

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended February 28, 2009

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)

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**Georgia**  
(State or other jurisdiction of  
incorporation or organization)

**10 Glenlake Parkway, North Tower, Atlanta, Georgia**  
(Address of principal executive offices)

**58-2567903**  
(I.R.S. Employer  
Identification No.)

**30328-3473**  
(Zip Code)

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

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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 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 April 1, 2009 was 80,393,086.

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**GLOBAL PAYMENTS INC.**  
**FORM 10-Q**  
**For the quarterly period ended February 28, 2009**

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBAL PAYMENTS INC.  
UNAUDITED CONSOLIDATED STATEMENTS OF (LOSS) INCOME

(in thousands, except per share data)

|  | Three Months Ended   |                      |
|--|----------------------|----------------------|
|  | February 28,<br>2009 | February 29,<br>2008 |
| Revenues   | \$ 392,663           | \$ 310,641           |
| Operating expenses:  |                      |                      |
| Cost of service  | 146,760              | 117,661              |
| Sales, general and administrative  | 180,117              | 133,069              |
| Impairment   | 147,664              | —                    |
|  | <u>474,541</u>       | <u>250,730</u>       |
| Operating (loss) income  | (81,878)             | 59,911               |
| Other income (expense):  |                      |                      |
| Interest and other income  | 1,200                | 4,767                |
| Interest and other expense   | (2,222)              | (2,198)              |
|  | <u>(1,022)</u>       | <u>2,569</u>         |
| (Loss) income before income taxes and minority interest                                | (82,900)             | 62,480               |
| Provision for income taxes   | (15,818)             | (19,265)             |
| Minority interest, net of tax provision (benefit) of \$1,703 and \$(506), respectively | (8,058)              | (3,160)              |
| Net (loss) income  | <u>\$ (106,776)</u>  | <u>\$ 40,055</u>     |
| Basic (loss) earnings per share  | <u>\$ (1.34)</u>     | <u>\$ 0.51</u>       |
| Diluted (loss) earnings per share  | <u>\$ (1.34)</u>     | <u>\$ 0.50</u>       |
| Dividends per share  | <u>\$ 0.02</u>       | <u>\$ 0.02</u>       |

*See Notes to Unaudited Consolidated Financial Statements.*

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**GLOBAL PAYMENTS INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF (LOSS) INCOME**

(in thousands, except per share data)

|   | Nine Months Ended    |                      |
|---|----------------------|----------------------|
|   | February 28,<br>2009 | February 29,<br>2008 |
| Revenues  | \$ 1,199,483         | \$ 930,397           |
| Operating expenses:   |                      |                      |
| Cost of service   | 445,248              | 350,483              |
| Sales, general and administrative   | 512,587              | 394,023              |
| Impairment and restructuring charges  | 147,664              | 1,317                |
|   | <u>1,105,499</u>     | <u>745,823</u>       |
| Operating income  | 93,984               | 184,574              |
| Other income (expense):   |                      |                      |
| Interest and other income   | 6,573                | 14,643               |
| Interest and other expense  | (6,642)              | (5,339)              |
|   | <u>(69)</u>          | <u>9,304</u>         |
| Income before income taxes and minority interest                                      | 93,915               | 193,878              |
| Provision for income taxes  | (66,539)             | (64,071)             |
| Minority interest, net of tax provision (benefit) of \$1,028 and \$(70), respectively | (27,718)             | (7,864)              |
| Net (loss) income   | <u>\$ (342)</u>      | <u>\$ 121,943</u>    |
| Basic (loss) earnings per share   | <u>\$ —</u>          | <u>\$ 1.53</u>       |
| Diluted (loss) earnings per share   | <u>\$ —</u>          | <u>\$ 1.51</u>       |
| Dividends per share   | <u>\$ 0.06</u>       | <u>\$ 0.06</u>       |

*See Notes to Unaudited Consolidated Financial Statements*

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**GLOBAL PAYMENTS INC.**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands, except share data)

|  | February 28,<br>2009<br>(Unaudited) | May 31,<br>2008     |
|--|-------------------------------------|---------------------|
| <b>ASSETS</b>  |                                     |                     |
| Current assets:  |                                     |                     |
| Cash and cash equivalents  | \$ 387,593                          | \$ 456,060          |
| Accounts receivable, net of allowances for doubtful accounts of \$517 and \$489, respectively  | 105,242                             | 100,179             |
| Claims receivable, net of allowances for losses of \$4,721 and \$6,065, respectively   | 554                                 | 1,354               |
| Settlement processing assets   | 3,234                               | 24,280              |
| Inventory, net of obsolescence reserves of \$699 and \$1,028, respectively   | 6,370                               | 3,821               |
| Deferred income taxes  | 4,287                               | 4,119               |
| Prepaid expenses and other current assets  | 23,132                              | 27,597              |
| Total current assets   | <u>530,412</u>                      | <u>617,410</u>      |
| Property and equipment, net of accumulated depreciation of \$152,173 and \$145,971, respectively   | 141,412                             | 141,415             |
| Goodwill   | 535,988                             | 497,136             |
| Other intangible assets, net of accumulated amortization of \$173,380 and \$163,358, respectively  | 225,224                             | 175,636             |
| Other  | 11,560                              | 14,310              |
| Total assets   | <u>\$ 1,444,596</u>                 | <u>\$ 1,445,907</u> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                                     |                     |
| Current liabilities:   |                                     |                     |
| Lines of credit  | \$ 4,110                            | \$ 1,527            |
| Current portion of term loan   | 25,000                              | —                   |
| Payables to money transfer beneficiaries   | 8,830                               | 9,276               |
| Accounts payable and accrued liabilities   | 143,011                             | 138,243             |
| Settlement processing obligations  | 70,020                              | 56,731              |
| Income taxes payable   | 13,736                              | 11,975              |
| Total current liabilities  | <u>264,707</u>                      | <u>217,752</u>      |
| Term loan  | 165,000                             | —                   |
| Deferred income taxes  | 54,793                              | 75,001              |
| Other long-term liabilities  | 11,600                              | 11,612              |
| Total liabilities  | <u>496,100</u>                      | <u>304,365</u>      |
| Commitments and contingencies (See Note 12)  |                                     |                     |
| Minority interest in equity of subsidiaries (includes redeemable minority interests with a book value of \$22,897 and estimated maximum redemption amount of \$472,375 at February 28, 2009) | 33,430                              | 14,724              |
| Shareholders' equity:  |                                     |                     |
| Preferred stock, no par value; 5,000,000 shares authorized and none issued   | —                                   | —                   |
| Common stock, no par value; 200,000,000 shares authorized; 80,387,912 and 79,636,629 shares issued and outstanding at February 28, 2009 and May 31, 2008, respectively                       | —                                   | —                   |
| Paid-in capital  | 402,077                             | 380,741             |
| Retained earnings  | 616,725                             | 621,875             |
| Accumulated other comprehensive (loss) income  | (103,736)                           | 124,202             |
| Total shareholders' equity   | <u>915,066</u>                      | <u>1,126,818</u>    |
| Total liabilities and shareholders' equity   | <u>\$ 1,444,596</u>                 | <u>\$ 1,445,907</u> |

*See Notes to Unaudited Consolidated Financial Statements.*

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**GLOBAL PAYMENTS INC.**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)

|  | Nine Months Ended    |                      |
|--|----------------------|----------------------|
|  | February 28,<br>2009 | February 29,<br>2008 |
| Cash flows from operating activities:  |                      |                      |
| Net (loss) income  | \$ (342)             | \$ 121,943           |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: |                      |                      |
| Depreciation and amortization of property and equipment                                  | 27,175               | 21,258               |
| Amortization of acquired intangibles   | 23,222               | 10,962               |
| Share-based compensation expense   | 10,954               | 9,853                |
| Provision for operating losses and bad debts   | 20,256               | 21,884               |
| Minority interest in earnings  | 28,746               | 7,794                |
| Deferred income taxes  | (3,419)              | (3,757)              |
| Impairment of goodwill and identified intangible assets                                  | 147,664              | —                    |
| Other, net   | (87)                 | (5,763)              |
| Changes in operating assets and liabilities, net of the effects of acquisitions:         |                      |                      |
| Accounts receivable  | (8,856)              | (6,976)              |
| Claims receivable  | (13,879)             | (18,123)             |
| Settlement processing assets and obligations, net  | 28,818               | 26,297               |
| Inventory  | (2,314)              | (1,964)              |
| Prepaid expenses and other assets  | 6,832                | (7,961)              |
| Payables to money transfer beneficiaries   | (446)                | 1,005                |
| Accounts payable and accrued liabilities   | 2,692                | (3,276)              |
| Income taxes payable   | 1,761                | 10,734               |
| Net cash provided by operating activities  | <u>268,777</u>       | <u>183,910</u>       |
| Cash flows from investing activities:  |                      |                      |
| Business and intangible asset acquisitions   | (454,279)            | (12,051)             |
| Capital expenditures   | (25,458)             | (31,926)             |
| Proceeds from sale of investment and contractual rights                                  | 6,796                | —                    |
| Net cash used in investing activities  | <u>(472,941)</u>     | <u>(43,977)</u>      |
| Cash flows from financing activities:  |                      |                      |
| Net borrowings on lines of credit  | 2,583                | 1,126                |
| Proceeds from term loan  | 200,000              | —                    |
| Principal payments under term loan   | (10,000)             | —                    |
| Proceeds from stock issued under share-based compensation plans                          | 7,961                | 15,229               |
| Tax benefit from share-based compensation plans  | 2,421                | 7,384                |
| Repurchase of common stock   | —                    | (87,020)             |
| Dividends paid   | (4,808)              | (4,784)              |
| Contribution from minority interest holder   | 358                  | —                    |
| Distributions to minority interests  | (23,258)             | (7,085)              |
| Net cash provided by (used in) financing activities                                      | <u>175,257</u>       | <u>(75,150)</u>      |
| Effect of exchange rate changes on cash  | <u>(39,560)</u>      | <u>14,812</u>        |
| (Decrease) increase in cash and cash equivalents   | (68,467)             | 79,595               |
| Cash and cash equivalents, beginning of period   | <u>456,060</u>       | <u>308,872</u>       |
| Cash and cash equivalents, end of period   | <u>\$ 387,593</u>    | <u>\$ 388,467</u>    |

*See Notes to Unaudited Consolidated Financial Statements.*

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Business consolidation and presentation*— Global Payments Inc. is a high-volume processor of electronic transactions for merchants, multinational corporations, financial institutions, consumers, government agencies and other profit and non-profit business enterprises to facilitate payments to purchase goods and services or further other economic goals. Our role is to serve as an intermediary in the exchange of information and funds that must occur between parties so that a transaction can be completed. We were incorporated in Georgia as Global Payments Inc. in September 2000 and we spun-off from our former parent company in January 2001. Including our time as part of our former parent company, we have provided transaction processing services since 1967.

