

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

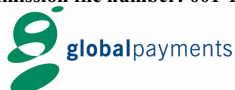
For the quarterly period ended August 31, 2016

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 number: 001-16111



GLOBAL PAYMENTS INC.

(Exact name of registrant as specified in charter)

Georgia

(State or other jurisdiction of
incorporation or organization)

58-2567903

(I.R.S. Employer
Identification No.)

10 Glenlake Parkway, North Tower, Atlanta, Georgia

(Address of principal executive offices)

30328

(Zip Code)

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

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 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 (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the issuer's common stock, no par value, outstanding as of October 3, 2016 was 153,697,386.

GLOBAL PAYMENTS INC.
FORM 10-Q
For the quarterly period ended August 31, 2016

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PART 1 - FINANCIAL INFORMATION**ITEM 1—FINANCIAL STATEMENTS**

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

	Three Months Ended	
	August 31, 2016	August 31, 2015
Revenues	\$ 939,492	\$ 748,796
Operating expenses:		
Cost of service	462,626	272,666
Selling, general and administrative	355,760	338,358
	818,386	611,024
Operating income	121,106	137,772
Interest and other income	42,473	1,142
Interest and other expense	(43,077)	(13,243)
	(604)	(12,101)
Income before income taxes	120,502	125,671
Provision for income taxes	(28,044)	(32,623)
Net income	92,458	93,048
Less: Net income attributable to noncontrolling interests, net of income tax	(7,365)	(6,402)
Net income attributable to Global Payments	\$ 85,093	\$ 86,646
Earnings per share attributable to Global Payments:		
Basic earnings per share	\$ 0.55	\$ 0.66
Diluted earnings per share	\$ 0.55	\$ 0.66

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	August 31, 2016	August 31, 2015
Net income	\$ 92,458	\$ 93,048
Other comprehensive income (loss):		
Foreign currency translation adjustments	(18,781)	(37,017)
Income tax benefit related to foreign currency translation adjustments	—	11,100
Unrealized losses on hedging activities	(3,205)	(32)
Reclassification of losses on hedging activities to interest expense	1,897	1,734
Income tax benefit (expense) related to hedging activities	518	(622)
Other	108	—
Other comprehensive loss, net of tax	(19,463)	(24,837)
Comprehensive income	72,995	68,211
Comprehensive income attributable to noncontrolling interests	(7,363)	(8,300)
Comprehensive income attributable to Global Payments	\$ 65,632	\$ 59,911

See Notes to Unaudited Consolidated Financial Statements.

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

	<u>August 31, 2016</u>	<u>May 31, 2016</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 977,776	\$ 1,044,728
Accounts receivable, net of allowances for doubtful accounts of \$326 and \$353, respectively	286,645	281,612
Claims receivable, net of allowances for doubtful accounts of \$5,106 and \$4,868, respectively	7,974	6,799
Settlement processing assets	1,105,470	1,336,326
Prepaid expenses and other current assets	206,964	181,848
Total current assets	<u>2,584,829</u>	<u>2,851,313</u>
Goodwill	4,849,015	4,829,405
Other intangible assets, net	2,211,954	2,264,708
Property and equipment, net	512,079	493,678
Deferred income taxes	20,921	22,719
Other	58,982	48,129
Total assets	<u>\$ 10,237,780</u>	<u>\$ 10,509,952</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Settlement lines of credit	\$ 332,078	\$ 378,436
Current portion of long-term debt	182,012	135,542
Accounts payable and accrued liabilities	702,277	696,414
Settlement processing obligations	1,015,805	1,220,315
Total current liabilities	<u>2,232,172</u>	<u>2,430,707</u>
Long-term debt	4,289,666	4,379,744
Deferred income taxes	724,023	744,862
Other noncurrent liabilities	86,707	77,235
Total liabilities	<u>7,332,568</u>	<u>7,632,548</u>
Commitments and contingencies		
Equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued	—	—
Common stock, no par value; 200,000,000 shares authorized; 153,684,060 issued and outstanding at August 31, 2016 and 154,421,585 issued and outstanding at May 31, 2016	—	—
Paid-in capital	1,913,164	1,976,715
Retained earnings	1,099,026	1,015,811
Accumulated other comprehensive loss	(265,511)	(246,050)
Total Global Payments shareholders' equity	<u>2,746,679</u>	<u>2,746,476</u>
Noncontrolling interests	158,533	130,928
Total equity	<u>2,905,212</u>	<u>2,877,404</u>
Total liabilities and equity	<u>\$ 10,237,780</u>	<u>\$ 10,509,952</u>

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	August 31, 2016	August 31, 2015
Cash flows from operating activities:		
Net income	\$ 92,458	\$ 93,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	22,657	17,909
Amortization of acquired intangibles	80,529	20,848
Share-based compensation expense	7,619	6,467
Provision for operating losses and bad debts	9,626	4,263
Deferred income taxes	(20,861)	3,584
Gain on sale of investments	(41,150)	—
Other, net	8,855	1,333
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	(7,726)	(7,512)
Claims receivable	(7,097)	(12,261)
Settlement processing assets and obligations, net	30,409	402,676
Prepaid expenses and other assets	(50,498)	(18,114)
Accounts payable and other liabilities	30,846	1,151
Net cash provided by operating activities	<u>155,667</u>	<u>513,392</u>
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(34,563)	(241,530)
Capital expenditures	(41,381)	(16,858)
Proceeds from sale of investments	37,717	—
Net cash used in investing activities	<u>(38,227)</u>	<u>(258,388)</u>
Cash flows from financing activities:		
Net payments on settlement lines of credit	(47,336)	(236,041)
Proceeds from issuance of long-term debt	215,000	2,821,425
Principal payments of long-term debt	(261,219)	(2,626,925)
Payment of debt issuance costs	—	(4,934)
Repurchase of common stock	(67,633)	(34,296)
Proceeds from stock issued under share-based compensation plans	3,037	2,513
Common stock repurchased - share-based compensation plans	(22,204)	(8,154)
Tax benefit from share-based compensation plans	12,303	5,760
Distributions to noncontrolling interests	(5,475)	(8,158)
Dividends paid	(1,539)	(1,305)
Net cash used in financing activities	<u>(175,066)</u>	<u>(90,115)</u>
Effect of exchange rate changes on cash	<u>(9,326)</u>	<u>(12,319)</u>
(Decrease) increase in cash and cash equivalents	(66,952)	152,570
Cash and cash equivalents, beginning of the period	1,044,728	650,739
Cash and cash equivalents, end of the period	<u>\$ 977,776</u>	<u>\$ 803,309</u>

See Notes to Unaudited Consolidated Financial Statements.

GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at May 31, 2016	154,422	\$ 1,976,715	\$ 1,015,811	\$ (246,050)	\$ 2,746,476	\$ 130,928	\$ 2,877,404
Net income			85,093		85,093	7,365	92,458
Other comprehensive loss, net of tax				(19,461)	(19,461)	(2)	(19,463)
Stock issued under share-based compensation plans	605	3,037			3,037		3,037
Common stock repurchased - share-based compensation plans	(255)	(19,216)			(19,216)		(19,216)
Tax benefit from employee share-based compensation		12,303			12,303		12,303
Share-based compensation expense		7,619			7,619		7,619
Contribution of subsidiary shares to noncontrolling interest related to a business combination					—	25,717	25,717
Distributions to noncontrolling interest					—	(5,475)	(5,475)
Repurchase of common stock	(1,088)	(67,294)	(339)		(67,633)		(67,633)
Dividends paid (\$0.01 per share)			(1,539)		(1,539)		(1,539)
Balance at August 31, 2016	<u>153,684</u>	<u>\$ 1,913,164</u>	<u>\$ 1,099,026</u>	<u>\$ (265,511)</u>	<u>\$ 2,746,679</u>	<u>\$ 158,533</u>	<u>\$ 2,905,212</u>

See Notes to Unaudited Consolidated Financial Statements.

GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at May 31, 2015	130,558	\$ 148,742	\$ 795,226	\$ (185,992)	\$ 757,976	\$ 105,577	\$ 863,553
Net income			86,646		86,646	6,402	93,048
Other comprehensive loss, net of tax				(26,735)	(26,735)	1,898	(24,837)
Stock issued under employee stock plans	551	2,513			2,513		2,513
Common stock repurchased - share-based compensation plans	(207)	(11,381)			(11,381)		(11,381)
Tax benefit from employee share-based compensation		5,760			5,760		5,760
Share-based compensation expense		6,467			6,467		6,467
Distributions to noncontrolling interest					—	(8,158)	(8,158)
Contribution of subsidiary shares to noncontrolling interest related to a business combination		4,673			4,673	24,727	29,400
Repurchase of common stock	(1,020)	(18,562)	(19,355)		(37,917)		(37,917)
Dividends paid (\$0.01 per share)			(1,305)		(1,305)		(1,305)
Balance at August 31, 2015	<u>129,882</u>	<u>\$ 138,212</u>	<u>\$ 861,212</u>	<u>\$ (212,727)</u>	<u>\$ 786,697</u>	<u>\$ 130,446</u>	<u>\$ 917,143</u>

See Notes to Unaudited Consolidated Financial Statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business, consolidation and presentation— We are a leading worldwide provider of payment technology services delivering innovative solutions to our customers globally. Our technologies, partnerships and employee expertise enable us to provide a broad range of services that allow our customers to accept various payment types. We distribute our services across a variety of channels to merchants and partners in 30 countries throughout North America, Europe, the Asia-Pacific region and in Brazil and operate in three reportable segments: North America, Europe and Asia-Pacific.

We were incorporated in Georgia as Global Payments Inc. in 2000 and spun-off from our former parent company in 2001. Including our time as part of our former parent company, we have been in the payment technology services business since 1967. Global Payments Inc. and its consolidated subsidiaries are referred to collectively as "Global Payments," the "Company," "we," "our" or "us," unless the context requires otherwise.

These unaudited consolidated financial statements include our accounts and those of our majority-owned subsidiaries, and all intercompany balances and transactions have been eliminated in consolidation. These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The consolidated balance sheet as of May 31, 2016 was derived from the audited financial statements for the year ended May 31, 2016 included in our Annual Report on Form 10-K for the year ended May 31, 2016 but does not include all disclosures required by GAAP for annual financial statements.

In the opinion of our management, all known adjustments necessary for a fair presentation of the results of the interim periods have been made. These adjustments consist of normal recurring accruals and estimates that affect the carrying amount of assets and liabilities. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended May 31, 2016.

On July 27, 2016, the Board of Directors authorized a change in our fiscal year-end from May 31 to December 31. As a result of the change, we will file a Transition Report on Form 10-K for the seven-month transition period ending December 31, 2016 (the "Transition Period"). During the Transition Period, we will continue to file Quarterly Reports on Form 10-Q based on our prior year-end.

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 materially from those estimates.

Stock split— Our board of directors declared a two-for-one stock split effected in the form of a stock dividend of one additional share of common stock for each outstanding share of common stock (the "Stock Split"), and the stock dividend was paid on November 2, 2015 to all shareholders of record as of October 21, 2015. Common share and per share data for prior periods in the consolidated financial statements and in the notes to our consolidated financial statements have been adjusted to reflect the Stock Split, except for authorized common shares, which were not affected.

Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*." The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The guidance does not change GAAP for a customer's accounting for service contracts. We adopted this standard as of June 1, 2016 on a prospective basis, and it was not material to our balance sheet and/or our results of operations or cash flows.

Recently Issued Accounting Pronouncements Not Yet Adopted

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*," which makes clarifications to how cash receipts and cash payments in certain transactions are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for years beginning after December 15, 2017, including interim periods, and will require adoption on a retrospective basis unless it is impracticable to apply, in which case we would be required to apply the amendments prospectively as of the earliest date practicable. Early adoption is permitted. We are evaluating the effect of ASU 2016-15 on our consolidated financial statements and disclosures.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*." The amendments in this update change how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require companies to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets (including trade receivables) that are in the scope of the update. The update also made amendments to the current impairment model for held-to-maturity and available-for-sale debt securities and certain guarantees. The guidance will be effective for years beginning after December 15, 2019 and interim periods within those years. Early adoption is permitted for annual and interim periods in years beginning after December 15, 2018. We are evaluating the effect of ASU 2016-13 on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718): *Improvements to Employee Share-Based Payment Accounting*." The amendments in this update will change how companies account for certain aspects of share-based payments to employees. Entities will be required to recognize the income tax effects of awards in the statement of income when the awards vest or are settled. This update also changes the guidance on employers' accounting for an employee's use of shares to satisfy the employer's statutory income tax withholding obligation, and permits entities to elect to recognize forfeitures based on actuals or estimates. Finally, the update eliminates the hypothetical additional paid-in capital pool, permits stock option deductions even if not realized in the current year on a return, requires companies to present excess tax benefits as an operating activity on the statement of cash flows rather than as a financing activity and potentially has a dilutive effect on earnings per share ("EPS") to the extent that excess tax benefits have historically been included in the calculation of diluted EPS. The amendments in this update will be effective for years beginning after December 15, 2016, including interim periods within those years. Early adoption is permitted. We are evaluating the effect of ASU 2016-09 on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "*Leases*." The amendments in this update require lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Accounting by lessors will remain largely unchanged. The guidance will be effective for years, including interim periods, beginning after December 15, 2018, with early adoption permitted. Adoption will require a modified retrospective transition where the lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented. We are evaluating the effect of ASU 2016-02 on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*." The amendments in this update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures and limited liability companies) to be measured at fair value with changes in the fair value recognized through earnings. Equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this update. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The guidance will be effective for years beginning after December 15, 2017, including interim periods within those years. Except for specific aspects of this pronouncement, early adoption of the amendments in this update is not permitted. We are evaluating the effect of ASU 2016-01 on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP and permits the use of either the retrospective or cumulative effect transition method.

