the foregoing, Section
4.05 may not be modified, amended or repealed except by the affirmative vote of the holders of a majority of the shares of stock then outstanding and entitled to vote in the election of directors.

## Article XII. CERTAIN PROVISIONS OF GEORGIA LAW

### Section 12.01 Business Combinations.

All of the requirements of Article 11, Part 3, of the Code, included in Sections 14-2-1131 through 1133 (and any successor provisions thereto), shall be applicable to the corporation in connection with any business combination, as defined therein, with any interested shareholder, as defined therein.

## Article XIII. EMERGENCY BYLAWS

### Section 13.01 Emergency Bylaws.

This Article shall be operative during any emergency resulting from some catastrophic event that prevents a quorum of the Board of Directors or any committee thereof from being readily assembled (an "emergency"), notwithstanding any different or conflicting provisions set forth elsewhere in these bylaws or in the Articles of Incorporation. To the extent not inconsistent with the provisions of this Article, the bylaws set forth elsewhere herein and the provisions of the Articles of Incorporation shall remain in effect during such emergency, and upon termination of such emergency, the provisions of this Article shall cease to be operative.

### Section 13.02 Meetings.

During any emergency, a meeting of the Board of Directors or any committee thereof may be called (a) by any director or (b) by the Chief Executive Officer, President, Chief Financial Officer, or the Secretary (the "Designated Officers") of the corporation. Notice of the time and place of the meeting shall be given by any available means of communication by the person calling the meeting to such of the directors and/or Designated Officers as may be feasible to reach. Such notice shall be given at such time in advance of the meeting as, in the judgement of the person calling the meeting, circumstances permit.

### Section 13.03 Quorum

At any meeting of the Board of Directors or any committee thereof called in accordance with this Article, the presence or participation of two directors, one director and a Designated Officer, or two Designated Officers shall constitute a quorum for the transaction of business.

### Section 13.04 Bylaws

At any meeting called in accordance with this Article, the Board of Directors or a committee thereof, as the case may be, may modify, amend or add to the provisions of this Article so as to make any provision that may be practical or necessary for the circumstance of the emergency.

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**Section 13.05 Liability**

Corporate action taken in good faith in accordance with the emergency bylaws may not be used to impose liability on a director, officer, employee or agent of the Company.

**Section 13.06 Repeal or Change**

The provisions of this Article shall be subject to repeal or change by further action of the Board of Directors or by action of shareholders, but no such repeal or change shall modify the provisions of Section 13.05 with regard to action taken prior to the time of such repeal or change.

**GLOBAL PAYMENTS INC.**
**ANNUAL PERFORMANCE PLAN**

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**GLOBAL PAYMENTS INC.**
**ANNUAL PERFORMANCE PLAN**

## ARTICLE 1
## ESTABLISHMENT OF PLAN

1 . 1 BACKGROUND . This Annual Performance Plan (the "Annual Performance Plan" or "Plan") is a subplan of the Global Payments Inc. 2011 Incentive Plan ("2011 Incentive Plan") or any successor plan thereto, consisting of a program for the grant of annual cash-based performance awards under Articles 10 and 11 of the 2011 Incentive Plan. This Plan has been established and approved, and will be administered by, the Committee pursuant to the terms of the 2011 Incentive Plan. It is intended that the annual performance awards earned under this Plan shall be Qualified Performance-Based Awards under Article 11 of the 2011 Incentive Plan with respect to Participants who are Covered Employees, with the intent that the Annual Incentive Awards will be fully deductible by the Company without regard to the limitations of Code Section 162(m). The applicable Award limits of Section 5.4 of the 2011 Incentive Plan shall apply with respect to this Plan. As of the Effective Date, Section 5.4(c) of the 2011 Incentive Plan provides that the maximum aggregate amount that may be paid with respect to a cash-based Award under the 2011 Incentive Plan to any one Participant in any one calendar year is $10,000,000.

1.2. PURPOSE . The purpose of this Plan is to provide for the payment of annual cash incentive awards to eligible employees of the Company, the payment of which will be based on the achievement of one or more Performance Objectives during a Plan Year. The Plan shall remain in effect for successive Plan Years unless and until terminated by the Committee pursuant to Article 6. Unless otherwise specified by the Committee, the Performance Objectives include Company Performance Objectives, Individual Performance Objectives and the Threshold Performance Objective. Company Performance Objectives are designed to focus on overall corporate financial or operational results that drive shareholder value. Individual Performance Objectives are intended to measure individual goals and competencies and to motivate and reward outstanding individual performance. The Threshold Performance Objective, which applies only to Covered Employees, requires that the Company achieve positive Operating Income before any incentive awards will be payable to any Covered Employees under the Plan.