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

We prepared the unaudited consolidated financial statements included herein pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate and the information presented is not misleading. We suggest that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended May 31, 2008.

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

*Revenue recognition*—

*North America and International Merchant Services Segments*

Our two merchant services segments primarily include processing solutions for credit cards, debit cards, and check-related services. This revenue is recognized as such services are performed. Revenue for processing services provided directly to merchants is recorded net of interchange fees charged by credit card issuing banks. We use two basic business models to market our merchant services offerings. One model, referred to as “direct” merchant services, features a salaried and commissioned sales force, independent sales organizations, or ISOs, and independent sales representatives, all of whom sell our end-to-end services directly to merchants. Our other model, referred to as “indirect” merchant services, provides the same basic products and services as direct merchant services, primarily to financial institutions and a limited number of ISOs on an unbundled basis, that in turn resell our products and services to merchants. Direct merchant services revenue is generated on services primarily priced as a percentage of transaction value, whereas indirect merchant services revenue is generated on services primarily priced on a specified amount per transaction. In both merchant services models, we also charge other processing fees unrelated to the number of transactions or the transaction value.

*Money Transfer Segment*

Our money transfer segment primarily includes processing international money transfer transactions. Money transfer revenue is earned on fees charged to customers based on the nature and amount of the transaction performed on the customers’ behalf and is recognized at the time of funds transfer. We also earn money transfer revenue on the difference between the retail exchange rate quoted at the time when the money transfer transaction is requested and the wholesale exchange rate at the time when the currency is purchased. This revenue is recognized when the money transfer transaction is processed through the settlement system and the funds are available to the beneficiary, as this is the point in time when the amount of revenue is determinable.

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*Cash and cash equivalents*— Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased. These amounts also include cash that we hold related to reserve funds collected from our merchants (“Merchant reserves”) that serve as collateral to minimize contingent liabilities associated with charges properly reversed by a cardholder. While this cash is not restricted and can be used in our general operations, we do not intend to use it, as we believe that designating this cash to collateralize Merchant reserves strengthens our fiduciary standing with our member sponsors and is in accordance with guidelines set by the card networks. As of February 28, 2009 and May 31, 2008, our cash and cash equivalents included \$132.3 million and \$131.6 million, respectively, related to Merchant reserves.

*Settlement processing assets and obligations*— In order to provide credit card transaction processing services, we must be designated as a certified processor by MasterCard and Visa, in addition to a Merchant Service Provider by MasterCard and an Independent Sales Organization by Visa. These designations are dependent upon member clearing banks of either organization sponsoring us and our adherence to the standards of the Visa and MasterCard networks. A financial institution that is a member of the Visa and/or MasterCard card networks (the “Member”) must sponsor an electronic transaction payment processor such as Global Payments. We have four primary financial institution sponsors in the United States, Canada, the United Kingdom and the Asia-Pacific region with whom we have sponsorship or depository and processing agreements. These agreements allow us to route transactions under the member banks’ control and identification numbers to clear credit card transactions through Visa and MasterCard. Visa and MasterCard set the standards with which we must comply. Certain of the member financial institutions of Visa and MasterCard are our competitors.

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

Funds settlement refers to the process of transferring funds for sales and credits between card issuers and merchants. Depending on the type of transaction, either the credit card interchange system or the debit network is used to transfer the information and funds between the Member and card issuer to complete the link between merchants and card issuers.

For transactions processed on our systems, we use our network telecommunication infrastructure to deliver funding files to the Member, which creates a file to fund the merchants using country-specific payment networks such as the Federal Reserve’s Automated Clearing House system in the United States or the Automated Clearing Settlement System or the Large Value Transfer System in Canada. In our United States portfolio and in most of our Canadian portfolio, merchant funding primarily occurs after the Member receives the funds from the card issuer through the card networks. For certain of our Canadian and Asia-Pacific merchant accounts, the Member funds the merchants before the Member receives the net settlement funds from the card networks, creating a net settlement asset at the Member. In the United Kingdom and certain markets in the Asia-Pacific region, the Member provides the payment processing operations and related support services on our behalf under a transition services agreement. The Member will continue to provide these operations and services until the integration to our platforms are completed. After our integration, the Member will continue to provide funds settlement services similar to the functions performed by our Members in the United States and Canada.

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



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The settlement processing assets and obligations represent intermediary balances arising in our settlement process for direct merchants. Settlement processing assets consist primarily of (i) our receivable from merchants for the portion of the discount fee related to reimbursement of the interchange expense (“Interchange reimbursement”), (ii) our liability to the Members for transactions for which we have not funded merchants on behalf of the Members but for which we have received funding from the Members (“Liability to Members”), (iii) exception items, such as customer chargeback amounts receivable from merchants (“Exception items”), and (iv) Merchant reserves held to minimize contingent liabilities associated with charges properly reversed by a cardholder. Settlement processing obligations consist primarily of (i) Interchange reimbursement, (ii) Liability to Members, (iii) Exception items, (iv) Merchant reserves, (v) the fair value of our guarantees of customer chargebacks (see *Reserve for operating losses* below), and (vi) the reserve for sales allowances. As of February 28, 2009 and May 31, 2008, our settlement processing assets primarily related to our processing for direct merchants in Canada, while our settlement processing obligations primarily related to our processing for direct merchants in the United States and Asia-Pacific. Our reserve for operating losses and reserve for sales allowance relate to our “direct” merchant services business model. A summary of these amounts as of February 28, 2009 and May 31, 2008 is as follows:

|  | February 28,<br>2009 | May 31,<br>2008    |
|--|----------------------|--------------------|
|  | (in thousands)       |                    |
| <b>Settlement processing assets:</b>             |                      |                    |
| Interchange reimbursement                        | \$ 39,118            | \$ 60,734          |
| Liability to Members, net                        | (18,894)             | (19,122)           |
| Exception items                                  | 965                  | 717                |
| Merchant reserves                                | (17,955)             | (18,049)           |
| Total  | <u>\$ 3,234</u>      | <u>\$ 24,280</u>   |
| <b>Settlement processing obligations:</b>        |                      |                    |
| Interchange reimbursement                        | \$ 110,120           | \$ 123,757         |
| Liability to Members, net                        | (70,670)             | (69,823)           |
| Exception items                                  | 10,561               | 6,722              |
| Merchant reserves                                | (114,389)            | (113,523)          |
| Fair value of guarantees of customer chargebacks | (5,313)              | (3,375)            |
| Reserves for sales allowances                    | (329)                | (489)              |
| Total  | <u>\$ (70,020)</u>   | <u>\$ (56,731)</u> |

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

Our credit card processing merchant customers are liable for any charges properly reversed by a cardholder. In the event, however, that we are not able to collect such amount from the merchants, due to merchant fraud, insolvency, bankruptcy or any other merchant-related reason, we may be liable for any such reversed charges based on our Member sponsorship agreements. We require cash deposits, guarantees, letters of credit, and other types of collateral by certain merchants to minimize any such contingent liability. We also utilize a number of systems and procedures to manage merchant risk. We have, however, historically experienced losses due to merchant defaults.

Financial Accounting Standards Board Interpretation No. 45: *Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (“FIN 45”) requires all guarantees be recorded at their fair value at inception. Our potential liability for the full amount of the operating losses discussed above is a guarantee under FIN 45. We estimate the fair value of these guarantees by adding a fair value margin to our estimate of losses. This estimate of losses is comprised of known losses and a projection of future losses based on a percentage of direct merchant credit card and off-line debit card sales volumes processed. Historically, this estimation process has been materially accurate.

As of February 28, 2009 and May 31, 2008, \$5.3 million and \$3.4 million, respectively, have been recorded to reflect the fair value of guarantees associated with merchant card processing. These amounts are included in settlement processing obligations in the accompanying consolidated balance sheets. The expense associated with the fair value of the guarantees of customer chargebacks is included in cost of service in the accompanying unaudited consolidated statements of income. For the three months ended February 28, 2009 and February 29, 2008, we recorded expenses for such items in the amounts of \$3.4 million and \$0.4 million, respectively. For the nine months ended February 28, 2009 and February 29, 2008, we recorded expenses for such items in the amounts of \$5.1 million and \$3.5 million, respectively.

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In our check guarantee service offering, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter's bank in accordance with the merchant's agreement with us. The fair value of the check guarantee is equal to the fee charged for the guarantee service, and we defer this fee revenue until the guarantee is satisfied. We have the right to collect the full amount of the check from the checkwriter but have not historically recovered 100% of the guaranteed checks. Our check guarantee loss reserve is based on historical and projected loss experiences. As of February 28, 2009 and May 31, 2008, we had a check guarantee loss reserve of \$4.7 million and \$6.1 million, respectively, which is included in net claims receivable in the accompanying consolidated balance sheets. The expenses associated with the establishment of such check guarantee loss reserves are included in cost of service in the accompanying unaudited consolidated statements of income. For the three months ended February 28, 2009 and February 29, 2008, we recorded expenses of \$5.0 million and \$7.0 million, respectively. For the nine months ended February 28, 2009 and February 29, 2008, we recorded expenses of \$14.7 million and \$18.0 million, respectively. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the receivable valuation allowance.