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The update requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09, as amended by ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): *Deferral of the Effective Date*," is effective for years beginning after December 15, 2017, including interim periods, with early adoption permitted for years beginning after December 15, 2016. We are evaluating the effect of ASU 2014-09, as well as other clarifications and technical guidance issued by the FASB related to this new revenue standard, on our consolidated financial statements.

NOTE 2—ACQUISITIONS*Heartland*

On December 15, 2015, we entered into a merger agreement with Heartland, pursuant to which we merged with Heartland in a cash-and-stock transaction that we completed on April 22, 2016 for total purchase consideration of \$3.9 billion.

This transaction was accounted for as a business combination, which requires that we record the assets acquired and liabilities assumed at fair value as of the acquisition date. The initial accounting for these acquisitions was not complete as of August 31, 2016. The fair values of the assets acquired and the liabilities assumed have been determined provisionally and are subject to adjustment as we obtain additional information. There were no material measurement-period adjustments during the three months ended August 31, 2016. Additional time is needed to refine and review the results of the valuation of assets and liabilities and to evaluate the basis differences for assets and liabilities for financial reporting and tax purposes. Also, we are still in the process of assigning goodwill to our reporting units.

The provisional estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed, including a reconciliation to the total purchase consideration, are as follows (in thousands):

Cash and cash equivalents	\$	304,747
Accounts receivable		68,585
Prepaid expenses and other assets		106,450
Identified intangible assets		1,639,040
Property and equipment		108,882
Debt		(437,933)
Accounts payable and accrued liabilities		(453,575)
Settlement processing obligations		(20,978)
Deferred income taxes		(553,454)
Other liabilities		(58,542)
Total identifiable net assets		703,222
Goodwill		3,219,598
Total purchase consideration	\$	<u>3,922,820</u>

FIS Gaming Business

On June 1, 2015, we acquired certain assets of Certegy Check Services, Inc., a wholly owned subsidiary of Fidelity National Information Services, Inc. ("FIS"). Under the purchase agreement, we acquired substantially all of the assets of its gaming business related to licensed gaming operators (the "FIS Gaming Business"), including approximately 260 gaming client locations, for \$237.5 million, funded from borrowings on our revolving credit facility and cash on hand. We acquired the FIS Gaming Business to expand our direct distribution and service offerings in the gaming industry. This transaction was accounted for as a business combination. We recorded the assets acquired and liabilities assumed at their estimated fair values as of the acquisition date. Transaction costs associated with this business combination were not material. The revenue and earnings of the FIS Gaming Business for the year ended May 31, 2016 were not material nor were the historical revenue and earnings of the acquired business material for the purpose of presenting pro forma information.

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The estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed including a reconciliation to the total purchase consideration, are as follows (in thousands):

Customer-related intangible assets	\$ 143,400
Liabilities	(150)
Total identifiable net assets	143,250
Goodwill	94,250
Total purchase consideration	<u>\$ 237,500</u>

Goodwill arising from the acquisition, included in the North America segment, was attributable to expected growth opportunities, including cross-selling opportunities at existing and acquired gaming client locations, operating synergies in the gaming business and assembled workforce. Goodwill associated with this acquisition is deductible for income tax purposes. The customer-related intangible assets have an estimated amortization period of 15 years.

NOTE 3—SETTLEMENT PROCESSING ASSETS AND OBLIGATIONS

As of August 31, 2016 and May 31, 2016, settlement processing assets and obligations consisted of the following:

	<u>August 31, 2016</u>	<u>May 31, 2016</u>
	(in thousands)	
Settlement processing assets:		
Interchange reimbursement	\$ 295,277	\$ 150,644
Liability to Members	(74,326)	(14,997)
Receivable from networks	894,132	1,203,308
Exception items	5,276	3,003
Merchant Reserves	(14,889)	(5,632)
	<u>\$ 1,105,470</u>	<u>\$ 1,336,326</u>
Settlement processing obligations:		
Interchange reimbursement	\$ 69,703	\$ 193,989
Liability to Members	(41,248)	(261,945)
Liability to merchants	(903,319)	(1,005,009)
Exception items	7,915	5,827
Merchant Reserves	(145,278)	(149,667)
Reserves for operating losses and sales allowances	(3,578)	(3,510)
	<u>\$ (1,015,805)</u>	<u>\$ (1,220,315)</u>

NOTE 4—GOODWILL AND OTHER INTANGIBLE ASSETS

As of August 31, 2016 and May 31, 2016, goodwill and other intangible assets consisted of the following:

	August 31, 2016	May 31, 2016
	(in thousands)	
Goodwill	\$ 4,849,015	\$ 4,829,405
Other intangible assets:		
Customer-related intangible assets	\$ 1,884,155	\$ 1,864,709
Acquired technologies	550,366	549,293
Trademarks and trade names	188,938	188,763
Contract-based intangible assets	159,928	159,890
	<u>2,783,387</u>	<u>2,762,655</u>
Less accumulated amortization:		
Customer-related intangible assets	443,428	414,979
Acquired technologies	51,776	26,403
Trademarks and trade names	15,193	7,830
Contract-based intangible assets	61,036	48,735
	<u>571,433</u>	<u>497,947</u>
	<u>\$ 2,211,954</u>	<u>\$ 2,264,708</u>

The following table sets forth the changes in the carrying amount of goodwill for the three months ended August 31, 2016:

	North America	Europe	Asia-Pacific	Total
	(in thousands)			
Balance at May 31, 2016	\$ 4,086,430	\$ 471,773	\$ 271,202	\$ 4,829,405
Goodwill acquired	—	26,923	—	26,923
Effect of foreign currency translation	(75)	(19,183)	8,564	(10,694)
Measurement-period adjustments	3,381	—	—	3,381
Balance at August 31, 2016	<u>\$ 4,089,736</u>	<u>\$ 479,513</u>	<u>\$ 279,766</u>	<u>\$ 4,849,015</u>

There was no accumulated impairment loss as of August 31, 2016 or May 31, 2016.

NOTE 5—OTHER ASSETS

Through certain of our subsidiaries in Europe, we were a member and shareholder of Visa Europe Limited ("Visa Europe"). On June 21, 2016, Visa Inc. ("Visa") acquired all of the membership interests in Visa Europe, including ours, upon which we recorded a gain of \$41.2 million included in interest and other income in our consolidated statement of income for the three months ended August 31, 2016. We received up-front consideration comprised of €33.5 million (\$37.7 million equivalent at June 21, 2016) in cash and Series B and C convertible preferred shares whose initial conversion rate equates to Visa common shares valued at \$22.9 million as of June 21, 2016. However, the preferred shares, which we account for using the cost method, have been assigned a value of zero as of June 21, 2016, based on transfer restrictions, Visa's ability to adjust the conversion rate, and the estimation uncertainty associated with those factors. The fair value was determined using inputs classified as Level 3 within the fair value hierarchy due to the absence of quoted market prices, lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment. The preferred shares will convert into Visa common shares at periodic intervals over a 12-year period. Based on the outcome of potential litigation involving Visa Europe in the United Kingdom and elsewhere

in Europe, the conversion rate of the preferred shares could be adjusted down such that the number of Visa common shares ultimately received could be as low as zero, and approximately €25.6 million (\$28.8 million equivalent at June 21, 2016) of the up-front cash consideration could be refundable. On the third anniversary of the closing of the acquisition by Visa, we will also receive €3.1 million (\$3.5 million at June 21, 2016) of deferred consideration (plus compounded interest at a rate of 4.0% per annum).

NOTE 6—LONG-TERM DEBT AND CREDIT FACILITIES

As of August 31, 2016 and May 31, 2016, long-term debt consisted of the following:

	August 31, 2016	May 31, 2016
	(in thousands)	
Term loans (face amounts of \$3,528,288 and \$3,530,000 at August 31, 2016 and May 31, 2016, respectively, less unamortized debt issuance costs of \$49,156 and \$51,770 at August 31, 2016 and May 31, 2016, respectively)	\$ 3,479,132	\$ 3,478,230
Revolving credit facility	992,500	1,037,000
Capital lease obligations	46	56
Total long-term debt	4,471,678	4,515,286
Less current portion of long-term debt (face amounts of \$192,300 and \$145,938 at August 31, 2016 and May 31, 2016, respectively, less unamortized debt issuance costs of \$10,327 and \$10,442 at August 31, 2016 and May 31, 2016, respectively) and current portion of capital lease obligations of \$39 and \$46 at August 31, 2016 and May 31, 2016, respectively	182,012	135,542
Long-term debt, excluding current portion	\$ 4,289,666	\$ 4,379,744

Maturity requirements on long-term debt as of August 31, 2016 are as follows (in thousands):

Fiscal years ending May 31,	
2017	\$ 144,264
2018	192,307
2019	219,700
2020	219,700
2021	2,749,500
2022	10,450
2023 and thereafter	984,913
Total	\$ 4,520,834

July 2015 Refinancing

On July 31, 2015, we entered into a second amended and restated term loan agreement (the "2015 Term Loan Agreement") and a second amended and restated credit agreement (the "2015 Revolving Credit Facility Agreement" and collectively, the "2015 Credit Facility Agreements") to provide for a \$1.75 billion term loan (the "Term A Loan") and a \$1.25 billion revolving credit facility (the "Revolving Credit Facility"), each with a syndicate of financial institutions. We used the proceeds of approximately \$2.0 billion to repay the then-outstanding balances on our previously existing term loan and revolving credit facility.

February 2016 Refinancing

On February 26, 2016, we entered into an amendment to the 2015 Credit Facility Agreements (as amended, the "2016 Credit Facility Agreement") to, among other things, (i) accelerate our repayment schedule for the Term A Loan, effective as of February 26, 2016, and (ii) provide security for the Term A Loan and the Revolving Credit Facility and modify the applicable financial covenants and interest rate margins. In addition, the 2016 Credit Facility Agreement provided for a new \$735 million delayed draw term loan facility (the "Delayed Draw Facility").

We also entered into a new \$1.045 billion term B loan ("Term B Loan"). The Delayed Draw Facility and Term B Loan were issued on April 22, 2016 in connection with our merger with Heartland, resulting in total financing of approximately \$4.78 billion. The incremental proceeds from the new loans were used, among other things, to repay certain portions of Heartland's existing

indebtedness and to finance, in part, the cash consideration and the merger-related costs. Substantially all of the assets of our domestic subsidiaries are pledged as collateral under the 2016 Credit Facility Agreement.

The 2016 Credit Facility Agreement provides for an interest rate, at our election, of either London Interbank Offered Rate ("LIBOR") or a base rate, in each case plus a leverage-based margin. As of August 31, 2016, the interest rates on the Term A Loan, the Term B Loan and the Delayed Draw Facility were 3.02%, 4.02% and 2.94%, respectively.

Pursuant to the 2016 Credit Facility Agreement, the Term A Loan must be repaid in equal quarterly installments of \$43.8 million commencing in November 2016 and ending in May 2020, with the remaining principal balance due upon maturity in July 2020. The Delayed Draw Facility must be repaid in quarterly installments of \$1.7 million, the first installment of which was made in August 2016, increasing to quarterly installments of \$8.6 million in August 2018 and ending in May 2020, with the remaining balance due upon maturity in July 2020. The Term B Loan must be repaid in quarterly installments of \$2.6 million, the first installment of which was made in September 2016, ending in March 2023, with the remaining principal balance due upon maturity in April 2023.

As of August 31, 2016, the outstanding balance on the Revolving Credit Facility was \$992.5 million. The 2016 Credit Facility Agreement allows us to issue standby letters of credit of up to \$100 million in the aggregate under the Revolving Credit Facility. Outstanding letters of credit under the Revolving Credit Facility reduce the amount of borrowings available to us. Borrowings available to us under the Revolving Credit Facility are further limited by the covenants described below under "Compliance with Covenants." At August 31, 2016 and May 31, 2016, we had outstanding standby letters of credit of \$21.3 million and \$8.5 million, respectively. The total available commitments under the Revolving Credit Facility at August 31, 2016 and May 31, 2016 were \$236.2 million and \$204.5 million, respectively. As of August 31, 2016, the interest rate on the Revolving Credit Facility was 2.94%. In addition, we are required to pay a quarterly commitment fee on the unused portion of the Revolving Credit Facility. The Revolving Credit Facility expires in July 2020.

The 2015 Credit Facility Agreement and the 2016 Credit Facility Agreement were combined in evaluating the accounting treatment for fees and expenses incurred. We incurred fees and expenses associated with the 2015 Credit Facility Agreement and the 2016 Credit Facility Agreement of approximately \$63.4 million. The portion of the debt issuance costs related to the Revolving Credit Facility is included in other noncurrent assets, and the portion of the debt issuance costs related to the Term A Loan, the Term B Loan and the Delayed Draw Facility is reported as a reduction to the carrying amount of the debt. Debt issuance costs are amortized as an adjustment to interest expense over the terms of the respective facilities.

Settlement Lines of Credit

We have lines of credit with banks in various markets where we do business. The lines of credit, which are restricted for use in funding settlement, generally have variable interest rates and are subject to annual review. The credit facilities are generally denominated in local currency but may, in some cases, facilitate borrowings in multiple currencies. For certain of our lines of credit, the available credit is increased by the amount of cash we have on deposit in specific accounts with the lender. Accordingly, the amount of the outstanding line of credit may exceed the stated credit limit. As of August 31, 2016 and May 31, 2016, a total of \$46.6 million and \$42.9 million, respectively, of cash on deposit was used to determine the available credit.