1.3. EFFECTIVE DATE . This Plan was approved by the Committee on August 29, 2012, to be effective as of the beginning of the fiscal year of the Company ending May 31, 2013.

## ARTICLE 2
## DEFINITIONS

2.1. DEFINITIONS . Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the 2011 Incentive Plan. In addition, the following terms shall have the following meanings for purposes of this Plan, unless the context in which they are used clearly indicates that some other meaning is intended.

Annual Incentive Award. The cash incentive award payable to a Participant under this Plan calculated by reference to the achievement of applicable Performance Objectives, as determined in accordance with Article 5.

Annual Performance Plan or Plan. This Global Payments Inc. Annual Performance Plan, a subplan of the 2011 Incentive Plan, as set forth in this document together with any subsequent amendments hereto.

Change in Control. As defined in a Participant's employment agreement, if any.

Company Performance Objectives. The Company Performance Objectives established by the Committee for a Plan Year, as provided in Article 5.

Effective Date. June 1, 2012 (the beginning of fiscal year 2013).

Individual Award Limit. Has the meaning described in Section 5.5.

Individual Performance Objectives. The Individual Performance Objectives established by the Committee for a Plan Year, as provided in Article 5.

Operating Income. Shall mean "operating income" as shown in the Company's Consolidated Statements of Income for the applicable Plan Year, as filed with the Securities and Exchange Commission on the Company's Form 10-K for such year, except that for the purpose of this Plan, Operating Income will be rounded up or down to the nearest whole million dollar level and shall exclude the impact of restructuring, acquisition-related intangible amortization expense, foreign exchange, and other non-recurring charges that are specifically excluded from the calculation of the Company's "cash" operating income for such year, as described and quantified in the Company's year-end earnings press release.

Participant. A person who, as an employee of the Company or any Affiliate, has been granted an Annual Incentive Award opportunity under the Plan.

Performance Objectives. Collectively, with respect to a Participant, the Threshold Performance Objective (which only applies to Covered Employees) and any Company Performance Objectives and Individual Performance Objectives applicable to the Participant, as provided in Article 5.

Plan Year. June 1 to May 31 of each year (the fiscal year of the Company).

Target Award. Has the meaning described in Section 5.2.

Threshold Performance Objective. Has the meaning given such term in Section 5.5.

2011 Incentive Plan. The Global Payments Inc. 2011 Incentive Plan, as amended form time to time.

## ARTICLE 3
## ADMINISTRATION

3.1. COMMITTEE . This Plan shall be administered by the Committee.

3.2. AUTHORITY OF COMMITTEE . Without limiting its authority under Article 4 of the 2011 Incentive Plan, the Committee has the exclusive power, authority and discretion to:

(a) Designate Participants for each Plan Year (by individual or employee class);

(b) Establish and review Individual Performance Objectives and weightings for different Individual Performance Objectives for each Plan Year;

(c) Establish and review Company Performance Objectives and weightings for different Company Performance Objectives for each Plan Year;

(d) Establish Target Awards for Participants for each Plan Year;

(e) Determine whether and to what extent Performance Objectives were achieved for each Plan Year;

(f) Increase (subject to the Individual Award Limit) or decrease the Annual Incentive Award otherwise payable to any Participant resulting from the achievement of Company Performance Objectives and Individual Performance Objectives in any Plan Year, based on such objective or subjective factors as the Committee shall deem relevant;

(g) Establish, adopt or revise any rules and regulations as it may deem necessary or advisable to administer this Plan;

(h) Make all other decisions and determinations that may be required under this Plan or as the Committee deems necessary or advisable to administer this Plan; and

(i) Amend this Plan as provided herein.

3.3. DECISIONS BINDING. The Committee's interpretation of this Plan and all decisions and determinations by the Committee with respect to this Plan are final, binding, and conclusive on all parties.

**ARTICLE 4**
**ELIGIBILITY**

4.1. DESIGNATION OF PARTICIPANTS. Exhibit A hereto lists the Executives who are designated as Participants in this Plan for the 2013 Plan Year. The Committee, in its discretion, may determine whether other positions may qualify for participation in all or any portion of this Plan for any subsequent Plan Year or change Target Awards of existing Participants, subject to the terms of any employment agreement with the Participant. On or before August 29 of each Plan Year, the Committee shall approve and substitute a new Exhibit A indicating the Participants and their Target Awards for that Plan Year. The Committee will notify or cause Participants to be notified of their eligibility to participate, and the terms thereof, in writing.

4.2. PARTIAL YEAR PARTICIPATION. If a Participant begins employment or is promoted to an eligible position after the beginning of a Plan Year, the Committee, in its discretion, may determine whether such employee may participate in this Plan and if so, the terms of such participation, which will be prorated based on the number of days such person participated in this Plan during the Plan Year, unless the Committee determines otherwise. If a Participant takes a leave of absence during the Plan Year for any reason, the Participant will receive a pro rata share of an Annual Incentive Award, if any, for such Plan Year, unless the Committee decides otherwise.