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

*Property and equipment*— Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method. Leasehold improvements are amortized over the useful life of the asset. We capitalize the costs related to the development of computer software developed or obtained for internal use in accordance with the American Institute of Certified Public Accountants Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Maintenance and repairs are charged to operations as incurred.

*Goodwill and other intangible assets*— We completed our most recent annual goodwill and indefinite-life intangible asset impairment test as of January 1, 2009. Pursuant to the guidance in FAS 142, *Goodwill and Other Intangible Assets*, recoverability of goodwill is measured at the reporting unit level and consists of two steps. In the first step the reporting unit's carrying amount, including goodwill, is compared to its fair value which is measured based upon, among other factors, a discounted cash flow analysis as well as market multiples for comparable companies. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired and step two must be performed. Step two measures the impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of fair value over the amounts allocated to the assets and liabilities of the reporting unit is the implied fair value of goodwill. The excess of the carrying amount over the implied fair value is the impairment loss. We have six reporting units: North America Merchant Services, Central and Eastern Europe Merchant Services, Asia-Pacific Merchant Services, UK Merchant Services, United States Money Transfer and Europe Money Transfer.

As a result of our annual impairment test we recorded an impairment charge related to our Money Transfer segment during the three months ended February 28, 2009. Please see Note 2 – Impairment and Restructuring Charges for further information.

Other intangible assets primarily represent customer-related intangible assets (such as customer lists and merchant contracts), contract-based intangible assets (such as non-compete agreements, referral agreements and processing rights), and trademarks associated with acquisitions. Customer-related intangible assets, contract-based intangible assets and certain trademarks are amortized over their estimated useful lives of up to 30 years. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks are based on our plans to phase out the trademarks in the applicable markets. We have determined that the trademarks other than the amortizable trademarks have indefinite lives and, therefore, are not being amortized.

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

*Impairment of long-lived assets*— We regularly evaluate whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-life intangible assets may warrant revision or may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the potential impairment by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows, or external appraisals, as applicable. In addition, we regularly evaluate whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision. During the three months ended February 28, 2009, we recorded an impairment charge related to our money transfer business. Please see Note 2 – Impairment and Restructuring Charges for further information. In the second quarter of fiscal 2009, we determined that the customer relationship intangibles and non-compete agreements related to our subsidiary in Sarajevo, Bosnia-Herzegovina were impaired. Using the income approach on a discounted cash flow basis to determine fair value, we recorded an impairment charge of \$1.7 million for such amortizable intangibles. This charge is included in cost of service in the accompanying unaudited consolidated statements of income.

*Income taxes*— Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates. Our effective tax rates, reflected as the provision for income taxes divided by (loss) or income before income tax, including the effect of minority interest, were (15.2)% and 33.0% for the three months ended February 28, 2009 and February 29, 2008, respectively. Our effective tax rates were 100.5% and 34.5% for the nine months ended February 28, 2009 and February 29, 2008, respectively. The effective tax rate for the three and nine months ended February 28, 2009, reflects the impairment charge for our Money Transfer segment. This charge is non-deductible for tax purposes.

*Fair value of financial instruments*— We consider that the carrying amounts of financial instruments, including cash and cash equivalents, receivables, lines of credit, accounts payable and accrued liabilities, approximate fair value given the short-term nature of these items. Our term loan includes variable interest rates based on the prime rate or London Interbank Offered Rate plus a margin based on our leverage position; therefore, the carrying amount approximates fair value.

*Foreign currencies*— We have significant operations in subsidiaries in Canada, the United Kingdom, the Czech Republic and the Asia-Pacific region whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net (loss) income for the period. For the three and nine months ended February 28, 2009 and February 29, 2008, our transaction gains and losses were insignificant.

The assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in shareholders' equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of other comprehensive income. Income statement items are translated at the average rates prevailing during the period. Foreign currency exchange rate fluctuations affected our revenues and earnings per share as further described in *Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Executive Overview*.

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

Diluted (loss) earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period and the impact of securities that would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period generally are assumed to have a dilutive effect on earnings per share except in periods in which a loss is incurred. The diluted share base for the three months

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ended February 28, 2009 and February 29, 2008 excludes incremental shares of 2.3 million and 0.7 million, respectively, related to stock options. The diluted share base for the nine months ended February 28, 2009 and February 29, 2008 excludes incremental shares of 2.1 million and 0.6 million, respectively, related to stock options. These shares were not considered in computing diluted (loss) earnings per share because including them would have had an antidilutive effect. No additional securities were outstanding that could potentially dilute basic earnings per share that were not included in the computation of diluted earnings per share.

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended February 28, 2009 and February 29, 2008:

|  | Three Months Ended                    |                      | Nine Months Ended    |                      |
|--|---------------------------------------|----------------------|----------------------|----------------------|
|  | February 28,<br>2009                  | February 29,<br>2008 | February 28,<br>2009 | February 29,<br>2008 |
|  | (in thousands, except per share data) |                      |                      |                      |
| <b>Basic EPS:</b>  |                                       |                      |                      |                      |
| Net (loss) income available to common shareholders                 | \$ (106,776)                          | \$ 40,055            | \$ (342)             | \$ 121,943           |
| Basic weighted average shares outstanding                          | 79,835                                | 79,219               | 79,676               | 79,584               |
| (Loss) Earnings per share  | <u>\$ (1.34)</u>                      | <u>\$ 0.51</u>       | <u>\$ —</u>          | <u>\$ 1.53</u>       |
| <b>Diluted EPS:</b>  |                                       |                      |                      |                      |
| Net (loss) income available to common shareholders                 | \$ (106,776)                          | \$ 40,055            | \$ (342)             | \$ 121,943           |
| Basic weighted average shares outstanding                          | 79,835                                | 79,219               | 79,676               | 79,584               |
| Plus: dilutive effect of stock options and restricted stock awards | —                                     | 1,431                | —                    | 1,439                |
| Diluted weighted average shares outstanding                        | <u>79,835</u>                         | <u>80,650</u>        | <u>79,676</u>        | <u>81,023</u>        |
| (Loss) Earnings per share  | <u>\$ (1.34)</u>                      | <u>\$ 0.50</u>       | <u>\$ —</u>          | <u>\$ 1.51</u>       |

**New accounting pronouncements**— In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (Revised) *Business Combinations* (“FAS 141R”). This statement establishes principles and requirements for how we recognize and measure in our financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. In addition, this standard establishes principles and requirements for how we recognize and measure the goodwill acquired in the business combination or gain from a bargain purchase, and how we determine what information to disclose to enable financial statement users to evaluate the nature and financial effects of the business combination. FAS 141R will become effective for us for business combinations in which the acquisition date is on or after June 1, 2009.

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (“FAS 160”). This statement applies to the accounting for noncontrolling interests (currently referred to as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 will become effective for us on June 1, 2009. As further described in Note 12, we have minority interests that include redemption provisions that are not solely within our control, commonly referred to as redeemable minority interests. At the March 12, 2008 meeting of the FASB Emerging Issues Task Force (“EITF”), certain revisions occurred to EITF Topic No. D-98, *Classification and Measurement of Redeemable Securities* (“Topic D-98”). These revisions clarified that Topic D-98 applies to redeemable minority interests and requires that its provisions be applied no later than the effective date of FAS 160. Upon adoption of this standard and in conjunction with the provisions of Topic D-98, an adjustment for the then fair value of redeemable minority interests will be required. This adjustment will ultimately increase the carrying value of redeemable minority interests to the redemption value with a corresponding charge to equity. Topic D-98 allows for a choice of either accreting redeemable minority interest to its redemption value over the redemption period or recognizing changes in the redemption value immediately as they occur. We have elected to recognize the changes in the redemption value immediately. We will apply the guidance of Topic D-98 in our consolidated financial statements beginning June 1, 2009, which will result in us recording the fair value of our redeemable minority interest as of June 1, 2009 with a corresponding adjustment to retained earnings in the consolidated balance sheets. Had we adopted this guidance as of February 28, 2009, we would have recorded a

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\$449.5 million increase to minority interest in equity of subsidiaries with a corresponding decrease to retained earnings in the consolidated balance sheets.

### **NOTE 2—IMPAIRMENT AND RESTRUCTURING CHARGES**

#### Impairment

The downturn in the construction market, immigrant labor trends, and overall decrease in economic growth in the United States and Spain is projected to continue for an extended period. These negative macroeconomic factors contributed to decreased projected future cash flows for our United States and Europe Money Transfer reporting units. This decrease in projected cash flows resulted in the carrying amounts of these reporting units being greater than the fair values. Our DolEx trademark in our United States Money Transfer reporting unit was reviewed for impairment in conjunction with our annual impairment test and was deemed to be impaired. We also reviewed the long-lived assets of these reporting units for impairment pursuant to the guidance in FAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and recorded an impairment charge to certain of our long-lived assets.

The following details the impairment charge resulting from our review (in thousands):

|                         | <b>Three Months Ended<br/>February 28, 2009</b> |
|-------------------------|---|
| Goodwill                | \$ 136,800                                      |
| Trademark               | 10,000  |
| Other long-lived assets | 864   |
| Total                   | <u>\$ 147,664</u>                               |

#### Restructuring

During the fourth quarter of fiscal 2007, we committed to close two locations and consolidate their functions into existing locations, which is consistent with our strategy to leverage infrastructure and consolidate operations. These restructuring plans required staff reduction and facility closure costs and were completed during our third quarter of fiscal 2008. We recorded related restructuring charges of \$1.3 million during the nine months ended February 29, 2008.

### **NOTE 3—BUSINESS AND INTANGIBLE ASSET ACQUISITIONS**

Since June 2007 we have completed the following acquisitions which have been recorded using the purchase method of accounting. The purchase price of each acquisition has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The operating results of these acquisitions have been included in our unaudited consolidated financial statements from the date of acquisition.