As of August 31, 2016 and May 31, 2016, respectively, we had \$332.1 million and \$378.4 million outstanding under these lines of credit with additional capacity of \$744.3 million as of August 31, 2016 to fund settlement. The weighted-average interest rate on these borrowings was 1.98% and 1.80% at August 31, 2016 and May 31, 2016, respectively.

During the three months ended August 31, 2016, the maximum and average outstanding balances under these lines of credit were \$550.1 million and \$311.1 million, respectively.

Compliance with Covenants

The 2016 Credit Facility Agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and fixed charge coverage ratios. Financial covenants require a leverage ratio no greater than (i) 5.00 to 1.00 as of the end of any fiscal quarter ended during the period from April 22, 2016 through August 31, 2016, (ii) 4.75 to 1.00 as of the end of any fiscal quarter ending during the period from September 1, 2016 through February 28, 2017, (iii)

4.50 to 1.00 as of the end of any fiscal quarter ending during the period from March 1, 2017 through August 31, 2017, (iv) 4.25 to 1.00 as of the end of any fiscal quarter ending during the period from September 1, 2017 to February 28, 2018 and (v) 4.00 to 1.00 as of the end of any fiscal quarter ending thereafter. The fixed charge coverage ratio is required to be no less than 2.25 to 1.00. The 2016 Credit Facility Agreement and settlement lines of credit also include various other covenants that are customary in such borrowings. The 2016 Credit Facility Agreement includes covenants, subject in each case to exceptions and qualifications, that may restrict certain payments, including, in certain circumstances, the payment of cash dividends in excess of our current rate of \$0.01 per share per quarter.

The 2016 Credit Facility Agreement also includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations to be immediately due and payable. We were in compliance with all applicable covenants as of and for the three months ended August 31, 2016.

Interest Rate Swap Agreements

We have interest rate swap agreements with financial institutions to hedge changes in cash flows attributable to interest rate risk on a portion of our variable-rate debt instruments. A \$500 million notional interest rate swap agreement, which became effective on October 31, 2014, effectively converted \$500 million of our variable-rate debt to a fixed rate of 1.52% plus a leverage-based margin and will mature on February 28, 2019. A \$250 million notional interest rate swap, which became effective on August 28, 2015, effectively converted \$250 million of our variable-rate debt to a fixed rate of 1.34% plus a leverage-based margin and will mature on July 31, 2020.

Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. Since we have designated the interest rate swap agreements as portfolio cash flow hedges, unrealized gains or losses resulting from adjusting the swaps to fair value are recorded as components of other comprehensive income, except for any ineffective portion of the change in fair value, which would be immediately recorded in interest expense. During the three months ended August 31, 2016, there was no ineffectiveness. The fair values of the interest rate swaps were determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. These derivative instruments were classified within Level 2 of the valuation hierarchy.

The table below presents the fair values of our derivative financial instruments designated as cash flow hedges included within accounts payable and accrued liabilities in the consolidated balance sheets:

	August 31, 2016	May 31, 2016
	(in thousands)	
Interest rate swaps (\$750 million notional)	\$ 12,083	\$ 10,775

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The table below presents the effects of our interest rate swaps on the consolidated statements of income and other comprehensive loss for the three months ended August 31, 2016 and 2015:

	Three Months Ended	
	August 31, 2016	August 31, 2015
	(in thousands)	
Amount of loss recognized in other comprehensive loss	\$ 3,205	\$ 32
Amount of loss recognized in interest expense	\$ 1,897	\$ 1,734

At August 31, 2016, the amount in accumulated other comprehensive loss related to our interest rate swaps that is expected to be reclassified into interest expense during the next 12 months was approximately \$5.9 million.

Interest Expense

Interest expense was approximately \$43 million and \$13 million for the three months ended August 31, 2016 and 2015, respectively.

NOTE 7—INCOME TAX

Our effective income tax rates were 23.3% and 26.0% for the three months ended August 31, 2016 and August 31, 2015, respectively. Our effective income tax rates differ from the U.S. statutory rate primarily due to income generated in international jurisdictions with lower tax rates.

We conduct business globally and file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities around the world, including, without limitation, the United States and the United Kingdom. We are no longer subject to state income tax examinations for years ended on or before May 31, 2008, U.S. federal income tax examinations for fiscal years prior to 2013 and U.K. federal income tax examinations for years ended on or before May 31, 2013.

NOTE 8—SHAREHOLDERS' EQUITY

From time-to-time, we make repurchases of our common stock mainly through the use of open market purchases and accelerated share repurchase programs ("ASR's"). As of August 31, 2016, we were authorized to repurchase up to \$199.3 million of our common stock.

During the three months ended August 31, 2016, 127,435 shares were delivered to us in connection with the completion of an ASR initiated on April 25, 2016. In addition, through open market repurchase plans, we repurchased and retired 960,716 shares of our common stock at a cost of \$67.6 million, or an average cost of \$70.39 per share, including commissions.

During the three months ended August 31, 2015, 324,742 shares were delivered to us in connection with the completion of an ASR initiated on April 10, 2015. In addition to the ASR, through open market repurchase plans, we repurchased and retired 694,990 shares of our common stock at a cost of \$37.9 million, or an average cost of \$54.56 per share, including commissions.

NOTE 9—SHARE-BASED AWARDS AND OPTIONS

The following table summarizes share-based compensation expense and the related income tax benefit recognized for our share-based awards and stock options:

	Three Months Ended	
	August 31, 2016	August 31, 2015
(in thousands)		
Share-based compensation expense	\$ 7,619	\$ 6,467
Income tax benefit	\$ 3,572	\$ 2,358

Share-Based Awards

The following table summarizes the changes in unvested share-based awards for the three months ended August 31, 2016:

	Shares	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Unvested at May 31, 2016	1,606	\$ 37.25
Granted	418	74.18
Vested	(687)	30.46
Forfeited	(18)	40.85
Unvested at August 31, 2016	<u>1,319</u>	<u>\$ 48.95</u>

The total fair value of share-based awards vested during the three months ended August 31, 2016 and August 31, 2015 was \$20.9 million and \$15.7 million, respectively.

For these share-based awards, we recognized compensation expense of \$7.0 million and \$6.1 million during the three months ended August 31, 2016 and August 31, 2015, respectively. As of August 31, 2016, there was \$56.6 million of unrecognized compensation expense related to unvested share-based awards that we expect to recognize over a weighted-average period of 2.3 years. Our share-based award plans provide for accelerated vesting under certain conditions.

Stock Options

Stock options are granted with an exercise price equal to 100% of fair market value of our common stock on the date of grant and have a term of ten years. Stock options granted before fiscal 2015 vest in equal installments on each of the first four anniversaries of the grant date. Stock options granted during fiscal 2015 and thereafter vest in equal installments on each of the first three anniversaries of the grant date. During the three months ended August 31, 2016 and August 31, 2015, we granted 72,733 and 72,393 stock options, respectively. Our stock option plans provide for accelerated vesting under certain conditions.

The following summarizes changes in unvested stock option activity for the three months ended August 31, 2016:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in thousands)		(years)	(in millions)
Outstanding at May 31, 2016	811	\$ 31.81	5.8	\$ 36.8
Granted	73	74.66		
Forfeited	(1)	22.93		
Exercised	(111)	20.14		
Outstanding at August 31, 2016	<u>772</u>	<u>\$ 37.56</u>	<u>6.4</u>	<u>\$ 29.9</u>
Options vested and exercisable at August 31, 2016	<u>515</u>	<u>\$ 29.18</u>	<u>5.1</u>	<u>\$ 24.2</u>

We recognized compensation expense for stock options of \$0.4 million and \$0.2 million during the three months ended August 31, 2016 and August 31, 2015, respectively. The aggregate intrinsic value of stock options exercised during the three months ended August 31, 2016 and August 31, 2015 was \$6.1 million and \$2.7 million, respectively. As of August 31, 2016, we had \$3.7 million of unrecognized compensation expense related to unvested stock options that we expect to recognize over a weighted-average period of 2.1 years.

The weighted-average grant-date fair value of each stock option granted during the three months ended August 31, 2016 and August 31, 2015 was \$21.87 and \$15.60, respectively. Fair value was estimated on the date of grant using the Black-Scholes valuation model with the following weighted-average assumptions:

	Three Months Ended	
	August 31, 2016	August 31, 2015
Risk-free interest rate	1.05%	1.62%
Expected volatility	31.58%	28.65%
Dividend yield	0.06%	0.10%
Expected term (years)	5	5

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 most current quarterly dividend per share. We based our assumptions on the expected term 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 10—EARNINGS PER SHARE

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

Diluted earnings per share is computed by dividing net income attributable to Global Payments by the weighted-average number of shares outstanding during the period, including the effect of share-based awards that would have a dilutive effect on earnings per share. All stock options with an exercise price lower than the average market share price of our common stock for the period are assumed to have a dilutive effect on earnings per share. There were no stock options that would have an antidilutive effect on the computation of diluted earnings per share for the three months ended August 31, 2016. The diluted share base for the three months ended August 31, 2015 excludes less than 0.1 million shares related to stock options that would have an antidilutive effect on earnings per share.

The following table sets forth the computation of diluted weighted-average number of shares outstanding for the three months ended August 31, 2016 and August 31, 2015:

	Three Months Ended	
	August 31, 2016	August 31, 2015
	(in thousands)	
Basic weighted-average number of shares outstanding	153,901	130,328
Plus: Dilutive effect of stock options and other share-based awards	974	818
Diluted weighted-average number of shares outstanding	<u>154,875</u>	<u>131,146</u>

NOTE 11—ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the accumulated balances for each component of other comprehensive loss were as follows for the three months ended August 31, 2016 and August 31, 2015:

	Foreign Currency Translation	Unrealized Gains (Losses) on Hedging Activities	Other	Accumulated Other Comprehensive Loss
	(in thousands)			
Balance at May 31, 2015	\$ (178,309)	\$ (3,874)	\$ (3,809)	\$ (185,992)
Other comprehensive income (loss)	(27,815)	1,080	—	(26,735)
Balance at August 31, 2015	<u>\$ (206,124)</u>	<u>\$ (2,794)</u>	<u>\$ (3,809)</u>	<u>\$ (212,727)</u>
Balance at May 31, 2016	\$ (234,638)	\$ (6,755)	\$ (4,657)	\$ (246,050)
Other comprehensive income (loss)	(18,779)	(790)	108	(19,461)
Balance at August 31, 2016	<u>\$ (253,417)</u>	<u>\$ (7,545)</u>	<u>\$ (4,549)</u>	<u>\$ (265,511)</u>

Other comprehensive income attributable to noncontrolling interest, which relates only to foreign currency translation, was approximately zero and \$1.9 million for the three months ended August 31, 2016 and August 31, 2015, respectively.

NOTE 12—SEGMENT INFORMATION

We evaluate performance and allocate resources based on the operating income of each operating segment. The operating income of each operating segment includes the revenues of the segment less 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 and other income, interest and other expense and provision for income taxes are not allocated to the individual operating segments. We do not evaluate the performance of or allocate resources to our operating segments using asset data. The accounting policies of the reportable operating segments are the same as those described in our Annual Report on Form 10-K for the year ended May 31, 2016 and our summary of significant accounting policies in "Note 1-Basis of Presentation and Summary of Significant Accounting Policies."

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Information on segments and reconciliations to consolidated revenues and consolidated operating income are as follows for the three months ended August 31, 2016 and August 31, 2015:

	Three Months Ended	
	August 31, 2016	August 31, 2015
	(in thousands)	
Revenues:		
North America	\$ 711,765	\$ 530,857
Europe	169,565	168,357
Asia-Pacific	58,162	49,582
Consolidated revenues	<u>\$ 939,492</u>	<u>\$ 748,796</u>
Operating income (loss):		
North America	\$ 105,700	\$ 83,513
Europe	65,539	72,733
Asia-Pacific	14,022	12,233
Corporate ⁽¹⁾	(64,155)	(30,707)
Consolidated operating income	<u>\$ 121,106</u>	<u>\$ 137,772</u>
Depreciation and amortization:		
North America	\$ 86,915	\$ 23,743
Europe	10,413	10,344
Asia-Pacific	4,426	3,057
Corporate	1,432	1,613
Consolidated depreciation and amortization	<u>\$ 103,186</u>	<u>\$ 38,757</u>

⁽¹⁾During the three months ended August 31, 2016, operating loss for Corporate included expenses of \$30.5 million incurred in connection with the integration of Heartland. These merger-related expenses are included in selling, general and administrative expenses in the consolidated statement of income.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes included in Item 1 of Part 1 of this Quarterly Report and the Management's Discussion and Analysis of Financial Condition and Results of Operations and consolidated financial statements contained in our Annual Report on Form 10-K for the year ended May 31, 2016. This 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 actual results could differ materially from the results anticipated by our forward-looking statements. See "Forward-Looking Statements" below for additional information.

On September 29, 2015, our board of directors declared a two-for-one stock split in the form of a stock dividend of one additional share of common stock for each outstanding share of common stock (the "Stock Split"), which was paid on November 2, 2015. As a result, all share and per share information presented herein for prior periods has been adjusted for the Stock Split.

Executive Overview

We are a leading worldwide provider of payment technology services delivering innovative solutions to our customers globally. Our technologies, partnerships and employee expertise enable us to provide a broad range of services that allow our customers to accept various payment types. We distribute our services across a variety of channels to merchants and partners in 30 countries throughout North America, Europe, the Asia-Pacific region and Brazil and operate in three reportable segments: North America, Europe and Asia-Pacific.