4.3. DEMOTIONS. If a Participant is demoted during the Plan Year, the Committee will determine whether Plan participation ends at that time, or is continued, perhaps at a reduced level.

**ARTICLE 5**
**OPERATION OF THE PLAN**

5.1. PLAN STRUCTURE. Each Participant shall be eligible to receive an Annual Incentive Award for the Plan Year if the Company meets or exceeds certain Performance Objectives set by the Committee. Each Plan Year, the Committee shall establish or approve Performance Objectives and their respective weightings and Target Awards as provided in Sections 5.2, 5.3 and 5.4. In establishing Performance Objectives, the Committee may take into account such factors as it deems appropriate, including, without limitation, prior year results, planned business results, anticipated business trends, performance relative to peer companies and macroeconomic conditions.

5.2. ESTABLISHMENT OF TARGET AWARDS. Exhibit A sets forth the percentage of each Participant's base salary that will be awarded to the Participant for that Plan Year if, with respect to Covered Employees only, the Threshold Performance

Objective is achieved, and if, with respect to all Participants, the other established Performance Objectives are achieved at the target level (the "Target Award"). Each Participant's Target Award percentage will be communicated in writing to the Participant upon such Participant's initial participation in the Plan, and shall remain in effect until any change thereto is communicated to the Participant in writing. The actual Annual Incentive Award to a Participant may be greater or less than his or her Target Award, depending on the level of achievement of Company Performance Objectives and Individual Performance Objectives.

5.3. COMPANY PERFORMANCE OBJECTIVES. On or before August 29 of each Plan Year, the Committee shall approve Company Performance Objectives for that Plan Year, which shall be communicated in writing to the Participants. The Company Performance Objectives shall include a formula or performance grid that the Committee will consider in determining a Participant's Annual Incentive Award (at a level below the Individual Award Limit, with respect to Covered Employees). Such Company Performance Objectives shall be set forth in Schedule I attached to this Plan document, as changed from year to year.

5.4. INDIVIDUAL PERFORMANCE OBJECTIVES. On or before August 29 of each Plan Year, the Committee may approve Individual Performance Objectives for the Chief Executive Officer, and the Chief Executive Officer or other appropriate officers may approve Individual Performance Objectives for other Participants. Individual Performance Objectives should be designed to promote accountability for personal performance regarding areas under the Participant's responsibility. Any such Individual Performance Objectives will be communicated to Participants in writing. The Committee shall consider the degree of achievement of Individual Performance Objectives in determining a Participant's Annual Incentive Award (at a level below the Individual Award Limit, with respect to Covered Employees).

5.5 THRESHOLD PERFORMANCE GOAL AND INDIVIDUAL AWARD LIMITS. With respect to Covered Employees only, pursuant to Article 11 of the 2011 Incentive Plan, by adopting this Annual Performance Plan, the Committee has established for each Plan Year beginning with Plan Year 2013, a threshold performance goal under the Plan based on achieving positive Operating Income, which is one of the Qualified Business Criteria approved by the shareholders under Section 11.2 of the 2011 Incentive Plan ("Threshold Performance Objective"). Unless waived by the Committee in the case of the death or Disability of a Participant or the occurrence of a Change in Control, no incentive awards shall be payable under the Plan for any Plan Year to Participants who are Covered Employees unless the Threshold Performance Objective has been achieved.

In any Plan Year in which the Threshold Performance Objective is achieved, the Annual Incentive Award payable to each Covered Employee under the Plan for such Plan Year shall be: (A) 2.00% of Operating Income, with respect to the Company's Chief Executive Officer, or 1.00% of Operating Income, with respect to the Company's Covered Employees other than the Company's Chief Executive Officer, but in no event to exceed

$10,000,000 per Participant (the "Individual Award Limit"), or (B) any lesser amount determined by the Committee based on the level of actual performance with respect to Company Performance Objectives and/or Individual Performance Objectives. As described herein, it is anticipated that the Committee will exercise discretion such that the Annual Incentive Award paid to a Covered Employee for a Plan Year would represent the amount that would be payable pursuant to the applicable Company Performance Objectives and/or Individual Performance Objectives, rather than the full Individual Award Limit.

5.6. PAYOUT FORM AND TIMING. Annual Incentive Awards will be paid within thirty (30) days after the Committee determines whether and to what extent Performance Objectives were achieved, but no later than August 15 following the end of the Plan Year for which the Annual Incentive Awards, if any, were earned.