#### Global Payments Asia-Pacific Philippines Incorporated

On September 4, 2008, Global Payments Asia-Pacific, Limited (“GPAP”), the entity through which we conduct our merchant acquiring business in the Asia-Pacific region, acquired Global Payments Asia-Pacific Philippines Incorporated (“GPAP Philippines”), a newly formed company into which HSBC Asia contributed its merchant acquiring business in the Philippines. We own 56% of GPAP and HSBC Asia owns the remaining 44%. We purchased our share of GPAP Philippines for \$10.9 million. The purpose of this acquisition was to expand our presence in the Asia-Pacific market. This business acquisition was not significant to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

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

|  | <u>Total</u>     |
|--|------------------|
| Goodwill   | \$ 6,286         |
| Customer-related intangible assets                             | 3,248            |
| Contract-based intangible assets                               | 952              |
| Trademark  | 224              |
| Property and equipment   | 300              |
| Total assets acquired  | 11,010           |
| Minority interest in equity of subsidiary (at historical cost) | (132)            |
| Net assets acquired  | <u>\$ 10,878</u> |

The customer-related intangible assets have amortization periods of 12 years. The contract-based intangible assets have amortization periods of 8 years. The trademark has an amortization period of 5 years.

### *HSBC Merchant Services LLP*

On June 30, 2008, we acquired a 51% majority ownership interest in HSBC Merchant Services LLP. We paid HSBC UK \$438.6 million for our interest. We manage the day-to-day operations of the partnership, control all major decisions and, accordingly, consolidate the partnership's financial results for accounting purposes effective with the closing date. HSBC UK retained ownership of the remaining 49% and contributed its existing merchant acquiring business in the United Kingdom to the partnership. In addition, HSBC UK entered into a ten-year marketing alliance with the partnership in which HSBC UK will refer customers to the partnership for payment processing services in the United Kingdom. We funded the acquisition using a combination of excess cash and proceeds of a term loan. The partnership agreement includes provisions pursuant to which HSBC UK may compel us to purchase, at fair value, additional membership units from HSBC UK (the "UK Put Option"). See Note 12 for a more detailed discussion of the UK Put Option.

The purpose of this acquisition was to establish a presence in the United Kingdom. The key factors that contributed to the decision to make this acquisition include historical and prospective financial statement analysis and HSBC UK's market share and retail presence in the United Kingdom. The purchase price was determined by analyzing the historical and prospective financial statements and applying relevant purchase price multiples.

The purchase price totaled \$441.6 million, consisting of \$438.6 million cash consideration plus \$3.0 million of direct out of pocket costs. The following table summarizes the preliminary purchase price allocation (in thousands):

|  | <u>Total</u>      |
|--|-------------------|
| Goodwill   | \$ 300,324        |
| Customer-related intangible assets                             | 117,063           |
| Contract-based intangible assets                               | 13,462            |
| Trademark  | 2,209             |
| Property and equipment   | 21,478            |
| Other current assets   | 112               |
| Total assets acquired  | 454,648           |
| Minority interest in equity of subsidiary (at historical cost) | (13,014)          |
| Net assets acquired  | <u>\$ 441,634</u> |

All of the goodwill associated with the acquisition is expected to be deductible for tax purposes. The customer-related intangible assets have amortization periods of 13 years. The contract-based intangible assets have amortization periods of 7 years. The trademark has an amortization period of 5 years.

The following pro forma information shows the results of our operations for the three and nine months ended February 28, 2009 and February 29, 2008 as if the HSBC Merchant Services acquisition had occurred on June 1, 2007. The pro forma

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information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of that date. The pro forma information is also not intended to be a projection of future results expected due to the integration of the acquired business.

|                                      | Three Months Ended               |  | Nine Months Ended                   |                                     |
|--------------------------------------|----------------------------------|--|-------------------------------------|-------------------------------------|
|                                      | February 28,<br>2009<br>(Actual) | February 29,<br>2008<br>(Pro forma)<br>(in thousands, except per share data) | February 28,<br>2009<br>(Pro forma) | February 29,<br>2008<br>(Pro forma) |
| Total revenues                       | \$ 392,663                       | \$ 367,207   | \$ 1,220,428                        | \$ 1,106,833                        |
| Net (loss) income for the period     | \$ (106,776)                     | \$ 42,947  | \$ 922                              | \$ 131,038                          |
| Net (loss) income per share, basic   | \$ (1.34)                        | \$ 0.54  | \$ 0.01                             | \$ 1.65                             |
| Net (loss) income per share, diluted | \$ (1.34)                        | \$ 0.54  | \$ 0.01                             | \$ 1.62                             |

### Money Transfer Branch Locations

During the second quarter of fiscal 2009, we completed the second and final series of money transfer branch location acquisitions in the United States as part of an assignment and asset purchase agreement with a privately held company. The purpose of this acquisition was to increase the market presence of our DoEx-branded money transfer offering. The following table summarizes the preliminary purchase price allocation of this business acquisition (in thousands):

|                                    |               |
|------------------------------------|---------------|
| Goodwill                           | <u>\$ 745</u> |
| Contract-based intangible assets   | 37            |
| Customer-related intangible assets | <u>11</u>     |
| Net assets acquired                | <u>\$ 793</u> |

Pursuant to our annual impairment test, goodwill and other intangibles related to our Money Transfer business were deemed impaired. Please see Note 2 – Impairment and Restructuring Charges for further information.

This business acquisition was not significant to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

### Discover

During the year ended May 31, 2008, we acquired a portfolio of merchants that process Discover transactions and the rights to process Discover transactions for our existing and new merchants. The purchase of the portfolio was structured to occur in tranches. During the nine months ended February 28, 2009, additional tranches were purchased for \$1.3 million. Goodwill and intangible assets associated with these acquisitions were \$0.8 million and \$0.6 million, respectively. As a result of this acquisition, we now process Discover transactions similarly to how we currently process Visa and MasterCard transactions. The purpose of this acquisition was to offer merchants a single point of contact for Discover, Visa and MasterCard card processing. The operating results of the acquired portfolio have been included in our unaudited consolidated financial statements from the dates of acquisition. The customer-related intangible assets have amortization periods of 10 years. These business acquisitions were not significant to our consolidated financial statements and accordingly, we have not provided pro forma information relating to these acquisitions.

In connection with these Discover related purchases, we have sold the contractual rights to future commissions on Discover transactions to certain of our ISOs. Contractual rights sold totaled \$7.6 million during the year ended May 31, 2008 and \$1.0 million during the nine months ended February 28, 2009. Such sale proceeds are generally collected in installments over periods ranging from three to nine months. During the nine months ended February 28, 2009, we collected \$4.3 million of such proceeds, which are included in the Proceeds from sale of investment and contractual rights line item of our unaudited consolidated statement of cash flows. We do not recognize gains on these sales of contractual rights at the time of sale. Proceeds are deferred

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and recognized as a reduction of the related commission expense. During the three and nine months ended February 28, 2009, we recognized \$0.3 million and \$0.9 million, respectively, of such deferred sales proceeds.

**NOTE 4—GOODWILL**

The changes to the goodwill balance during the nine months ended February 28, 2009 are as follows (in thousands):

|   |                   |
|---|-------------------|
| Goodwill balance as of May 31, 2008                               | \$ 497,136        |
| Goodwill acquired   | 308,118           |
| Impairment charge <sup>(1)</sup>                                  | (136,800)         |
| Effect of foreign currency translation on goodwill carrying value | (132,466)         |
| Goodwill balance as of February 28, 2009                          | <u>\$ 535,988</u> |

<sup>(1)</sup> Please see Note 2 – Impairment and Restructuring Charges for further information.



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### NOTE 5—LONG-TERM DEBT AND CREDIT FACILITIES

Outstanding debt consisted of the following:

|   | February 28,<br>2009 | May 31,<br>2008 |
|---|----------------------|-----------------|
|   | (in thousands)       |                 |
| Lines of credit:                                |                      |                 |
| U.S. Credit Facility                            | \$ —                 | \$ —            |
| China Credit Facility                           | 1,243                | 577             |
| Canada Credit Facility                          | —                    | —               |
| National Bank of Canada (“NBC”) Credit Facility | 1,876                | 71              |
| Macau Credit Facility                           | 875                  | 879             |
| Sri Lanka Credit Facility                       | 116                  | —               |
| Term loan                                       | 190,000              | —               |
| Total debt                                      | <u>\$ 194,110</u>    | <u>\$ 1,527</u> |
| Current portion                                 | 29,110               | 1,527           |
| Long-term portion                               | 165,000              | —               |
| Total debt                                      | <u>\$ 194,110</u>    | <u>\$ 1,527</u> |

#### Lines of Credit

Our line of credit facilities are used to provide a source of working capital and for general corporate purposes, while the U.S. Credit Facility is additionally available to fund future strategic acquisitions. Certain of our line of credit facilities allow us to fund merchants for credit and debit card transactions prior to receipt of corresponding settlement funds from Visa, MasterCard, and Interac Associates. Further, the Canada and NBC Credit Facilities allow us to provide certain Canadian merchants with “same day value,” which is the practice of giving merchants value as of the date of the applicable sale for credit and debit card transactions processed after the close of the banking day.

#### Term Loan

On June 23, 2008, we entered into a new five year unsecured \$200.0 million term loan agreement with a syndicate of banks in the United States to partially fund our HSBC Merchant Services acquisition (Note 3). The term loan bears interest, at our election, at the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. As of February 28, 2009 the interest rate on the term loan was 2.00%. The term loan calls for quarterly principal payments of \$5.0 million beginning with the quarter ended August 31, 2008 and increasing to \$10.0 million beginning with the quarter ending August 31, 2010 and \$15.0 million beginning with the quarter ending August 31, 2011. As of February 28, 2009, the outstanding balance of the term loan was \$190.0 million. The \$5.0 million quarterly principal payment scheduled for February 28, 2009 was paid on March 2, 2009, as the contractual payment due date fell on a weekend.