On December 15, 2015, we entered into a merger agreement with Heartland, pursuant to which we merged with Heartland in a cash-and-stock transaction that we completed on April 22, 2016 for total purchase consideration of \$3.9 billion. See "Note 2—Acquisitions" in the notes to the accompanying unaudited consolidated financial statements for further discussion of our merger with Heartland.

Highlights related to our financial condition and results of operations for the three months ended August 31, 2016 are provided below:

- Consolidated revenues increased by 25.5% to \$939.5 million in the three months ended August 31, 2016 compared to \$748.8 million for the prior-year period primarily due to the inclusion of Heartland, partially offset by the unfavorable effect of currency fluctuations in foreign markets of \$14.4 million.
- Consolidated operating income was \$121.1 million for the three months ended August 31, 2016 compared to \$137.8 million for the prior-year period, and our operating margin was 12.9% compared to 18.4% for the prior-year period. The contribution of the revenue growth in local currency was more than offset by an increase in depreciation and amortization expense of \$64.4 million and Heartland integration expenses of \$30.5 million for the three months ended August 31, 2016.
- On June 21, 2016, Visa Inc. ("Visa") acquired all of the membership interests in Visa Europe Limited ("Visa Europe"), including ours, and we recorded a gain on the sale of those investments of \$41.2 million.
- Net income attributable to Global Payments was \$85.1 million for the three months ended August 31, 2016 compared to \$86.6 million in the prior-year period. Diluted earnings per share was \$0.55 compared to \$0.66 in the prior-year period.

Results of Operations

The following table sets forth key selected financial data for the three months ended August 31, 2016 and August 31, 2015, this data as a percentage of total revenues, and the changes between the periods in dollars and as a percentage of the prior year amount.

	Three Months Ended August 31, 2016	% of Revenue ⁽¹⁾	Three Months Ended August 31, 2015	% of Revenue ⁽¹⁾	Change	% Change
(dollar amounts in thousands)						
Revenues:						
North America	\$ 711,765	75.8%	\$ 530,857	70.9%	\$ 180,908	34.1 %
Europe	169,565	18.0%	168,357	22.5%	1,208	0.7 %
Asia-Pacific	58,162	6.2%	49,582	6.6%	8,580	17.3 %
Total revenues	<u>\$ 939,492</u>	<u>100.0%</u>	<u>\$ 748,796</u>	<u>100.0%</u>	<u>\$ 190,696</u>	<u>25.5 %</u>
Consolidated operating expenses:						
Cost of service	\$ 462,626	49.2%	\$ 272,666	36.4%	\$ 189,960	69.7 %
Selling, general and administrative	355,760	37.9%	338,358	45.2%	17,402	5.1 %
Operating expenses	<u>\$ 818,386</u>	<u>87.1%</u>	<u>\$ 611,024</u>	<u>81.6%</u>	<u>\$ 207,362</u>	<u>33.9 %</u>
Operating income (loss):						
North America	\$ 105,700		\$ 83,513		\$ 22,187	26.6 %
Europe	65,539		72,733		(7,194)	(9.9)%
Asia-Pacific	14,022		12,233		1,789	14.6 %
Corporate	(64,155)		(30,707)		(33,448)	108.9 %
Operating income	<u>\$ 121,106</u>	<u>12.9%</u>	<u>\$ 137,772</u>	<u>18.4%</u>	<u>\$ (16,666)</u>	<u>(12.1)%</u>
Operating margin:						
North America		14.9 %		15.7 %		(0.8)%
Europe		38.7 %		43.2 %		(4.5)%
Asia-Pacific		24.1 %		24.7 %		(0.6)%

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

Revenues

For the three months ended August 31, 2016, revenues increased by 25.5% compared to the prior year to \$939.5 million, despite the unfavorable effect of currency fluctuations of \$14.4 million.

North America Segment. For the three months ended August 31, 2016, revenues from our North America segment increased by \$180.9 million, or 34.1%, compared to the prior year to \$711.8 million, primarily due to the merger with Heartland.

Europe Segment. For the three months ended August 31, 2016, Europe revenues increased \$1.2 million, or 0.7%, compared to the prior year to \$169.6 million. The increase was primarily due to revenues associated with a joint venture with Erste Group Bank AG ("Erste Group") in Central and Eastern Europe.

Asia-Pacific Segment. For the three months ended August 31, 2016, Asia-Pacific revenues increased by \$8.6 million, or 17.3%, compared to the prior year to \$58.2 million, primarily due to revenues associated with recent acquisitions.

Operating Expenses

Cost of Service. Cost of service increased by 69.7% to \$462.6 million for the three months ended August 31, 2016 compared to the prior year. As a percentage of revenue, cost of service increased to 49.2% for the three months ended August 31, 2016 from 36.4% for the prior year. The increase in cost of service was driven primarily by an increase in the variable costs associated with our revenue growth, including those related to our merger with Heartland, and by additional intangible asset amortization of \$59.7 million associated with recently acquired businesses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 5.1% to \$355.8 million for the three months ended August 31, 2016 compared to the prior year. As a percentage of revenues, selling, general and administrative expenses decreased to 37.9% for the three months ended August 31, 2016 from 45.2% for the prior year. The increase in selling, general and administrative expenses was primarily due to additional costs to support the growth of our business, including incremental expenses associated with the integration of Heartland.

Operating Income and Operating Margin for Segments

North America Segment. Operating income in our North America segment increased by 26.6% to \$105.7 million for the three months ended August 31, 2016 compared to the prior year. Operating margin decreased 0.8 percentage points for the three months ended August 31, 2016. The increase in operating income was primarily due to revenue growth in our U.S. business offset by expenses associated with the merger with Heartland, including intangible asset amortization.

Europe Segment. Operating income in our Europe segment decreased by 9.9% to \$65.5 million for the three months ended August 31, 2016 compared to the prior year, including the effect of unfavorable currency fluctuations of \$7.1 million. The operating margin was 38.7% and 43.2% for the three months ended August 31, 2016 and 2015, respectively. The decrease in operating income was primarily driven by the effect of unfavorable currency fluctuations. The decrease in operating margin was primarily associated with the integration of our new joint venture with Erste Group.

Asia-Pacific Segment. Operating income in our Asia-Pacific segment increased by 14.6% to \$14.0 million for the three months ended August 31, 2016 compared to the prior year. The operating margin was 24.1% and 24.7% for the three months ended August 31, 2016 and 2015, respectively. The increase in operating income was due to revenue growth.

Corporate. Corporate expenses increased by 108.9% to \$64.2 million for the three months ended August 31, 2016 compared to the prior year, primarily due to the merger with Heartland and expenses of \$30.5 million associated with integration.

Other Income/Expense, Net

Interest and other income increased primarily due to a gain of \$41.2 million recorded in connection with the sale of our membership interests in Visa Europe. See "Note 5—Other Assets" in the notes to the accompanying unaudited consolidated financial statements for further discussion of this transaction.

Interest and other expense increased \$29.8 million due primarily to an increase in interest expense resulting from an increase in borrowings under our recently expanded credit facilities to fund the merger with Heartland.

Provision for Income Taxes

Our effective income tax rates were 23.3% and 26.0% for the three months ended August 31, 2016 and August 31, 2015, respectively. The decrease in our effective income tax rates for the three months ended August 31, 2016 is primarily due to income generated in international jurisdictions with lower tax rates.

Liquidity and Capital Resources

In the ordinary course of our business, 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 of our common stock. Accumulated cash balances are invested in high-quality, marketable short-term instruments.

Our capital plan objectives are to support our operational needs and strategic plan for long-term growth while maintaining a low cost of capital. We use debt financing, such as our revolving credit facility and our term loans, for general corporate purposes and to fund acquisitions. In addition, specialized lines of credit are also used in certain of our markets to pre-fund settlement. 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 August 31, 2016, we had cash and cash equivalents totaling \$977.8 million. Of this amount, we consider \$355.2 million to be available cash. Available cash excludes (1) settlement-related cash reserve balances, (2) funds held for collateral for merchant losses ("Merchant Reserves") and (3) funds held for customers. Settlement-related cash reserve balances represent funds that we hold when the incoming amount from the card networks precedes the funding obligation to the merchant. Settlement-related cash reserve balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. At August 31, 2016, our cash and cash equivalents included \$433.7 million for settlement-related cash reserve balances. Certain of our funds collected from our merchants serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. At August 31, 2016, our cash and cash equivalents included \$160.2 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. Funds held for customers and the corresponding liability that we record in customer deposits include amounts collected prior to remittance on our customers' behalf. At August 31, 2016, cash and cash equivalents included funds held for customers of \$201.4 million.

Our available cash balance includes \$223.3 million of cash held by foreign subsidiaries whose earnings are considered indefinitely reinvested outside the United States. These cash balances reflect our capital investments in these subsidiaries and the accumulation of cash flows generated by their operations, net of cash flows used to service debt locally and fund acquisitions outside of the United States. 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 effect on our liquidity.

Operating activities provided net cash of \$155.7 million and \$513.4 million for the three months ended August 31, 2016 and August 31, 2015, respectively. The decrease in cash flows from operating activities of \$357.7 million was primarily due to a decrease in the change in net settlement processing assets of \$372.3 million. Fluctuations in settlement processing assets and obligations are largely due to timing of month-end and transaction volume.

Net cash used in investing activities was \$38.2 million during the three months ended August 31, 2016 and \$258.4 million in the prior year. During the three months ended August 31, 2016 and August 31, 2015, respectively, we invested net cash of \$34.6 million and \$241.5 million in the aggregate to complete business acquisitions. We made capital expenditures of \$41.4 million and \$16.9 million during the three months ended August 31, 2016 and August 31, 2015, respectively. During the twelve-month period ending May 31, 2017, we expect capital expenditures to approximate \$140 million.

In addition, during the three months ended August 31, 2016, we received cash of €33.5 million (\$37.7 million equivalent at June 21, 2016) in connection with the sale of our membership interests in Visa Europe to Visa.

Net cash used in financing activities was \$175.1 million and \$90.1 million during the three months ended August 31, 2016 and August 31, 2015, respectively. During the three months ended August 31, 2016, net repayments under long-term debt were \$46.2 million compared to net borrowings of \$194.5 million in the prior year, reflecting the July 2015 refinancing described above.

Net repayments on settlement lines of credit were \$47.3 million and \$236.0 million during the three months ended August 31, 2016 and August 31, 2015, respectively. Fluctuations in our settlement lines of credit balances are largely due to timing of month-end and settlement transaction volume.

In addition, we used cash of \$67.6 million and \$34.3 million during the three months ended August 31, 2016 and August 31, 2015, respectively, to repurchase shares of our common stock.

We believe that our current level of cash and borrowing capacity under our debt facilities described below, together with future cash flows from operations will be sufficient to meet the needs of our existing operations and planned requirements for the foreseeable future.

Long-Term Debt and Credit Facilities

July 2015 Refinancing. On July 31, 2015, we entered into a second amended and restated term loan agreement (the "2015 Term Loan Agreement") and a second amended and restated credit agreement (the "2015 Revolving Credit Facility Agreement" and collectively, the "2015 Credit Facility Agreements") to provide for a \$1.75 billion term loan (the "Term A Loan") and a \$1.25 billion revolving credit facility (the "Revolving Credit Facility"), each with a syndicate of financial institutions. We used the proceeds of approximately \$2.0 billion to repay the then-outstanding balances on our previously existing term loan and revolving credit facility.

February 2016 Refinancing. On February 26, 2016, we entered into an amendment to the 2015 Credit Facility Agreement (as amended, the "2016 Credit Facility Agreement") to, among other things, (i) accelerate our repayment schedule for the Term A Loan, effective as of February 26, 2016, and (ii) provide security for the Term A Loan and the Revolving Credit Facility and modify the applicable financial covenants and interest rate margins. In addition, the 2016 Credit Facility Agreement provided for a new \$735 million delayed draw term loan facility (the "Delayed Draw Facility").

We also entered into a new \$1.045 billion term B loan ("Term B Loan"). The Delayed Draw Facility and Term B Loan were issued on April 22, 2016 in connection with our merger with Heartland, resulting in total financing of approximately \$4.78 billion. The incremental proceeds from the new loans were used, among other things, to repay certain portions of Heartland's existing indebtedness and to finance, in part, the cash consideration and the merger-related costs.

Pursuant to the 2016 Credit Facility Agreement, the Term A Loan must be repaid in equal quarterly installments of \$43.8 million commencing in November 2016 and ending in May 2020, with the remaining principal balance due upon maturity in July 2020. The Delayed Draw Facility must be repaid in quarterly installments of \$1.7 million, the first installment of which was made in August 2016, increasing to quarterly installments of \$8.6 million in August 2018 and ending in May 2020, with the remaining balance due upon maturity in July 2020. The Term B Loan must be repaid in quarterly installments of \$2.6 million, the first installment of which was made in September 2016, ending in March 2023, with the remaining principal balance due upon maturity in April 2023.

As of August 31, 2016, the outstanding balance on the Revolving Credit Facility was \$992.5 million. The 2016 Credit Facility Agreement allows us to issue standby letters of credit of up to \$100 million in the aggregate under the Revolving Credit Facility. Outstanding letters of credit under the Revolving Credit Facility reduce the amount of borrowings available to us. Borrowings available to us under the Revolving Credit Facility are further limited by the covenants described below under "Compliance with Covenants." At August 31, 2016 and May 31, 2016, we had outstanding issued standby letters of credit of \$21.3 million and \$8.5 million, respectively. The total available commitments under the Revolving Credit Facility at August 31, 2016 and May 31, 2016 were \$236.2 million and \$204.5 million, respectively. The Revolving Credit Facility expires in July 2020.