5.7. TERMINATION OF EMPLOYMENT. Subject to any contrary provision in an individual employment, key position, severance or similar agreement with a Participant, a Participant must be actively employed and in good standing or on approved leave of absence as of the last day of the Plan Year in order to be eligible to receive an Annual Incentive Award for such Plan Year, and Participants whose employment terminates for any reason prior to the end of the Plan Year shall forfeit their right to receive an Annual Incentive Award for such Plan Year. For terminations after the end of the Plan Year, but before payout from this Plan, payout will be made as though the termination had not occurred. Any amounts paid on behalf of a deceased Participant will be paid to the Participant's Beneficiary.

## ARTICLE 6
## AMENDMENT, MODIFICATION AND TERMINATION

6.1. AMENDMENT, MODIFICATION AND TERMINATION. The Committee may, at any time and from time to time, amend, modify or terminate this Plan. The Committee may condition any amendment or modification on the approval of shareholders of the Company if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations, including without limitation Code Section 162(m).

6.2. TERMINATION AFTER OR DURING PLAN YEAR. Termination of this Plan after a Plan Year but before Annual Incentive Awards are paid for that Plan Year will not reduce Participants' rights to receive Annual Incentive Awards for the Plan Year. Termination or amendment of this Plan during a Plan Year may be retroactive to the beginning of the Plan Year, at the discretion of the Committee. If a Change in Control occurs, no amendment or termination may adversely affect amounts payable to a Participant without the consent of the Participant.

## ARTICLE 7
## GENERAL PROVISIONS

7.1. NO RIGHT TO PARTICIPATE . No officer or employee shall have any right to be selected to participate in this Plan.

7.2. NO RIGHT TO EMPLOYMENT . Nothing in this Plan shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company or any Affiliate.

7.3. WITHHOLDING . The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of this Plan.

7.4. FUNDING . Benefits payable under this Plan to a Participant or to a Beneficiary will be paid by the Company from its general assets. The Company is not required to segregate on its books or otherwise establish any funding procedure for any amount to be used for the payment of benefits under this Plan. The Company may, however, in its sole discretion, set funds aside in investments to meet its anticipated obligations under this Plan. Any such action or set-aside may not be deemed to create a trust of any kind between the Company and any Participant or beneficiary or to constitute the funding of any Plan benefits. Consequently, any person entitled to a payment under this Plan will have no rights greater than the rights of any other unsecured creditor of the Company.

7.5. EXPENSES . The expenses of administering this Plan shall be borne by the Company and its Subsidiaries.

7.6. TITLES AND HEADINGS . The titles and headings of the Sections in this Plan are for convenience of reference only, and in the event of any conflict, the text of this Plan, rather than such titles or headings, shall control.

7.7. GENDER AND NUMBER . Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

7.8. GOVERNING LAW . To the extent not governed by federal law, this Plan shall be construed in accordance with and governed by the laws of the State of Georgia.

7.9 2011 INCENTIVE PLAN CONTROLS. This Plan is adopted pursuant to and shall be governed by and construed in accordance with the 2011 Incentive Plan. In the event of any actual or alleged conflict between the provisions of the 2011 Incentive Plan and the provisions of this Plan, the provisions of the 2011 Incentive Plan shall be controlling and determinative.

The foregoing is hereby acknowledged as being the Global Payments Inc. Annual Performance Plan as adopted by the Committee on August 29, 2012, to be effective as of June 1, 2012.

GLOBAL PAYMENTS INC.

______________________________
Suellyn P. Tornay, General Counsel

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-169436 and 333-177026 on Form S-8 of our reports dated July 25, 2013, relating to the financial statements and financial statement schedule of Global Payments Inc. and subsidiaries (the “Company”) (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the Company's identification and self-reporting of unauthorized access into its processing system), and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended May 31, 2013.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
July 25, 2013

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul R. Garcia, certify that:

1. I have reviewed this annual report on Form 10-K of Global Payments Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 25, 2013 By: /s/ Paul R. Garcia

Paul R. Garcia
Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David E. Mangum, certify that:

1. I have reviewed this annual report on Form 10-K of Global Payments Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ DAVID E. MANGUM

Date: July 25, 2013

David E. Mangum
Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Global Payments Inc. on Form 10-K for the period endedMay 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul R. Garcia, Chief Executive Officer of Global Payments Inc. (the "Company"), and David E. Mangum, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| /s/ Paul R. Garcia | /s/ David E. Mangum |
|---|---|
| **Paul R. Garcia** | **David E. Mangum** |
| **Chief Executive Officer** | **Chief Financial Officer** |
| **Global Payments Inc.** | **Global Payments Inc.** |
| **July 25, 2013** | **July 25, 2013** |

A signed original of this written statement required by Section 906 has been provided to Global Payments Inc. and will be retained by Global Payments Inc. and furnished to the Securities and Exchange Commission upon request.