#### Compliance with Covenants

There are certain financial and non-financial covenants contained in our U.S. Credit Facility, our Canada Credit Facility, and our NBC Credit Facility. We complied with these covenants as of February 28, 2009.

### NOTE 6—INCOME TAX

We adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* (“FIN 48”) on June 1, 2007. As a result of this adoption, we recorded a \$1.5 million increase in the liability for unrecognized income tax benefits, which was accounted for as a \$1.0 million reduction to the June 1, 2007 balance of retained earnings and a \$0.5 million reduction to the June 1, 2007 balance of additional paid-in capital. As of February 28, 2009, other long-term liabilities included liabilities for unrecognized income tax benefits of \$2.8 million and accrued interest and penalties of \$0.7 million.

We recognize accrued interest related to our liabilities for unrecognized income tax benefits in interest expense. We accrue penalty expense related to our liabilities for unrecognized tax benefits in sales, general and administrative expenses. During the three months ended February 28, 2009, we recognized additional liabilities of \$0.2 million for unrecognized income

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tax benefits. Accrued interest and penalty expense was insignificant during this period. During the nine months ended February 28, 2009, we reversed \$0.9 million of liabilities for unrecognized income tax benefits and \$0.3 million of accrued interest and penalty expense as a result of the expiration of statutes of limitations. The \$0.9 million liability reversal was reflected as an income tax benefit. During the three and nine months ended February 29, 2008, amounts recorded for accrued interest and penalty expense related to the unrecognized income tax benefits were not significant.

In addition, we anticipate the total amount of liabilities for unrecognized income tax benefits will decrease by \$1.2 million net of interest and penalties, from our foreign operations within the twelve months ending February 2010, as a result of the expiration of the statute of limitations.

We conduct business globally and file income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States and Canada. With few exceptions, we are no longer subject to income tax examinations for years ended May 31, 2003 and prior. We are currently under audit by the Internal Revenue Service of the United States for the years ended May 31, 2004 and 2005. We expect that the examination phase of this audit will conclude during fiscal 2009.

### NOTE 7—SHAREHOLDERS' EQUITY

Our Board of Directors approved a share repurchase program that authorized the purchase of up to \$100.0 million of Global Payments' stock in the open market or as otherwise may be determined by us, subject to market conditions, business opportunities, and other factors. Under this authorization, we repurchased 2.3 million shares of our common stock during fiscal 2008 at a cost of \$87.0 million, or an average of \$37.85 per share, including commissions. We did not repurchase shares of our common stock during the first nine months of fiscal 2009. As of February 28, 2009, we had \$13.0 million remaining under our current share repurchase authorization.

### NOTE 8—SHARE-BASED AWARDS AND OPTIONS

As of February 28, 2009, we have four share-based employee compensation plans. For all share-based awards granted after June 1, 2006, compensation expense is recognized on a straight-line basis. The fair value of share-based awards granted prior to June 1, 2006 is amortized as compensation expense on an accelerated basis from the date of the grant.

Non-qualified stock options and restricted stock have been granted to officers, key employees and directors under the Global Payments Inc. 2000 Long-Term Incentive Plan, as amended and restated (the "2000 Plan"), the Global Payments Inc. Amended and Restated 2005 Incentive Plan (the "2005 Plan"), and an Amended and Restated 2000 Non-Employee Director Stock Option Plan (the "Director Plan") (collectively, the "Plans"). Effective with the adoption of the 2005 Plan, there are no future grants under the 2000 Plan. Shares available for future grant as of February 28, 2009 are 4.5 million for the 2005 Plan and 0.4 million for the Director Plan.

The following table summarizes the share-based compensation cost charged to income for (i) the continued vesting of all stock options that remained unvested as of June 1, 2006, (ii) all stock options granted, modified or cancelled after our adoption of FAS 123R, (iii) our employee stock purchase plan and (iv) our restricted stock program. The total income tax benefit recognized for share-based compensation in the accompanying unaudited statements of income is also presented.

|                               | Three Months Ended   |                      | Nine Months Ended    |                      |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|
|                               | February 28,<br>2009 | February 29,<br>2008 | February 28,<br>2009 | February 29,<br>2008 |
|                               |                      |                      |                      |                      |
|                               |                      | (in thousands)       |                      |                      |
| Share-based compensation cost | \$ 3,800             | \$ 3,261             | \$ 10,954            | \$ 9,853             |
| Income tax benefit            | \$ 1,356             | \$ 1,168             | \$ 3,870             | \$ 3,457             |

### Stock Options

Stock options are granted at 100% of fair market value on the date of grant and have 10-year terms. Stock options granted vest one year after the date of grant with respect to 25% of the shares granted, an additional 25% after two years, an additional 25% after three years, and the remaining 25% after four years. The Plans provide for accelerated vesting under certain

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conditions. We have historically issued new shares to satisfy the exercise of options.

The following is a summary of our stock option plans as of and for the nine months ended February 28, 2009:

|                                    | Options<br>(in thousands) | Weighted<br>Average<br>Exercise<br>Price | Weighted<br>Average<br>Remaining<br>Contractual<br>Term<br>(years) | Aggregate<br>Intrinsic<br>Value<br>(in millions) |
|------------------------------------|---------------------------|--|--|--|
| Outstanding at May 31              | 4,536                     | \$ 27                                    |  |  |
| Granted                            | 260                       | 43                                       |  |  |
| Cancelled                          | (69)                      | 39                                       |  |  |
| Exercised                          | (373)                     | 22                                       |  |  |
| Outstanding at February 28         | <u>4,354</u>              | 28                                       | 5.5  | \$ 24.4  |
| Options exercisable at February 28 | <u>3,316</u>              | 24                                       | 4.8  | \$ 24.4  |

The aggregate intrinsic value of stock options exercised during the nine months ended February 28, 2009 and February 29, 2008 was \$7.6 million and \$15.5 million, respectively. As of February 28, 2009, we had \$7.7 million of total unrecognized compensation cost related to unvested options which we expect to recognize over a weighted average period of 1.3 years.

The weighted average grant-date fair values of each option granted during the nine months ended February 28, 2009 and February 29, 2008 were \$13 and \$14, respectively. The fair value of each option granted during the nine months ended February 28, 2009 and February 29, 2008 was estimated on the date of grant using the Black-Scholes valuation model with the following weighted average assumptions used for the grants during the respective period:

|                          | Nine Months Ended    |                      |
|--------------------------|----------------------|----------------------|
|                          | February 28,<br>2009 | February 29,<br>2008 |
| <b>2005 Plan</b>         |                      |                      |
| Risk-free interest rates | 3.15%                | 4.51%                |
| Expected volatility      | 28.27%               | 31.67%               |
| Dividend yields          | 0.19%                | 0.19%                |
| Expected lives           | 5 years              | 5 years              |
| <b>Directors Plan</b>    |                      |                      |
| Risk-free interest rates | 2.68%                | 4.21%                |
| Expected volatility      | 28.17%               | 31.70%               |
| Dividend yields          | 0.19%                | 0.19%                |
| Expected lives           | 5 years              | 5 years              |

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

### Restricted Stock

Shares awarded under the restricted stock program of the 2000 Plan and 2005 Plan, are held in escrow and released to the grantee upon the grantee's satisfaction of conditions of the grantee's restricted stock agreement. The grant date fair value of restricted stock awards is based on the quoted fair market value of our common stock at the award date. Compensation expense is recognized ratably during the escrow period of the award.

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Grants of restricted shares are subject to forfeiture if a grantee, among other conditions, leaves our employment prior to expiration of the restricted period. Beginning June 1, 2006, new grants of restricted shares generally vest one year after the date of grant with respect to 25% of the shares granted, an additional 25% after two years, an additional 25% after three years, and the remaining 25% after four years. For restricted shares granted prior to June 1, 2006, the restrictions generally lapse two years after the date of grant with respect to 33% of the shares granted, an additional 33% after three years, and the remaining 33% after four years.

The following table summarizes the changes in non-vested restricted stock awards for the nine months ended February 28, 2009:

|                           | Share<br>Awards<br>(in thousands) | Weighted Average<br>Grant-Date Fair Value |
|---------------------------|-----------------------------------|---|
| Non-vested at May 31      | 518                               | \$ 39                                     |
| Granted                   | 428                               | 43  |
| Vested                    | (158)                             | 39  |
| Forfeited                 | (17)                              | 40  |
| Non-vested at February 28 | <u>771</u>                        | <u>42</u>                                 |

The total fair value of shares vested during the nine months ended February 28, 2009 was \$6.2 million. During the nine months ended February 28, 2008, the weighted average grant-date fair value of shares vested was \$29 and the total fair value of shares vested was \$3.7 million.

We recognized compensation expenses for restricted stock of \$2.5 million and \$1.4 million in the three months ended February 28, 2009 and February 29, 2008, respectively. We recognized compensation expenses for restricted stock of \$6.6 million and \$3.7 million in the nine months ended February 28, 2009 and February 29, 2008, respectively. As of February 28, 2009, there was \$26.2 million of total unrecognized compensation cost related to unvested restricted stock awards that is expected to be recognized over a weighted average period of 2.9 years.

### Employee Stock Purchase Plan

We have an Employee Stock Purchase Plan under which the sale of 2.4 million shares of our common stock has been authorized. Employees may designate up to the lesser of \$25,000 or 20% of their annual compensation for the purchase of stock. The price for shares purchased under the plan is 85% of the market value on the last day of the quarterly purchase period. As of February 28, 2009, 0.8 million shares had been issued under this plan, with 1.6 million shares reserved for future issuance.

The weighted average grant-date fair value of each designated share purchased under this plan during both the nine months ended February 28, 2009 and February 29, 2008 was \$6, which represents the fair value of the 15% discount.