Settlement Lines of Credit

We have lines of credit with banks in various markets where we do business. The lines of credit, which are restricted for use in funding settlement, generally have variable interest rates and are subject to annual review. The credit facilities are generally denominated in local currency but may, in some cases, facilitate borrowings in multiple currencies. For certain of our lines of credit, the available credit is increased by the amount of cash we have on deposit in specific accounts with the lender. Accordingly, the amount of the outstanding line of credit may exceed the stated credit limit. As of August 31, 2016 and May 31, 2016, a total of \$46.6 million and \$42.9 million, respectively, of cash on deposit was used to determine the available credit.

As of August 31, 2016 and May 31, 2016, respectively, we had \$332.1 million and \$378.4 million outstanding under these lines of credit with additional capacity of \$744.3 million as of August 31, 2016 to fund settlement. The weighted-average interest rate on these borrowings was 1.98% and 1.80% at August 31, 2016 and May 31, 2016, respectively.

Compliance with Covenants

The 2016 Credit Facility Agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and fixed charge coverage ratios. The 2016 Credit Facility Agreement and settlement lines of credit also include various other covenants that are customary in such borrowings. The 2016 Credit Facility Agreement includes covenants, subject in each case to exceptions and qualifications, that may restrict certain payments, including, in certain circumstances, the payment of cash dividends in excess of our current rate of \$0.01 per share per quarter.

The 2016 Credit Facility Agreement also includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations to be immediately due and payable. We were in compliance with all applicable covenants as of and for the three months ended August 31, 2016.

See "Note 6—Long-Term Debt and Credit Facilities" in the notes to the accompanying unaudited consolidated financial statements for further discussion of our borrowing arrangements.

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 services described in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended May 31, 2016.

Critical Accounting Policies

Our unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which often require the judgment of management in the selection and application of certain accounting principles and methods. We discuss our critical accounting policies in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the year ended May 31, 2016. During the three months ended August 31, 2016, we did not adopt any new critical accounting policies, did not change any critical accounting policies and did not change the application of any critical accounting policies from the year ended May 31, 2016.

Effect of New Accounting Pronouncements and Recently Issued Accounting Pronouncements Not Yet Adopted

From time-to-time, new accounting pronouncements are issued by the Financial Accounting Standards Board or other standards setting bodies that may affect our current and/or future financial statements. See "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" in the notes to the accompanying unaudited consolidated financial statements for a discussion of recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted.

Forward-Looking Statements

Investors are cautioned that some of the statements we use in this report contain forward-looking statements and are made pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a number of risks and uncertainties and depend upon future events or conditions. Actual events or results might differ materially from those expressed or forecasted in these forward-looking statements. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Such statements may include, but are not limited to, statements about the benefits of our merger with Heartland, including future financial and operating results, the combined company's plans, objectives, expectations and intentions and other statements that are not historical facts. 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. We undertake no obligation to revise any of these statements to reflect future circumstances or the occurrence of unanticipated events.

Important factors that may cause actual events or results to differ materially from those anticipated by our forward-looking statements include our ability to safeguard our data; increased competition from larger companies and non-traditional competitors; our ability to update our services in a timely manner; our ability to maintain Visa and MasterCard registration and financial institution sponsorship; our reliance on financial institutions to provide clearing services in connection with our settlement activities; our potential failure to comply with card network requirements; potential systems interruptions or failures; software defects or undetected errors; increased attrition of merchants, referral partners or independent sales organizations; our ability to increase our share of existing markets and expand into new markets; a decline in the use of cards for payment generally; unanticipated increases in chargeback liability; increases in credit card network fees; changes in laws, regulations or network rules or interpretations thereof; foreign currency exchange and interest rate risks; political, economic and regulatory changes in the foreign countries in which we operate; future performance, integration and conversion of acquired operations, including without limitation difficulties and delays in integrating the Heartland Payment Systems, Inc. business or fully realizing cost savings and other benefits of the acquisition at all or within the expected time period; loss of key personnel; and other risk factors presented in Item 1A - Risk Factors of our Annual Report on Form 10-K for the year ended May 31, 2016.

ITEM 3—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on our long-term debt and cash investments. 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 term loans and a corporate credit facility that we use for general corporate purposes, as well as various lines of credit that we use to fund settlement in certain of our markets. Interest rates on these debt instruments and settlement lines of credit are based on market rates and fluctuate accordingly. As of August 31, 2016, there was \$4.9 billion outstanding under these variable-rate debt arrangements and settlement lines of credit.

The interest earned on our cash investments and the interest paid on our debt are based on variable interest rates; therefore, the exposure of our net income to a change in interest rates is partially mitigated as an increase in rates would increase both interest income and interest expense, and a reduction in rates would decrease both interest income and interest expense. Under our current policies, we may selectively use derivative instruments, such as interest rate swaps or forward rate agreements, to manage all or a portion of our exposure to interest rate changes. We have interest rate swaps that reduce a portion of our exposure to market interest rate risk on our LIBOR-based debt as discussed in "Note 6 - Long-Term Debt and Credit Facilities" in the notes to the accompanying unaudited consolidated financial statements.

Based on balances outstanding under variable-rate debt agreements and cash investment balances at August 31, 2016, a hypothetical increase of 100 basis points in applicable interest rates as of August 31, 2016 would increase our annual interest expense by approximately \$41.0 million and increase our annual interest income by approximately \$3.3 million.

Foreign Currency Exchange Rate Risk

A substantial amount of our operations are conducted in foreign currencies. Consequently, a portion of our revenues and expenses may be affected by fluctuations in foreign currency exchange rates. We are also affected by fluctuations in exchange rates on assets and liabilities related to our foreign operations. We have not historically hedged our translation risk on foreign currency exposure, but we may do so in the future.

ITEM 4—CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of August 31, 2016, 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 August 31, 2016, 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.

Changes in Internal Control Over Financial Reporting

In April 2016, we completed the merger with Heartland, which is being integrated into our North America segment. As part of our ongoing integration activities, we are continuing to apply our controls and procedures to the Heartland business and to augment our company-wide controls to reflect the risks inherent in an acquisition of this magnitude. Otherwise, there were no changes in our internal control over financial reporting during the quarter ended August 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1—LEGAL PROCEEDINGS

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 effect on our financial position, liquidity, results of operations or cash flows.

Heartland, Heartland's board of directors, Global Payments, Data Merger Sub One, Inc. (a wholly owned subsidiary of Global Payments, which we refer to as "Data Merger Sub One") and Data Merger Sub Two, LLC (a wholly owned subsidiary of Global Payments, which we refer to as "Data Merger Sub Two") were named as defendants in a putative class action lawsuit challenging the proposed merger with Heartland. The suit was filed on January 8, 2016 in the New Jersey Superior Court, Mercer County, Civil Division, and is captioned Kevin Merchant v. Heartland Payment Systems, et al, L-45-16. The complaint alleges, among other things, that the directors of Heartland breached their fiduciary duties to Heartland stockholders by agreeing to sell Heartland for inadequate consideration, agreeing to improper deal protection terms in the merger agreement, failing to properly value Heartland, and filing a materially incomplete registration statement with the Securities and Exchange Commission. In addition, the complaint alleges that Heartland, Global Payments, Merger Sub One, and Merger Sub Two aided and abetted these purported breaches of fiduciary duty. On April 12, 2016, solely to avoid the costs, disruption and distraction of further litigation, and without admitting the validity of any allegations made by the plaintiff, Heartland and Global Payments reached an agreement to settle the suit and entered into a Memorandum of Understanding to document the terms and conditions for settlement of the suit. The proposed settlement is subject to court approval. If the proposed settlement is approved by the court, it will release all claims that were or could have been brought challenging any aspect of the merger with Heartland or the merger agreement related thereto and any disclosure made in connection therewith, under terms that will be disclosed to stockholders before final approval of the proposed settlement. The settlement, if approved, is not expected to have a material adverse effect on our financial position, liquidity, results of operations or cash flows.

ITEM 1A - RISK FACTORS

There have been no material changes from the risk factors set forth in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for our fiscal year ended May 31, 2016.

ITEM 2—UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Information about the shares of our common stock that we repurchased during the quarter ended August 31, 2016 is set forth below:

<u>Period</u>	<u>Total Number of Shares Purchased ⁽¹⁾</u>	<u>Approximate Average Price Paid per Share ⁽²⁾</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ⁽³⁾</u>
June 2016 ⁽⁴⁾	709,756	\$ 70.44	709,756	
July 2016	105,679	\$ 71.78	105,679	
August 2016	272,716	\$ 73.51	272,716	
Total	<u>1,088,151</u>		<u>1,088,151</u>	<u>\$ 199,300,000</u>

- (1) Our board of directors has authorized us to repurchase shares of our common stock through any combination of Rule 10b5-1 open-market repurchase plans, accelerated share repurchase plans, discretionary open-market purchases or privately negotiated transactions.
- (2) Through open market repurchase plans, we repurchased and retired 960,716 shares of our common stock at a cost of \$67.6 million, or an average cost of \$70.39 per share, including commissions.
- (3) The approximate dollar value of shares that may yet be purchased under our share repurchase program, as of August 31, 2016, was comprised of \$199.3 million remaining available under the board's authorization announced on July 28, 2015. The authorizations by the board of directors do not expire, but could be revoked at any time. In addition, we are not required by any of the board's authorizations or otherwise to complete any repurchases by any specific time or at all.
- (4) On April 25, 2016, we entered into an Accelerated Share Repurchase ("ASR") with a financial institution to repurchase an aggregate of \$50 million of our common stock. In exchange for an up-front payment of \$50 million, the financial institution committed to deliver a number of shares during the ASR's purchase period, which ended on June 23, 2016. On April 26, 2016, 545,777 shares were initially delivered to us. On June 23, 2016, an additional 127,435 shares were delivered to us. The total number of shares delivered under this ASR was 673,212 shares at an average price of \$74.27 per share.

ITEM 6—EXHIBITS

List of Exhibits

- 2.1 Agreement and Plan of Merger, dated as of December 15, 2015, by and among Global Payments Inc., Data Merger Sub One, Inc., Data Merger Sub Two, LLC and Heartland Payment Systems, Inc., incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed December 17, 2015.++
- 10.1 Debt Commitment Letter, dated as of December 15, 2015, by and among Global Payments Inc., Bank of America, N.A. and Merrill, Lynch, Pierce, Fenner and Smith Incorporated, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed December 17, 2015.
- 10.2 Amended and Restated Debt Commitment Letter, dated as of January 8, 2016, by and among Global Payments Inc., Bank of America, N.A., Merrill, Lynch, Pierce, Fenner and Smith Incorporated and certain other lenders named therein, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed January 14, 2016.
- 10.3 First Amendment to the Second Amended and Restated Credit Agreement, First Amendment to the Second Amended and Restated Term Loan Agreement, First Amendment to the Company Guaranties and First Amendment to the Subsidiary Guaranties, dated as of February 26, 2016, by and among the Company and Global Payments Direct, Inc., as borrowers, Bank of America, N.A., as administrative agent, and certain other lenders party thereto, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 1, 2016.
- 10.4* Form of Performance Unit Award Agreement pursuant to the 2011 Incentive Plan for Executive Officers (Synergy Incentive Program).
- 10.5* Third Amended and Restated Non-Employee Director Compensation Plan.
- 31.1* Certification of the Principal Executive Officer pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of the Principal Financial Officer pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101* The following financial information from the Quarterly Report on Form 10-Q for the quarter ended August 31, 2016, formatted in XBRL (eXtensible Business Reporting Language) and filed electronically herewith: (i) the Unaudited Consolidated Statements of Income; (ii) the Unaudited Consolidated Statements of Comprehensive Income (Loss); (iii) the Consolidated Balance Sheets; (iv) the Unaudited Consolidated Statements of Cash Flows; (v) the Unaudited Consolidated Statements of Changes in Equity; and (vi) the Notes to Unaudited Consolidated Financial Statements.

* Filed herewith.

++ Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and Global Payments Inc. agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule and/or exhibit upon request.

GLOBAL PAYMENTS INC.
PERFORMANCE UNIT AWARD CERTIFICATE

Non-transferable

G R A N T T O

("Grantee")

by Global Payments Inc. (the "Company") of Performance Units (the "Performance Units") representing the right to earn, on a one-for-one basis, shares of the Company's no par value common stock ("Shares"), pursuant to and subject to the provisions of the Global Payments Inc. 2011 Incentive Plan (the "Plan") and to the terms and conditions set forth on the following pages of this award certificate (the "Certificate").

The maximum number of Shares subject to this award is **[insert maximum award]** (the "Maximum Award"). Depending on the Company's achievement of positive Operating Income and certain synergy targets over the Performance Period related to the Transaction (each as defined herein), Grantee may earn from 0% to 100% of the Maximum Award in accordance with the matrix attached hereto as Exhibit A and the terms and conditions of this Certificate.

By accepting this Award, Grantee shall be deemed to have agreed to the terms and conditions of this Certificate and the Plan.

IN WITNESS WHEREOF, Global Payments Inc., acting by and through its duly authorized officers, has caused this Certificate to be executed.

GLOBAL PAYMENTS INC.

Grant Date: 6/8/2016

Grant Number:

By: _____

Accepted by Grantee: _____

Its: Authorized Officer

TERMS AND CONDITIONS

1. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan. In addition, for purposes of this Certificate:

(i) “Conversion Date” means August 31, 2018, provided that the Committee has previously certified the Company’s achievement of positive Operating Income and the Synergy Targets, as more fully described in Exhibit A attached hereto.

(ii) “Operating Income Measurement Period” means the period commencing on June 1, 2016 and ending on May 31, 2017.

(iii) “Operating Income” means “operating income” for the Operating Income Measurement Period, calculated in the same manner as provided in the Company’s Consolidated Statements of Income covering such period, as incorporated in the Company’s filings with the Securities and Exchange Commission, except that for the purpose of this Certificate, 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 the applicable period, as described and quantified in the Company’s earnings press release(s).

(iv) “Synergies” or “Synergy” means the aggregate annualized revenue enhancements or cost savings relating to the Transaction that are achieved by the Company during the Performance Period, including, without limitation, revenue enhancements from pricing initiatives and the cross-selling of products and solutions, reductions in personnel and/or elimination of unfilled open positions, reductions in general and administrative expenses, optimization of benefit programs, consolidation of facilities, integration of departments or cost centers, future cost avoidance, elimination or reduction of contractual obligations including any vendor savings, reductions in income tax expenses from tax planning strategies and depreciation savings from avoided capital expenditures. Synergies shall be calculated on a pre-tax basis and gross of one-time costs relating to the Transaction.

(v) “Performance Period” means the period beginning on April 22, 2016 and ending on August 31, 2018.

(vi) “Target Award” has the meaning set forth on Exhibit A attached hereto.

(vii) “Transaction” means the April 22, 2016 merger between Global Payments Inc. and Heartland Payment Systems, Inc.

2. Performance Units. The Performance Units have been credited to a bookkeeping account on behalf of Grantee. The Performance Units will be earned in whole, in part, or not at all, as provided on Exhibit A attached hereto. Any Performance Units that fail to vest in accordance with the terms of this Certificate will be forfeited and reconveyed to the Company without further consideration or any act or action by Grantee.

3. Conversion to Shares. Except as otherwise provided in Sections 4 below:

(i) fifty percent (50%) of the Performance Units that are earned based on performance (each an “Earned Unit”) will be converted to actual unrestricted Shares (one Share per Earned Unit) on the Conversion Date. These shares will be registered on the books of the Company in Grantee’s name as of the Conversion Date and stock certificates for the Shares shall be delivered to Grantee or Grantee’s designee upon request of the Grantee; and

(ii) the remaining fifty percent (50%) of the Earned Units will be converted to service-based Restricted Stock (one share of Restricted Stock per Earned Unit) on the Conversion Date. Such shares of Restricted Stock will be subject to the terms and conditions set forth in a Restricted Stock Award Certificate in the form attached hereto as Exhibit B.

4. Termination of Employment. If Grantee’s employment is terminated during the Performance Period, the following provisions of this Section 4 shall govern the vesting of the Performance Units:

(i) Death or Disability. If Grantee’s employment is terminated by reason of death or Disability, the number of Performance Units earned shall be determined at the end of the Performance Period based on actual performance as of the end of the Performance Period.

(ii) Any Other Reason. Grantee’s employment agreement or any other similar agreement with the Company shall govern the treatment of the Performance Units in the event of Grantee’s termination of employment for any reason other than death or Disability.

5 . Restrictions on Transfer and Pledge. No right or interest of Grantee in the Performance Units may be pledged, encumbered, or hypothecated or be made subject to any lien, obligation, or liability of Grantee to any other party other than the Company or an Affiliate. The Performance Units may not be sold, assigned, transferred or otherwise disposed of by Grantee other than by will or the laws of descent and distribution.

6. Change in Control. If a Change in Control occurs during the Performance Period and while Grantee remains employed, then the number of Performance Units earned (each, a "CIC Earned Unit") shall be the greater of (A) the number of Performance Units that would have been earned based on actual performance as of the effective date of the Change in Control, as determined by the Committee, or (B) the Target Award. Fifty percent (50%) of any CIC Earned Units will be converted to actual unrestricted shares (one share per CIC Earned Unit) on the effective date of the Change in Control. The remaining fifty percent (50%) of any CIC Earned Units will be converted to service-based Restricted Stock (one share of Restricted Stock per CIC Earned Unit) on the effective date of the Change in Control. Such Restricted Stock will be subject to the terms and conditions set forth in a Restricted Stock Award Certificate in the form attached hereto as Exhibit B.

7 . Restrictions on Issuance of Shares. If at any time the Committee shall determine, in its discretion, that registration, listing or qualification of the Shares underlying the Performance Units upon any securities exchange or similar self-regulatory organization or under any foreign, federal, or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition to the settlement of the Performance Units, stock units will not be converted to Shares in whole or in part unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

8. Limitation of Rights. The Performance Units do not confer to Grantee or Grantee's beneficiary, executors or administrators any rights of a shareholder of the Company unless and until Shares are in fact issued to such person in connection with the units. Nothing in this Certificate shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Grantee's employment at any time, nor confer upon Grantee any right to continue in employment of the Company or any Affiliate.

9. No Entitlement to Future Awards. The grant of the Performance Units does not entitle Grantee to the grant of any additional units or other awards under the Plan in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the number of units, and vesting provisions.

10. Payment of Taxes. The Company or any Affiliate employing Grantee has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the vesting or settlement of the Performance Units. The withholding requirement may be satisfied, in whole or in part, at the election of the Company's general counsel, principal financial officer or chief accounting officer, by withholding from the settlement of the stock units Shares having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as such officer establishes. The obligations of the Company under this Certificate will be conditional on such payment or arrangements, and the Company and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

11 . Amendment. The Committee may amend, modify or terminate this Certificate without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested (i.e., as if all restrictions on the Performance Units hereunder had expired) on the date of such amendment or termination.

12. Plan Controls. The terms contained in the Plan shall be and are hereby incorporated into and made a part of this Certificate and this Certificate shall be governed by and construed in accordance with the Plan. Without limiting the foregoing, the terms and conditions of the Performance Units, including the number of shares and the class or series of capital stock which may be delivered upon settlement of the Performance Units, are subject to adjustment as provided in Article 15 of the Plan and are subject to Section 17.3 of the Plan related to Code Section 409A. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Certificate, the provisions of the Plan shall be controlling and determinative. In the event of any conflict between the provisions of this Certificate and the terms of a written employment, key position, or change-in-control agreement with Grantee, the provisions of the written employment, key position, or change-in-control agreement shall be controlling and determinative.

13. Governing Law. This Certificate shall be construed in accordance with and governed by the laws of the State of Georgia, United States of America, regardless of the law that might be applied under principles of conflict of laws. Grantee

hereby agrees and submits to jurisdiction in the state and federal courts of the State of Georgia and waives objection to such jurisdiction.

14. Severability. If any one or more of the provisions contained in this Certificate is deemed to be invalid, illegal or unenforceable, the other provisions of this Certificate will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

15. Relationship to Other Benefits. The Performance Units shall not affect the calculation of benefits under any other compensation plan or program of the Company, except to the extent specially provided in such other plan or program.

16. Clawback. Notwithstanding anything to the contrary in this Certificate, the Plan, or any employment, key position, or change-in-control agreement with Grantee, the award granted hereunder is subject to the provisions of the following clawback policy established by the Committee prior to the grant of the Performance Units hereunder. The Committee may seek to recoup all or any portion of the value of any annual or long-term incentive awards provided to any current or former executive officers in the event that the Company's financial statements are restated due to the Company's material noncompliance with any financial reporting requirement under the securities laws (the "Restatement"). The Committee may seek recoupment from any current or former executive officer who received incentive-based compensation, granted after the date hereof, during the three (3) year period preceding the date that the Company was required to prepare the Restatement. The Committee may seek to recover the amount by which the individual executive's incentive payments exceeded the lower payment that would have been made based on the restated financial results and the Committee may determine whether the Company shall effect such recovery: (i) by seeking repayment from the executive; (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the executive under any compensatory plan, program or arrangement maintained by the Company; or (iii) a combination of foregoing. The Grantee hereby acknowledges that this award is subject to the foregoing policy and agrees to make any repayment required in connection therewith.

17. Notice. Notices and communications hereunder must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Global Payments Inc., 10 Glenlake Parkway, North Tower, Atlanta, Georgia 30328; Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

18. Non-Competition and Non-Solicitation. As a condition of Grantee's receipt of this Award, Grantee agrees to the following restrictions. Grantee acknowledges and agrees that as a result of Grantee's employment with the Company or an Affiliate, Grantee's knowledge of and access to confidential and proprietary information, and Grantee's relationships with the Company's or its Affiliate's customers and employees, Grantee would have an unfair competitive advantage if Grantee were to engage in activities in violation of this Agreement. Grantee also acknowledges and agrees that the covenants in this Section 18 are necessary to protect the trade secrets of Company or its Affiliate.

18.1 Non-Competition. During the term of Grantee's employment and for a period of twenty-four (24) months immediately following the termination of Grantee's employment for any reason, Grantee shall not, directly or indirectly, seek or obtain any employment or independent contractor relationship with a Competitor, or otherwise engage in Competitive Services, in the geographic area in which the Company or an Affiliate conducts business, in which Grantee has duties for (or provides services to) such Competitor that relate to Competitive Services and are the same or similar to those services actually performed by Grantee for the Company; provided, however, that (a) nothing in this Section 18.1 shall prohibit Grantee from acquiring or holding, for investment purposes only, less than five percent (5%) of the outstanding publicly traded securities of any corporation which may compete directly or indirectly with the Company or an Affiliate; and (b) the time period of the non-compete in this Section shall not be longer than the time period of the non-compete in a written employment agreement between Grantee and the Company.

18.2 Non-Solicitation of Customers. During the term of Grantee's employment and for a period of twenty-four (24) months immediately following the termination of Grantee's employment for any reason, Grantee shall not, directly or indirectly, on Grantee's own behalf or on behalf of any other individual, corporation, partnership, joint venture, limited liability company, association or other entity or otherwise, solicit, divert or take away or attempt to solicit divert or take away any Protected Customer for the purpose of providing or selling Competitive Services; provided however, that the non-solicitation restriction contained in this Section 18.2 shall only apply to those Protected Customers (a) with whom Grantee, alone or in conjunction with others, had business dealings with on behalf of the Company or an Affiliate during the twelve (12) month period immediately preceding the termination of Grantee's employment or any earlier date of any alleged breach

by Grantee of the restriction in Section 18.2 hereof, and/or (b) for whom Grantee was responsible for supervising or coordinating the business dealings between the Company or the Affiliate and the Protected Customer during the twelve (12) month period immediately preceding the termination of Grantee's employment or any earlier date of any alleged breach by Grantee of the restriction in Section 18.2 hereof.

18.3 Non-Solicitation of Employees. During the term of Grantee's employment and for a period of twenty-four (24) months immediately following the termination of Grantee's employment for any reason, Grantee shall not, directly or indirectly, on Grantee's own behalf or on behalf of any other individual, corporation, partnership, joint venture, limited liability company, association or other entity or otherwise, solicit or induce any Protected Employee with whom Grantee worked or otherwise had material contact with through employment with the Company or an Affiliate to terminate his or her employment relationship with the Company or an Affiliate or to enter into employment with any other individual, corporation, partnership, joint venture, limited liability company, association or other entity.

18.4 Definitions. For purposes of this Section 18, the following definitions shall apply:

(a) "Competitive Services" means services competitive with the business activities engaged in by the Company or an Affiliate as of the date of termination of Grantee's employment for any reason or any earlier date of an alleged breach by Grantee of the restrictions in Section 18 hereof, which include, but are not limited to, the provision of products and services to facilitate or assist with the movement in electronic commerce of payment and financial information, merchant processing, merchant acquiring, credit and debit transaction processing, check guarantee and verification, electronic authorization and capture, terminal management services, purchase card services, financial electronic data interchange, cash management services, and wire transfer services.

(b) "Competitor" means any individual, corporation, partnership, joint venture, limited liability company, association, or other entity or enterprise which is engaged, wholly or in part, in Competitive Services, including but not limited to the following companies, all of whom engage in Competitive Services (and all of their parents, subsidiaries, or affiliates who engage in Competitive Services) and all of the successors in interest to any of the foregoing: TSYS Acquiring Solutions, Chase Paymentech Solutions, First Data Corporation, Total System Services, Inc., Vantiv, Wells Fargo Merchant Services, First National Merchant Solutions, RBS Lynk, TransFirst Holdings, iPayment, BA Merchant Services, NPC, Elavon Merchant Services and Moneris Solutions.

(c) "Protected Customer" means any individual, corporation, partnership, joint venture, limited liability company, association, or other entity or enterprise to whom the Company or an Affiliate has sold or provided its products or services, or actively solicited to sell its products or services, during the twelve (12) months prior to termination of Grantee's employment for any reason or any earlier date of an alleged breach by Grantee of the restrictions in Section 18 hereof.

(d) "Protected Employee" means any employee of the Company or an Affiliate who was employed by Company or an Affiliate at any time within six (6) months prior to termination of Grantee's employment for any reason or any earlier date of an alleged breach by Grantee of the restrictions in Section 18 hereof.

18.5 Rights and Remedies Upon Breach. Grantee agrees that, in the event that Grantee breaches or threatens to breach the covenants set forth in Section 18 hereof, the Company shall be entitled to enjoin, preliminarily and permanently, Grantee from violating or threatening to violate the covenants set forth in Section 18 hereof and to have the covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. In addition, if the Grantee breaches any of the covenants set forth in Section 18 hereof, all unvested Shares covered by this Certificate shall be immediately forfeited. Such forfeiture shall be in addition to any other right the Company may have with respect to any such violation or breach.