### NOTE 9—COMPREHENSIVE (LOSS) INCOME

The components of comprehensive (loss) income are as follows:

|   | Three Months Ended   |                      | Nine Months Ended    |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | February 28,<br>2009 | February 29,<br>2008 | February 28,<br>2009 | February 29,<br>2008 |
|   | (in thousands)       |                      |                      |                      |
| Net (loss) income   | \$ (106,776)         | \$ 40,055            | \$ (342)             | \$ 121,943           |
| Foreign currency translation, net of tax of \$(2,062) and \$1,737; \$14,842 and \$(5,181), respectively | (49,114)             | 10,347               | (227,938)            | 39,876               |
| Total comprehensive (loss) income   | <u>\$ (155,890)</u>  | <u>\$ 50,402</u>     | <u>\$ (228,280)</u>  | <u>\$ 161,819</u>    |

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**NOTE 10—SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental cash flow disclosures are as follows:

|                                   | Nine Months Ended    |                      |
|-----------------------------------|----------------------|----------------------|
|                                   | February 28,<br>2009 | February 29,<br>2008 |
|                                   | (in thousands)       |                      |
| Income taxes paid, net of refunds | \$ 64,234            | \$ 52,956            |
| Interest paid                     | 8,822                | 5,165                |

**NOTE 11—SEGMENT INFORMATION**

**General information**

During the nine months ended February 29, 2009, we began assessing our operating performance using a new segment structure. We made this change as a result of our June 30, 2008 acquisition of 51% of HSBC Merchant Services LLP in the United Kingdom, in addition to anticipated future international expansion. Beginning with the quarter ended August 31, 2008, the reportable segments are defined as North America Merchant Services, International Merchant Services, and Money Transfer. The following tables reflect these changes and the reportable segments for the three and nine months ended February 29, 2008 have been restated to be consistent with this presentation.

The merchant services segments primarily offer processing solutions for credit cards, debit cards, and check-related services. The money transfer segment offers money transfer services to consumers, primarily from the United States and Europe to Latin America, Morocco, the Philippines, Romania, Poland and other destinations.

**Information about profit and assets**

We evaluate performance and allocate resources based on the operating income of each segment. The operating income of each segment includes the revenues of the segment less those expenses that are directly related to those revenues. Operating overhead, shared costs, and certain compensation costs are included in the following table. Interest expense or income and income tax expense are not allocated to the individual segments. Additionally, impairment and restructuring charges are not allocated to the individual segments and are separately presented below. Lastly, we do not evaluate performance or allocate resources using segment asset data. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note 1.

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Information on segments, including revenues by geographic distribution within segments, and reconciliations to consolidated revenues and consolidated operating income are as follows for the three and nine months ended February 28, 2009 and February 29, 2008:

|  | Three Months Ended   |                      | Nine Months Ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | February 28,<br>2009 | February 29,<br>2008 | February 28,<br>2009 | February 29,<br>2008 |
|  | (in thousands)       |                      |                      |                      |
| <b>Revenues:</b>                           |                      |                      |                      |                      |
| United States                              | \$ 206,237           | \$ 182,038           | \$ 599,082           | \$ 537,603           |
| Canada                                     | 68,202               | 61,256               | 232,779              | 193,705              |
| North America merchant services            | 274,439              | 243,294              | 831,861              | 731,308              |
| Europe                                     | 62,109               | 14,455               | 194,881              | 42,365               |
| Asia-Pacific                               | 22,980               | 18,977               | 67,630               | 53,467               |
| International merchant services            | 85,089               | 33,432               | 262,511              | 95,832               |
| United States                              | 26,605               | 28,007               | 84,596               | 86,003               |
| Europe                                     | 6,530                | 5,908                | 20,515               | 17,254               |
| Money transfer                             | 33,135               | 33,915               | 105,111              | 103,257              |
| Consolidated revenues                      | <u>\$ 392,663</u>    | <u>\$ 310,641</u>    | <u>\$ 1,199,483</u>  | <u>\$ 930,397</u>    |
| <b>Operating income for segments:</b>      |                      |                      |                      |                      |
| North America merchant services            | \$ 57,909            | \$ 67,792            | \$ 213,409           | \$ 205,007           |
| International merchant services            | 20,771               | 4,326                | 62,136               | 14,309               |
| Money transfer                             | 3,403                | 1,156                | 12,764               | 6,117                |
| Corporate                                  | (16,297)             | (13,363)             | (46,661)             | (39,542)             |
| Impairment and restructuring charges       | (147,664)            | —                    | (147,664)            | (1,317)              |
| Consolidated operating (loss) income       | <u>\$ (81,878)</u>   | <u>\$ 59,911</u>     | <u>\$ 93,984</u>     | <u>\$ 184,574</u>    |
| <b>Depreciation and amortization:</b>      |                      |                      |                      |                      |
| North America merchant services            | \$ 5,447             | \$ 6,663             | \$ 17,480            | \$ 19,691            |
| International merchant services            | 8,669                | 3,041                | 29,190               | 8,222                |
| Money transfer                             | 1,063                | 1,426                | 3,378                | 3,960                |
| Corporate                                  | 118                  | 112                  | 349                  | 347                  |
| Consolidated depreciation and amortization | <u>\$ 15,297</u>     | <u>\$ 11,242</u>     | <u>\$ 50,397</u>     | <u>\$ 32,220</u>     |

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

## NOTE 12—COMMITMENTS AND CONTINGENCIES

We have a redeemable minority interest associated with our Asia-Pacific merchant services channel. Global Payments Asia-Pacific, Limited, or GPAP, is the entity through which we conduct our merchant acquiring business in the Asia-Pacific region. We own 56% of GPAP and HSBC Asia owns the remaining 44%. The GPAP shareholders agreement includes provisions pursuant to which HSBC Asia may compel us to purchase, at fair value, additional GPAP shares from HSBC Asia (the "AP Put Option"). HSBC Asia may exercise the AP Put Option on the fifth anniversary of the closing of the acquisition and on each anniversary thereafter. By exercising the AP Put Option, HSBC Asia can require us to purchase, on an annual basis, up to 15% of the total issued shares of GPAP. While not redeemable until beginning in July 2011, we estimate the maximum total redemption amount of the minority interest under the AP Put Option would be \$93.3 million, as of February 28, 2009.

We also have a redeemable minority interest associated with the HSBC Merchant Services LLP partnership agreement. Under the HSBC Merchant Services LLP partnership agreement, HSBC UK may compel us to purchase, at fair value, additional membership units (the "UK Put Option"). HSBC UK may exercise the UK Put Option on the fifth anniversary of the closing of the acquisition and on each anniversary thereafter. By exercising the UK Put Option, HSBC UK can require us to purchase, on an

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annual basis, up to 15% of the total membership units. Additionally, on the tenth anniversary of closing and each tenth anniversary thereafter, HSBC UK may compel us to purchase all of their membership units at fair value. While not redeemable until June 2013, we estimate the maximum total redemption amount of the minority interest under the UK Put Option would be \$379.1 million, as of February 28, 2009.

During the nine months ended February 28, 2009, we sold a 20% interest in Global Payments Credit Services (“GPCS”), a leading credit information company in Russia, to Equifax Decision Systems, BV (“Equifax”) for \$3.0 million in cash (the “GPCS sale”). Prior to the GPCS sale, we owned 50% of GPCS, and we consolidated the results of GPCS for financial reporting purposes. Subsequent to the GPCS sale, we own 30% of GPCS, and we account for our interest in GPCS under the equity method. Under the terms of a new shareholders’ agreement, we and the other shareholders are required to make periodic capital contributions to GPCS through 2010. Our minimum required capital contributions total \$2.3 million, and we may be required to contribute up to \$3.9 million. During the nine months ended February 28, 2009 we made capital contributions of \$0.4 million. Due to these required capital contributions, we have deferred the recognition of a \$2.8 million pre-tax gain on the GPCS sale. We anticipate that we will recognize this gain once we have fulfilled our capital contribution requirements. The deferred gain has been reflected as a reduction of our investment in GPCS. As a result, our investment in GPCS, net of the deferred gain of \$2.8 million, is included in Other Long-term Liabilities on our unaudited consolidated balance sheet as of February 28, 2009. Net proceeds of \$2.9 million from the GPCS sale are included in the proceeds from sale of investments and contractual rights line item of our unaudited consolidated statement of cash flows.

On September 9, 2008, we announced that we have agreed to acquire all of the outstanding stock of ZAO United Card Service (“UCS”), a leading direct merchant acquirer and indirect payment processor in the Russian Federation, from ZAO United Investments. We are currently in discussions with the Seller regarding the terms and conditions of the agreement.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this report. This management's discussion and analysis should also be read in conjunction with the management's discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2008.

### **General**

We are a leading payment processing and consumer money transfer company. As a high-volume processor of electronic transactions, we enable merchants, multinational corporations, financial institutions, consumers, government agencies and other profit and non-profit business enterprises to facilitate payments to purchase goods and services or further other economic goals. Our role is to serve as an intermediary in the exchange of information and funds that must occur between parties so that a payment transaction or money transfer can be completed. We were incorporated in Georgia as Global Payments Inc. in September 2000 and we spun-off from our former parent company in January 2001. Including our time as part of our former parent company, we have provided transaction processing services since 1967.

We market our products and services throughout the United States, Canada, Europe and the Asia-Pacific region. We operate in three business segments, North America merchant services, International merchant services and Money transfer, and we offer various products through these segments. Our two merchant services segments target customers in many vertical industries including financial institutions, government, professional services, restaurants, universities, utilities, gaming, retail and health care. Our money transfer segment primarily targets immigrants in the United States and Europe. See Note 11 in the notes to unaudited consolidated financial statements for additional segment information.

Our offerings in our merchant services segments provide merchants, independent sales organizations, or ISOs, and financial institutions with credit and debit card transaction processing, as well as check-related services. We use two basic business models to market our merchant services offerings. One model, referred to as "direct," features a salaried and commissioned sales force, ISOs and independent sales representatives, all of whom sell our end-to-end services directly to merchants. Our other model, referred to as "indirect," provides the same basic products and services as our direct model, primarily to financial institutions and a limited number of ISOs on an unbundled basis, that in turn resell our products and services to merchants. Both our North America and International merchant services segments utilize a combination of the direct and indirect models.

Direct merchant services revenue is generated on services primarily priced as a percentage of transaction value, whereas indirect merchant services revenue is generated on services primarily priced on a specified amount per transaction. In both merchant services models, we also charge for other processing fees unrelated to the number of transactions or the transaction value.

Our money transfer segment provides money transfer services. A majority of the revenue derived from our money transfer offering consists of our electronic money transfer services marketed under our DoIEx brand to the population of first generation Latin Americans living in the United States. This consumer segment enables customers to transfer money to family and friends living in Latin America. Our Europhil brand operates money transfer origination locations in Europe and settlement locations in Morocco, the Philippines, Romania, Poland and other destinations.

Our products and services are marketed through a variety of distinct sales channels that include a dedicated direct sales force, ISOs, an internal telesales group, retail outlets, trade associations, alliance bank relationships and financial institutions.

### **Executive Overview**

During the three and nine months ended February 28, 2009, we experienced revenue growth of 26% and 29%, respectively. Operating income declined significantly due to a pre-tax impairment charge of \$147.7 million in our money transfer business resulting from our annual goodwill impairment test. The outlook for our money transfer business has significantly declined given the difficult macroeconomic conditions. Additionally, our results were affected by unfavorable foreign currency trends and to a lesser extent continuing negative macroeconomic conditions.

On June 30, 2008, we acquired a 51% majority ownership interest in HSBC Merchant Services LLP. We paid HSBC UK \$438.6 million for our interest. We manage the day-to-day operations of the partnership, control all major decisions and,



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accordingly, consolidate the partnership's financial results for accounting purposes effective with the closing date. HSBC UK retained ownership of the remaining 49% and contributed its existing merchant acquiring business in the United Kingdom to the partnership. In addition, HSBC UK entered into a ten-year marketing alliance with the partnership in which HSBC UK will refer customers to the partnership for payment processing services in the United Kingdom. We funded the acquisition using a combination of excess cash and proceeds of a term loan.

Revenues increased during the three months and nine months ended February 28, 2009 compared to the prior year's comparable period. Our North American segment reported strong growth primarily driven by successful pricing initiatives in Canada offset by an unfavorable foreign currency exchange impact, and modest macroeconomic-based softening in our Canadian volumes. Our ISO channel continues to be the primary factor behind our expanding market share in the United States as evidenced by our 15% transaction growth for the quarter. In addition, revenues increased in our International merchant services segment due to our June 30, 2008 acquisition of 51% of HSBC Merchant Services LLP and strong growth in the Asia Pacific region. Our money transfer business continues to face difficult macroeconomic environment and Latino immigration trends; however we have initiated cost containment measures resulting in increased margins.

Operating margins were impacted by the negative currency exchange rates and modest softening across all of our businesses due to the macroeconomic environment. For the three months ended February 28, 2009 currency exchange rate fluctuations decreased our revenues by \$35.4 million and our earnings by \$0.10 per diluted share. For the nine months ended February 28, 2009 currency exchange rate fluctuations reduced our revenues by \$50.2 million and our earnings by \$0.14 per diluted share. To calculate this we converted our fiscal 2009 actual revenues at fiscal 2008 rates. Also, in the three and nine months ended February 28, 2009 compared to the prior year's comparable period, our United States direct credit card average dollar value of transaction, or average ticket, decreased in the high single digit percentage range. We believe this decline, while partially due to a shift toward smaller merchants added through our ISOs, was in part driven by lower consumer spending as a result of a weakened economy. We expect this trend to continue for the remainder of the fiscal year. Further fluctuations in currency exchange rates or decreases in consumer spending could cause our results to differ from our current expectations.

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**Results of Operations**

The following table shows key selected financial data for the three months ended February 28, 2009 and February 29, 2008, this data as a percentage of total revenue, and the changes between three months ended February 28, 2009 and February 29, 2008, in dollars and as a percentage of the prior year's comparable period.

|  | Three<br>Months<br>Ended<br>February 28,<br>2009 | % of<br>Revenue <sup>(1)</sup> | Three<br>Months<br>Ended<br>February 29,<br>2008<br><small>(dollar amounts in thousands)</small> | % of<br>Revenue <sup>(1)</sup> | Change              | % Change      |
|--|--|--------------------------------|--|--------------------------------|---------------------|---------------|
| <b>Revenues:</b>                             |  |                                |  |                                |                     |               |
| United States                                | \$ 206,237                                       | 53%                            | \$ 182,038   | 59%                            | \$ 24,199           | 13%           |
| Canada                                       | 68,202   | 17                             | 61,256   | 20                             | 6,946               | 11            |
| North America merchant services              | 274,439  | 70                             | 243,294  | 78                             | 31,145              | 13            |
| Europe                                       | 62,109   | 16                             | 14,455   | 5                              | 47,654              | 330           |
| Asia-Pacific                                 | 22,980   | 6                              | 18,977   | 6                              | 4,003               | 21            |
| International merchant services              | 85,089   | 22                             | 33,432   | 11                             | 51,657              | 155           |
| United States                                | 26,605   | 7                              | 28,007   | 9                              | (1,402)             | (5)           |
| Europe                                       | 6,530  | 2                              | 5,908  | 2                              | 622                 | 11            |
| Money transfer                               | 33,135   | 8                              | 33,915   | 11                             | (780)               | (2)           |
| Total revenues                               | <u>\$ 392,663</u>                                | <u>100%</u>                    | <u>\$ 310,641</u>  | <u>100%</u>                    | <u>\$ 82,022</u>    | <u>26%</u>    |
| <b>Consolidated operating expenses:</b>      |  |                                |  |                                |                     |               |
| Cost of service                              | \$ 146,760                                       | 37.4%                          | \$ 117,661   | 37.9%                          | \$ 29,099           | 25%           |
| Sales, general and administrative            | 180,117  | 45.9                           | 133,069  | 42.8                           | 47,048              | 35            |
| Impairment                                   | 147,664  | 37.6                           | —  | —                              | 147,664             | —             |
| Operating (loss) income                      | <u>\$ (81,878)</u>                               | <u>—</u>                       | <u>\$ 59,911</u>   | <u>19.3%</u>                   | <u>\$ (141,789)</u> | <u>(237)%</u> |
| <b>Operating (loss) income for segments:</b> |  |                                |  |                                |                     |               |
| North America merchant services              | \$ 57,909  |                                | \$ 67,792  |                                | \$ (9,883)          | (15)%         |
| International merchant services              | 20,771   |                                | 4,326  |                                | 16,445              | 380           |
| Money transfer                               | 3,403  |                                | 1,156  |                                | 2,247               | 194           |
| Corporate                                    | (16,297)   |                                | (13,363)   |                                | (2,934)             | (22)          |
| Impairment                                   | (147,664)  |                                | —  |                                | (147,664)           | —             |
| Operating (loss) income                      | <u>\$ (81,878)</u>                               |                                | <u>\$ 59,911</u>   |                                | <u>\$ (141,789)</u> | <u>(237)%</u> |
| <b>Operating margin for segments:</b>        |  |                                |  |                                |                     |               |
| North America merchant services              | 21.1%  |                                | 27.9%  |                                | (6.8)%              |               |
| International merchant services              | 24.4%  |                                | 12.9%  |                                | 11.5%               |               |
| Money transfer segment                       | 10.3%  |                                | 3.4%   |                                | 6.9%                |               |

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

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The following table shows key selected financial data for the nine months ended February 28, 2009 and February 29, 2008, this data as a percentage of total revenue, and the changes between nine months ended February 28, 2009 and February 29, 2008, in dollars and as a percentage of the prior year's comparable period.

|  | Nine<br>Months<br>Ended<br>February 28,<br>2009 | % of<br>Revenue <sup>(1)</sup> | Nine<br>Months<br>Ended<br>February 29,<br>2008<br>(dollar amounts in thousands) | % of<br>Revenue <sup>(1)</sup> | Change             | % Change     |
|--|---|--------------------------------|--|--------------------------------|--------------------|--------------|
| <b>Revenues:</b>                             |   |                                |  |                                |                    |              |
| United States                                | \$ 599,082                                      | 50%                            | \$ 537,603   | 58%                            | \$ 61,479          | 11%          |
| Canada                                       | 232,779   | 19                             | 193,705  | 21                             | 39,074             | 20           |
| North America merchant services              | 831,861   | 69                             | 731,308  | 79                             | 100,553            | 14           |
| Europe                                       | 194,881   | 16                             | 42,365   | 5                              | 152,516            | 360          |
| Asia-Pacific                                 | 67,630  | 6                              | 53,467   | 6                              | 14,163             | 26           |
| International merchant services              | 262,511   | 22                             | 95,832   | 10                             | 166,679            | 174          |
| United States                                | 84,596  | 7                              | 86,003   | 9                              | (1,407)            | (2)          |
| Europe                                       | 20,515  | 2                              | 17,254   | 2                              | 3,261              | 19           |
| Money transfer                               | 105,111   | 9                              | 103,257  | 11                             | 1,854              | 2            |
| Total revenues                               | <u>\$ 1,199,483</u>                             | <u>100%</u>                    | <u>\$ 930,397</u>  | <u>100%</u>                    | <u>\$ 269,086</u>  | <u>29%</u>   |
| <b>Consolidated operating expenses:</b>      |   |                                |  |                                |                    |              |
| Cost of service                              | \$ 445,248                                      | 37.1%                          | \$ 350,483   | 37.7%                          | \$ 94,765          | 27%          |
| Sales, general and administrative            | 512,587   | 42.7                           | 394,023  | 42.3                           | 118,564            | 30           |
| Impairment and restructuring charges         | 147,664   | 12.3                           | 1,317  | 0.1                            | 146,347            | 11,112       |
| Operating income                             | <u>\$ 93,984</u>                                | <u>7.8%</u>                    | <u>\$ 184,574</u>  | <u>19.8%</u>                   | <u>\$ (90,590)</u> | <u>(49)%</u> |
| <b>Operating (loss) income for segments:</b> |   |                                |  |                                |                    |              |
| North America merchant services              | \$ 213,409                                      |                                | \$ 205,007   |                                | \$ 8,402           | 4%           |
| International merchant services              | 62,136  |                                | 14,309   |                                | 47,827             | 334          |
| Money transfer                               | 12,764  |                                | 6,117  |                                | 6,647              | 109          |
| Corporate                                    | (46,661)  |                                | (39,542)   |                                | (7,119)            | (18)         |
| Impairment and restructuring charges         | (147,664)                                       |                                | (1,317)  |                                | (146,347)          | 11,112       |
| Operating (loss) income                      | <u>\$ 93,984</u>                                |                                | <u>\$ 184,574</u>  |                                | <u>\$ (90,590)</u> | <u>(49)%</u> |
| <b>Operating margin for segments:</b>        |   |                                |  |                                |                    |              |
| North America merchant services              | 25.7%   |                                | 28.0%  |                                | (2.3)%             |              |
| International merchant services              | 23.7%   |                                | 14.9%  |                                | 8.8%               |              |
| Money transfer segment                       | 12.1%   |                                | 5.9%   |                                | 6.2%               |              |

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

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### Revenues

We derive our revenues from three primary sources: charges based on volumes and fees for services, charges based on transaction quantity, and equipment sales, leases and service fees. Revenues generated by these areas depend upon a number of factors, such as demand for and price of our services, the technological competitiveness of our product offerings, our reputation for providing timely and reliable service, competition within our industry, and general economic conditions.