18.6 Severability. Grantee acknowledges and agrees that the covenants set forth in Section 18 hereof are reasonable and valid in time and scope and in all other respects and shall be considered and construed as separate and independent covenants. If any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and Grantee will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

EXHIBIT A

Grantee may earn a percentage of the Maximum Award based on (i) the Company's achievement of positive Operating Income, and (ii) the Company's achievement of certain Synergy Targets by the end of the Performance Period, as follows:

- A. If Operating Income is zero or below, all of the Performance Units will be forfeited to the Company without further consideration or any act or action by Grantee.
- B. If Operating Income is above zero, the Maximum Award will be payable, subject to the Committee's discretion to determine that a lesser number of Performance Units will be earned at the end of the Performance Period. In exercising such discretion, the Committee shall consider and be guided by the Company's Synergies, as follows:
 - (1) If less than \$137.5 million in Synergies are achieved by the end of the Performance Period, none of the Performance Units will be earned and all of the Performance Units will be forfeited to the Company without further consideration or any act or action by Grantee.
 - (2) If \$137.5 million or more in Synergies are achieved by the end of the Performance Period, Performance Units shall be earned as follows:

Synergies Achieved ("Synergy Target")	Number of Performance Units Earned
\$137.5 million	[insert number earned] ("Target Award")
>\$137.5 million but <\$150 million	(a)
>=\$150 million	Maximum Award

^(a) Payouts between performance levels will be determined based on straight line interpolation.

EXHIBIT B

GLOBAL PAYMENTS INC.

RESTRICTED STOCK AWARD CERTIFICATE

Non-transferable
G R A N T T O

("Grantee")

by Global Payments Inc. (the "Company") of

shares of its common stock, no par value (the "Shares") pursuant to and subject to the provisions of the Global Payments Inc. 2011 Incentive Plan (the "Plan") and to the terms and conditions set forth on the following pages of this award certificate (the "Terms and Conditions"). By accepting this Award, Grantee shall be deemed to have agreed to the terms and conditions set forth in this Restricted Stock Award Certificate (the "Certificate") and the Plan.

Unless sooner vested in accordance with Section 3 of the Terms and Conditions or otherwise in the discretion of the Committee, the restrictions imposed under Section 2 of the Terms and Conditions will expire as to the following percentage of the Shares awarded hereunder, on the following respective dates; provided that Grantee is then still employed by the Company or any of its Affiliates:

Percentage of Shares

100%

Date of Expiration of Restrictions

8/31/19

IN WITNESS WHEREOF, Global Payments Inc., acting by and through its duly authorized officers, has caused this Certificate to be executed.

GLOBAL PAYMENTS INC.

Grant Date: _____

Grant Number: _____

By: _____

Accepted by Grantee: _____

Its: Authorized Officer

TERMS AND CONDITIONS

1. Grant of Shares. The Company hereby grants to the Grantee named on the cover page hereof, subject to the restrictions and the other terms and conditions set forth in the Plan and in this Certificate, the number of Shares indicated on the cover page hereof of the Company's no par value common stock (the "Shares"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

2. Restrictions. The Shares are subject to each of the following restrictions. "Restricted Shares" mean those Shares that are subject to the restrictions imposed hereunder which restrictions have not then expired or terminated. Restricted Shares may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. If Grantee's employment with the Company or any Affiliate terminates for any reason other than as set forth in paragraph (b) of Section 3 hereof, then Grantee shall forfeit all of Grantee's right, title and interest in and to the Restricted Shares as of the date of employment termination, and such Restricted Shares shall revert to the Company. The restrictions imposed under this Section shall apply to all shares of the Company's Stock or other securities issued with respect to Restricted Shares hereunder in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Stock.

3. Expiration and Termination of Restrictions. The restrictions imposed under Section 2 will expire on the earliest to occur of the following (the period prior to such expiration being referred to herein as the "Restricted Period"):

- (a) As to the percentages of the Shares specified on the cover page hereof, on the respective dates specified on the cover page hereof; provided Grantee is then still employed by the Company or an Affiliate; or
- (b) Termination of Grantee's employment by reason of death or Disability or, subject to the consent of the Committee, Grantee's Retirement.

4. Delivery of Shares. The Shares will be registered on the books of the Company in Grantee's name as of the Grant Date and will be held by the Company during the Restricted Period in certificated or uncertificated form. If a certificate for Restricted Shares is issued during the Restricted Period with respect to such Shares, such certificate shall be registered in the name of Grantee and shall bear a legend in substantially the following form:

"This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in a Restricted Stock Award Certificate between the registered owner of the shares represented hereby and Global Payments Inc. Release from such terms and conditions shall be made only in accordance with the provisions of such Certificate, copies of which are on file in the offices of Global Payments Inc."

Stock certificates for the Shares, without the above legend, shall be delivered to Grantee or Grantee's designee upon request of Grantee after the expiration of the Restricted Period, but delivery may be postponed for such period as may be required for the Company with reasonable diligence to comply if deemed advisable by the Company, with registration requirements under the Securities Act of 1933, listing requirements under the rules of any stock exchange, and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

5. Voting and Dividend Rights. Grantee, as beneficial owner of the Shares, shall have full voting and dividend rights with respect to the Shares during and after the Restricted Period. If Grantee forfeits any rights he or she may have under this Certificate in accordance with Section 2, Grantee shall no longer have any rights as a shareholder with respect to the Restricted Shares or any interest therein and Grantee shall no longer be entitled to receive dividends on such stock.

6. No Right of Continued Employment. Nothing in the Plan or this Certificate shall interfere with or limit in any way the right of the Company or any Affiliate to terminate Grantee's employment without liability at any time, nor confer upon Grantee any right to continue in the employ of the Company or any Affiliate.

7. No Entitlement to Future Awards. The grant of this Award does not entitle Grantee to the grant of any additional awards under the Plan in the future. Future grants, if any, will be at the sole discretion of the Company.

8. Payment of Taxes. Upon issuance of the Shares hereunder, Grantee may make an election to be taxed upon such award under Section 83(b) of the Code. The Company or any Affiliate employing Grantee has the authority and the right to deduct or withhold, or require Grantee to remit to the employer, an amount sufficient to satisfy federal, state, and local taxes (including Grantee's FICA obligation) required by law to be withheld with respect to any taxable event arising as a result of the vesting of the Shares. The withholding requirement may be satisfied, in whole or in part, at the election of the Company's general counsel, principal financial officer or chief accounting officer, by withholding from the settlement Shares having a Fair Market Value on the date of withholding equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as such officer establishes. The obligations of the

Company under this Certificate will be conditional on such payment or arrangements, and the Company and, where applicable, its Affiliates will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to Grantee.

9. Amendment. The Committee may amend, modify or terminate this Certificate without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested (i.e., as if all restrictions on the Restricted Shares hereunder had expired) on the date of such amendment or termination.

10. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Certificate and this Certificate shall be governed by and construed in accordance with the Plan. Without limiting the foregoing, the Restricted Shares are subject to adjustment as provided in Article 15 of the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Certificate, the provisions of the Plan shall be controlling and determinative. Any conflict between this Certificate and the terms of a written employment, key position, or change-in-control agreement with Grantee that has been approved, ratified or confirmed by the Committee shall be decided in favor of the provisions of such employment, key position, or change-in-control agreement.

11. Governing Law. This Certificate shall be construed in accordance with and governed by the laws of the State of Georgia, United States of America, regardless of the law that might be applied under principles of conflict of laws. Grantee hereby agrees and submits to jurisdiction in the state and federal courts of the State of Georgia and waives objection to such jurisdiction.

12. Severability. If any one or more of the provisions contained in this Certificate is deemed to be invalid, illegal or unenforceable, the other provisions of this Certificate will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Relationship to Other Benefits. The Shares shall not affect the calculation of benefits under any other compensation plan or program of the Company, except to the extent specially provided in such other plan or program.

14. Notice. Notices and communications hereunder must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Global Payments Inc., 10 Glenlake Parkway, North Tower, Atlanta, Georgia 30328; Attn: Corporate Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

15. Clawback. Notwithstanding anything to the contrary in this Certificate, the Plan, or any employment, key position, or change-in-control agreement with Grantee, the award granted hereunder is subject to the provisions of the following clawback policy established by the Committee prior to the grant of the Restricted Shares hereunder. The Committee may seek to recoup all or any portion of the value of any annual or long-term incentive awards provided to any current or former executive officers in the event that the Company's financial statements are restated due to the Company's material noncompliance with any financial reporting requirement under the securities laws (the "Restatement"). The Committee may seek recoupment from any current or former executive officer who received incentive-based compensation, granted after the date hereof, during the three (3) year period preceding the date that the Company was required to prepare the Restatement. The Committee may seek to recover the amount by which the individual executive's incentive payments exceeded the lower payment that would have been made based on the restated financial results and the Committee may determine whether the Company shall effect such recovery: (i) by seeking repayment from the executive; (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the executive under any compensatory plan, program or arrangement maintained by the Company; or (iii) a combination of foregoing. The Grantee hereby acknowledges that this award is subject to the foregoing policy and agrees to make any repayment required in connection therewith.

16. Non-Competition and Non-Solicitation. As a condition of Grantee's receipt of this Award, Grantee agrees to the following restrictions. Grantee acknowledges and agrees that as a result of Grantee's employment with the Company or an Affiliate, Grantee's knowledge of and access to confidential and proprietary information, and Grantee's relationships with the Company's or its Affiliate's customers and employees, Grantee would have an unfair competitive advantage if Grantee were to engage in activities in violation of this Agreement. Grantee also acknowledges and agrees that the covenants in this Section 16 are necessary to protect the trade secrets of Company.

16.1 Non-Competition. During the term of Grantee's employment and for a period of twenty-four (24) months immediately following the termination of Grantee's employment for any reason, Grantee shall not, directly or indirectly,

seek or obtain any employment or independent contractor relationship with a Competitor, or otherwise engage in Competitive Services, in the geographic area in which the Company or an Affiliate conducts business, in which Grantee has duties for (or provides services to) such Competitor that relate to Competitive Services and are the same or similar to those services actually performed by Grantee for the Company; provided, however, that (a) nothing in this Section 16.1 shall prohibit Grantee from acquiring or holding, for investment purposes only, less than five percent (5%) of the outstanding publicly traded securities of any corporation which may compete directly or indirectly with the Company or an Affiliate, and (b) the time period of the non-compete in this Section 16.1 shall not be longer than the time period of the non-compete in a written employment agreement between Grantee and the Company.

16.2 Non-Solicitation of Customers. During the term of Grantee's employment and for a period of twenty-four (24) months immediately following the termination of Grantee's employment for any reason, Grantee shall not, directly or indirectly, on Grantee's own behalf or on behalf of any other individual, corporation, partnership, joint venture, limited liability company, association or other entity or otherwise, solicit, divert or take away or attempt to solicit divert or take away any Protected Customer for the purpose of providing or selling Competitive Services; provided however, that the non-solicitation restriction contained in this Section 16.2 shall only apply to those Protected Customers (a) with whom Grantee, alone or in conjunction with others, had business dealings with on behalf of the Company or an Affiliate during the twelve (12) month period immediately preceding the termination of Grantee's employment or any earlier date of any alleged breach by Grantee of the restriction in Section 16.2 hereof, and/or (b) for whom Grantee was responsible for supervising or coordinating the business dealings between the Company or an Affiliate and the Protected Customer during the twelve (12) month period immediately preceding the termination of Grantee's employment or any earlier date of any alleged breach by Grantee of the restriction in Section 16.2 hereof.

16.3 Non-Solicitation of Employees. During the term of Grantee's employment and for a period of twenty-four (24) months immediately following the termination of Grantee's employment for any reason, Grantee shall not, directly or indirectly, on Grantee's own behalf or on behalf of any other individual, corporation, partnership, joint venture, limited liability company, association or other entity or otherwise, solicit or induce any Protected Employee with whom Grantee worked or otherwise had material contact with through employment with the Company or an Affiliate to terminate his or her employment relationship with the Company or an Affiliate or to enter into employment with any other individual, corporation, partnership, joint venture, limited liability company, association or other entity.

16.4 Definitions. For purposes of this Section 16, the following definitions shall apply:

(a) "Competitive Services" means services competitive with the business activities engaged in by the Company or an Affiliate as of the date of termination of Grantee's employment for any reason or any earlier date of an alleged breach by Grantee of the restrictions in Section 16 hereof, which include, but are not limited to, the provision of products and services to facilitate or assist with the movement in electronic commerce of payment and financial information, merchant processing, merchant acquiring, credit and debit transaction processing, check guarantee and verification, electronic authorization and capture, terminal management services, purchase card services, financial electronic data interchange, cash management services, and wire transfer services.

(b) "Competitor" means any individual, corporation, partnership, joint venture, limited liability company, association, or other entity or enterprise which is engaged, wholly or in part, in Competitive Services, including but not limited to the following companies, all of whom engage in Competitive Services (and all of their parents, subsidiaries, or affiliates who engage in Competitive Services) and all of the successors in interest to any of the foregoing: TSYS Acquiring Solutions, Chase Paymentech Solutions, First Data Corporation, Total System Services, Inc., Vantiv, Wells Fargo Merchant Services, First National Merchant Solutions, RBS Lynk, TransFirst Holdings, iPayment, BA Merchant Services, NPC, Elavon Merchant Services and Moneris Solutions.

(c) "Protected Customer" means any individual, corporation, partnership, joint venture, limited liability company, association, or other entity or enterprise to whom the Company or an Affiliate has sold or provided its products or services, or actively solicited to sell its products or services, during the twelve (12) months prior to termination of Grantee's employment for any reason or any earlier date of an alleged breach by Grantee of the restrictions in Section 16 hereof.

(d) "Protected Employee" means any employee of the Company or an Affiliate who was employed by Company or an Affiliate at any time within six (6) months prior to the termination of Grantee's employment for any reason or any earlier date of an alleged breach by Grantee of the restrictions in Section 16 hereof.

16.5 Rights and Remedies Upon Breach. Grantee agrees that, in the event that Grantee breaches or threatens to breach the covenants set forth in Section 16 hereof, the Company shall be entitled to enjoin, preliminarily and permanently,

Grantee from violating or threatening to violate the covenants set forth in Section 16 hereof and to have the covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. In addition, if the Grantee breaches any of the covenants set forth in Section 16 hereof, all unvested Shares covered by this Certificate shall be immediately forfeited. Such forfeiture shall be in addition to any other right the Company may have with respect to any such violation or breach.

16.6 Severability. Grantee acknowledges and agrees that the covenants set forth in Section 16 hereof are reasonable and valid in time and scope and in all other respects and shall be considered and construed as separate and independent covenants. If any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and Grantee will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

**GLOBAL PAYMENTS INC.
THIRD AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR COMPENSATION PLAN**

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**GLOBAL PAYMENTS INC.
THIRD AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR COMPENSATION PLAN**

**ARTICLE 1
PURPOSE**

1.1. BACKGROUND. This plan is adopted to aggregate and formalize the Company's compensation policies for non-employee directors of the Company, including all cash and equity-based compensation. This Third Amended and Restated Non-Employee Director Compensation Plan (the "Plan") amends and restates the Second Amended and Restated 2014 Non-Employee Director Compensation Plan that became effective on September 29, 2015. The Plan operates as a subplan of the 2011 Incentive Plan pursuant to Section 4.3 of the 2011 Incentive Plan.

1.2. PURPOSE. The purpose of the Plan is to attract, retain and compensate highly-qualified individuals who are not employees of the Company or any of its Subsidiaries or Affiliates for service as members of the Board by providing them with competitive compensation and an equity interest in the Company. The Company intends that the Plan will benefit the Company and its shareholders by allowing Non-Employee Directors to have a personal financial stake in the Company through an ownership interest in the Company's Stock and will closely associate the interests of Non-Employee Directors with that of the Company's shareholders.

1.3. ELIGIBILITY. Non-Employee Directors of the Company who are Eligible Participants, as defined below, shall automatically be participants in the Plan.

**ARTICLE 2
DEFINITIONS**

2.1. DEFINITIONS. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the 2011 Incentive Plan. Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

- (a) "Annual Stock Retainer" means with respect to each Non-Employee Director for each Plan Year, the dollar value to be delivered in the form of annual Stock awards under the Plan, as established from time to time by the Committee and set forth in Schedule I hereto.
- (b) "Basic Cash Retainer" means the annual cash retainer (excluding any Supplemental Cash Retainer and expenses) payable by the Company to a Non-Employee Director pursuant to Section 5.1 hereof for service as a director of the Company; as established from time to time by the Committee and set forth in Schedule I hereto.
- (c) "Board" means the Board of Directors of the Company.
- (d) "Chairperson" means the Chairperson of the Board.
- (e) "Committee" means the Governance and Nominating Committee of the Board.
- (f) "Company" means Global Payments Inc., a Georgia corporation, or any successor corporation.
- (g) "Effective Date" of the Plan means September 28, 2016, immediately following the conclusion of the Company's annual shareholder meeting.
- (h) "Eligible Participant" means any person who is a Non-Employee Director on the Effective Date or becomes a Non-Employee Director while this Plan is in effect; except that any director who is a former employee shall not be an Eligible Participant for a period of one year following

- the date of termination of employment.
- (i) “Equity Award” means stock options, stock awards, restricted stock, restricted stock units, stock appreciation rights, or other awards based on or derived from the Stock which are authorized under the 2011 Incentive Plan for award to Non-Employee Directors.
 - (j) “Grant Date” of an Equity Award has the meaning given such term in Sections 6.1 hereof.
 - (k) “2011 Incentive Plan” means the Global Payments Inc. 2011 Incentive Plan, as may be amended from time to time, and any subsequent equity compensation plan approved by the shareholders and designated by the Board as the Incentive Plan for purposes of this Plan.
 - (l) “Non-Employee Chairperson” means the Non-Employee Director, if any, who has been designated by the Board as the Chairperson under the Board’s Corporate Governance Guidelines.
 - (m) “Lead Director” means the Non-Employee Director, if any, who has been designated by the Board as the Lead Director under the Board’s Corporate Governance Guidelines. The Lead Director shall have such duties as shall be assigned to him or her by the Board in such Corporate Governance Guidelines.
 - (n) “Non-Employee Director” means a director of the Company who is not an employee of the Company or any of its Subsidiaries or Affiliates and who had not been appointed or elected to the Board solely by reason of his or her affiliation with a shareholder of the Company.
 - (o) “Plan” means this Third Amended and Restated 2014 Non-Employee Director Compensation Plan, as amended from time to time.
 - (p) “Plan Year(s)” means the approximate twelve-month periods between annual meetings of the shareholders of the Company, which, for purposes of the Plan, are the periods for which annual retainers are earned.
 - (q) “Supplemental Cash Retainer” means the supplemental annual cash retainer (excluding Basic Cash Retainer and expenses) payable by the Company to a Non-Employee Director pursuant to Section 5.2 hereof for service as Lead Director, Non-Employee Chairperson or chair of a committee of the Board; as established from time to time by the Committee and set forth in Schedule I hereto.
 - (r) “Stock” means the common stock, no par value per share, of the Company.

ARTICLE 3 ADMINISTRATION

3.1. **ADMINISTRATION.** The Plan shall be administered by the Committee. Subject to the provisions of the Plan, the Committee shall be authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The Committee’s interpretation of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding upon all parties concerned including the Company, its shareholders and persons granted awards under the Plan. The Committee may appoint a plan administrator to carry out the ministerial functions of the Plan, but the administrator shall have no other authority or powers of the Committee.

3.2. **RELIANCE.** In administering the Plan, the Committee may rely upon any information furnished by the Company, its public accountants and other experts. No individual will have personal liability by reason of anything done or omitted to be done by the Company or the Committee in connection with the Plan. This limitation of liability shall not be exclusive of any other limitation of liability to which any such person may be entitled under the Company’s articles of incorporation or otherwise.

**ARTICLE 4
SHARES**

4.1. SOURCE OF SHARES FOR THE PLAN. Equity Awards that may be issued pursuant to the Plan shall be issued under the 2011 Incentive Plan, subject to all of the terms and conditions of the 2011 Incentive Plan. The terms contained in the 2011 Incentive Plan are incorporated into and made a part of this Plan with respect to Equity Awards granted pursuant hereto, and any such awards 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. This Plan does not constitute a separate source of shares for the grant of the Equity Awards described herein.

**ARTICLE 5
CASH COMPENSATION**

5.1. BASIC CASH RETAINER. Each Eligible Participant shall be paid a Basic Cash Retainer for service as a director during each Plan Year, payable in advance, on the first business day following each annual meeting of shareholders. The amount of the Basic Cash Retainer shall be established from time to time by the Committee. The amount of the Basic Cash Retainer is set forth in Schedule I, as amended from time to time by the Committee. Each person who first becomes an Eligible Participant on a date other than an annual meeting date shall be paid a pro rata amount of the Basic Cash Retainer for that Plan Year to reflect the actual number of days served in the Plan Year.

5.2. SUPPLEMENTAL CASH RETAINER. The Lead Director or Non-Employee Chairperson, as applicable, and the chairs of each committee of the Board may be paid a Supplemental Cash Retainer during a Plan Year, payable at the same times as installments of the Basic Cash Retainer are paid. The amount of the Supplemental Cash Retainers shall be established from time to time by the Committee, and shall be set forth in Schedule I, as amended from time to time by the Committee. A prorata Supplemental Cash Retainer will be paid to any Eligible Participant who is elected by the Board to a position eligible for a Supplemental Cash Retainer on a date other than the beginning of a Plan Year, to reflect the actual number of days served in such eligible capacity during the Plan Year.

5.3. EXPENSE REIMBURSEMENT. All Eligible Participants shall be reimbursed for reasonable travel and out-of-pocket expenses in connection with attendance at meetings of the Board and its committees, or other Company functions at which the Chairperson, the Chief Executive Officer or the Lead Director requests the director to participate.

**ARTICLE 6
EQUITY COMPENSATION**

6.1. STOCK AWARDS. Subject to share availability under the 2011 Incentive Plan, each Eligible Participant shall be granted an award of fully-vested Stock on the day that he or she first becomes an Eligible Participant (“Initial Stock Grant”). In addition, subject to share availability under the 2011 Incentive Plan, each Eligible Participant in service on the day following an annual shareholders meeting will receive an award of fully-vested Stock (“Annual Stock Grant” and collectively with the Initial Stock Grant, the “Stock Grants”). Each such day that such awards are to be granted under the Plan is referred to hereinafter as a “Grant Date.” The Stock Grants shall have the following terms and conditions:

(a) Number of Initial Stock Grants. The number of shares in the Initial Stock Grant to an Eligible Participant shall be determined by multiplying the Proration Factor (as defined below) by the amount determined by (A) dividing the Annual Stock Retainer as in effect for that Plan Year, by the Fair Market Value of the Stock on the Grant Date, and (B) rounding to the nearest whole number. The Proration Factor is a fraction, the numerator of which is the number of full months of service as a Non-Employee Director between the Grant Date and the next annual shareholders' meeting date, and the denominator of which is 12.

(b) Number of Annual Stock Grants. The number of shares in the Annual Stock Grant to an Eligible Participant shall be determined by (A) dividing the Annual Stock Retainer as in effect for that Plan Year, by the Fair Market Value of the Stock on the Grant Date, and (B) rounding to the nearest whole number.

(c) Other Plan Conditions. To the extent not specified herein, the Stock Grants shall be subject to the terms and conditions of the 2011 Incentive Plan.

6.2. ADJUSTMENTS. For the avoidance of doubt, the adjustment provisions of the 2011 Incentive Plan (along with all of the other provisions of the 2011 Incentive Plan) shall apply with respect to all Equity Awards granted pursuant to this Plan.

6.3. AWARD CERTIFICATES. All unvested Equity Awards granted pursuant to this Plan shall be evidenced by a written award certificate, which shall include such provisions, not inconsistent with the Plan or the 2011 Incentive Plan, as may be specified by the Committee. The form of applicable award certificates (if any) shall be approved by the Committee.

ARTICLE 7 AMENDMENT, MODIFICATION AND TERMINATION

7.1. AMENDMENT, MODIFICATION AND TERMINATION. The Committee may, at any time and from time to time, amend, modify or terminate the Plan without shareholder approval; provided, however, that if an amendment to the Plan would, in the reasonable opinion of the Committee, require shareholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of a securities exchange on which the Stock is listed or traded, then such amendment shall be subject to shareholder approval; and provided further, that the Committee may condition any other amendment or modification on the approval of shareholders of the Company for any reason. Modification of Equity Awards granted under this Plan shall be subject to the provisions of the 2011 Incentive Plan.

ARTICLE 8 GENERAL PROVISIONS

8.1. DURATION OF THE PLAN. The Plan shall remain in effect until terminated by the Committee or the earlier termination or expiration of the 2011 Incentive Plan, including any successor plans.

8.2. EXPENSES OF THE PLAN. The expenses of administering the Plan shall be borne by the Company.

The foregoing is hereby acknowledged as being the Global Payments Inc. Third Amended and Restated Non-Employee Director Compensation Plan, adopted by the Board on July 27, 2016.

GLOBAL PAYMENTS INC.

By: /s/ David L. Green

David L. Green

Executive Vice President, General Counsel and Corporate Secretary

SCHEDULE I

DIRECTOR COMPENSATION SCHEDULE

The following shall remain in effect until modified by the Committee:

Position Held	Annual Basic Cash Retainer	Annual Supplemental Cash Retainer	Annual Stock Retainer (FMV)
Non-Employee Chairperson	\$90,000	\$95,000	\$185,000
Lead Director	\$90,000	\$65,000	\$185,000
Audit Committee Chair	\$90,000	\$20,000	\$145,000
Other Committee Chairs	\$90,000	\$17,500	\$145,000
Other Non-Employee Directors	\$90,000	n/a	\$145,000

In connection with the change in the Company's fiscal year from May 31 to December 31, solely with respect to the Base Cash Retainer, Supplemental Cash Retainer and Annual Stock Retainer to be paid or granted, as applicable, on the day following the 2016 annual meeting of the shareholders, all amounts shown in the table above shall be prorated based on a seven-month period to reflect the Company's transition to the new fiscal year.

**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, Jeffrey S. Sloan, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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/ Jeffrey S. Sloan

Date: October 5, 2016

Jeffrey S. Sloan
Chief Executive Officer

**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, Cameron M. Bready, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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(s) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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/ Cameron M. Bready _____

Date: October 5, 2016

Cameron M. Bready
Chief Financial Officer

**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 Quarterly Report of Global Payments Inc. on Form 10-Q for the period ended August 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jeffrey S. Sloan, Chief Executive Officer of Global Payments Inc. (the "Company"), and Cameron M. Bready, 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/ Jeffrey S. Sloan

Jeffrey S. Sloan
Chief Executive Officer
Global Payments Inc.
October 5, 2016

/s/ Cameron M. Bready

Cameron M. Bready
Chief Financial Officer
Global Payments Inc.
October 5, 2016

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.