In the three months ended February 28, 2009, revenues increased 26% to \$392.7 million compared to the prior year's comparable period. In the nine months ended February 28, 2009, revenues increased 29% to \$1,199.5 million compared to the prior year's comparable period. We attribute this revenue growth primarily to our acquisition of 51% of HSBC Merchant Services LLP in our International merchant services segment and to growth in our North America merchant services segment. We intend to continue to grow our domestic and international presence, build our ISO sales channel, increase customer satisfaction, assess opportunities for profitable growth through acquisitions, pursue enhanced products and services for our customers, and leverage our existing business model. We expect our fiscal 2009 consolidated revenues to range from \$1,550 million to \$1,580 million, reflecting growth of 22% to 24% over fiscal 2008. This range includes the partial year impact of our June 30, 2008 acquisition of HSBC Merchant Services LLP in the United Kingdom.

Our revenues have been affected by fluctuations in foreign currency exchange rates. For the three and nine months ended February 28, 2009, currency exchange rate fluctuations reduced our revenues by \$35.4 million and \$50.2 million, respectively.

#### *North America Merchant Services Segment*

In the three months ended February 28, 2009, revenue from our North America merchant services segment increased 13% to \$274.4 million compared to the prior year's comparable period. In the nine months ended February 28, 2009, revenue from our North America merchant services segment increased 14% to \$831.9 million compared to the prior year's comparable period.

We have continued to grow our United States channel by adding small and mid-market merchants in diversified vertical markets, primarily through our ISOs. For the three months ended February 28, 2009, our United States direct credit and debit card processed transactions grew 15% and our total United States revenue grew 13% compared to the prior year period. For the nine months ended February 28, 2009, our United States direct credit and debit card processed transactions grew 17% and our total United States revenue grew 11% compared to the prior year period. In the three and nine months ended February 28, 2009 compared to the prior year's comparable period, our United States direct credit card average dollar value of transaction, or average ticket, decreased in the high single digit percentage range. We believe this decline was partially due to lower consumer spending as a result of a weakened economy, and we expect this trend to continue for the remainder of the fiscal year. In addition, this decline was also partially due to a shift toward smaller merchants added through our ISOs. Smaller merchants tend to have lower average tickets than larger merchants. Aside from the impact of changes in our average ticket, the remaining difference between our transaction growth and revenue growth is due to our service fees, equipment fees, check-related services, and our domestic indirect revenue. The total of this revenue grew at a lesser rate than our United States direct credit and debit card transaction growth.

For the three months ended February 28, 2009, our Canadian revenue grew 11% compared to the prior year period. For the nine months ended February 28, 2009, our Canadian revenue grew 20% compared to the prior year period. This growth was primarily due to favorable pricing trends and, to a lesser extent, transaction growth of 5%, partially offset by an unfavorable Canadian currency exchange rate. In addition, during the three months ended February 28, 2009, our average ticket in Canada declined in the mid-single digit range, which we believe may be partially due to lower consumer spending as a result of a weakened economy.

#### *International Merchant Services Segment*

For the three months ended February 28, 2009, our International merchant services revenue increased 155% to \$85.1 million compared to the prior year period. This growth was primarily due to our acquisition of 51% of HSBC Merchant Services LLP. Revenues attributed to this acquisition were \$50.0 million during the three months ended February 28, 2009. Our Asia-Pacific merchant services revenue for the three months ended February 28, 2009 increased 21% to \$23.0 million compared to the prior year period. Our Asia-Pacific merchant services revenue has also grown due to the impact of our acquisition in the Philippines on September 4, 2008.

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### *Money Transfer Segment*

In the three months ended February 28, 2009, revenue from our money transfer segment decreased 2% to \$33.1 million compared to the prior year's comparable period. In the nine months ended February 28, 2009, revenue from our money transfer segment increased 2% to \$105.1 million compared to the prior year's comparable period.

Our United States money transfer channel relates to all revenue originating from the money transfer branches that we operate in the United States, which may include money transfers to destinations both inside and outside of the United States. For the three months ended February 28, 2009, our United States money transfer channel transactions decreased 18% and revenue decreased 5%, compared to the prior year's comparable period. For the nine months ended February 28, 2009, our United States money transfer channel transactions decreased 14% and revenue decreased 2%, compared to the prior year's comparable period.

As a result of our continuing efforts to close unprofitable branches, our United States branch footprint decreased to 756 branches as of February 28, 2009, compared to 825 branch locations as of February 28, 2008. On a sequential basis, our domestic branch footprint as of February 28, 2009 decreased by 20 locations compared to our domestic branch footprint as of November 30, 2008. This decrease in domestic branches was the result of the closure of underperforming locations, partially offset by new branch openings. We believe that an extended downturn in the United States construction market, immigrant labor trends, and a decrease in overall economic growth have negatively affected our United States money transfer channel.

Our European money transfer channel relates to all revenue generated from the money transfer branches that we operate in Europe, which may include money transfers to destinations both inside and outside of Europe. In Europe, we increased our branch footprint to 84 locations as of February 28, 2009, compared to 71 locations as of February 28, 2008, primarily through our acquisition of LFS Spain in May 2008. For the three months ended February 28, 2009, our European money transfer revenue grew 11%, primarily due to acquired branch locations, which resulted in transaction growth of 1%. For the nine months ended February 28, 2009, our European money transfer revenue grew 19%, primarily due to acquired branch locations, which resulted in transaction growth of 4%. The vast majority of our revenue in this channel is generated in Spain. Similar to the United States, Spain has experienced decrease in economic growth, which has negatively affected this channel.

### Consolidated Operating Expenses

Cost of service consists primarily of the following costs: operational-related personnel, including those who monitor our transaction processing systems and settlement; assessment fees paid to card networks; transaction processing systems, including third-party services such as the costs of settlement channels for money transfer services; transition services paid to HSBC in the Asia-Pacific market and the United Kingdom; network telecommunications capability, depreciation and occupancy costs associated with the facilities performing these functions; amortization of intangible assets; and provisions for operating losses.

Cost of service increased 25% to \$146.8 million for the three months ended February 28, 2009 compared to the prior year's comparable period. As a percentage of revenue, cost of service decreased to 37.4% of revenue for the three months ended February 28, 2009 from 37.9% for the prior year's comparable period. Cost of service increased 27% to \$445.2 million for the nine months ended February 28, 2009 compared to the prior year's comparable period. As a percentage of revenue, cost of service decreased to 37.1% of revenue for the nine months ended February 28, 2009 from 37.7% for the prior year's comparable period.

In the three and nine months ended February 28, 2009, the decline in cost of service as a percentage of revenue is related to our revenue growth and the related economies of scale benefits. The growth in cost of service expenses is primarily due to the acquisition of 51% of HSBC Merchant Services LLP and increases in variable processing expenses, such as card network charges, associated with our revenue growth.

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

Sales, general and administrative expenses increased 35% to \$180.1 million in the three months ended February 28, 2009 compared to the prior year's comparable period. As a percentage of revenue, these expenses increased to 45.9% for the three months ended February 28, 2009 compared to 42.8% in the prior year's comparable period. Sales, general and administrative

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expenses increased 30% to \$512.6 million in the nine months ended February 28, 2009 compared to the prior year's comparable period. As a percentage of revenue, these expenses increased to 42.7% for the nine months ended February 28, 2009 compared to 42.3% in the prior year's comparable period.

The increase in sales, general and administrative expenses is due to growth in commission payments to ISOs resulting from the increased revenue in this sales channel and the acquisition of 51% of HSBC Merchant Services LLP. The ISO channel generally has a dilutive effect on our operating margin compared to our other channels due to the ongoing commission payments to the ISOs. In addition, during the three and nine months ended February 29, 2008 we recorded a favorable impact from a non-recurring, non-cash operating tax item of \$7.0 million.

### *Operating Income and Operating Margin for Segments*

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

#### *North America Merchant Services Segment*

Operating income in the North America merchant services segment decreased 15% to \$57.9 million for the three months ended February 28, 2009 compared to the prior year's comparable period. The operating margin was 21.1% and 27.9% for the three months ended February 28, 2009 and February 29, 2008, respectively. Operating income in the North America merchant services segment increased 4% to \$213.4 million for the nine months ended February 28, 2009 compared to the prior year's comparable period. The decrease in operating income in the three months ended February 28, 2009 was primarily due to the favorable impact of a non-recurring, non-cash operating tax item of \$7.0 million that was recognized in the three months ended February 29, 2008. Operating margin and operating income for the three months ended February 28, 2009 was also negatively impacted by fluctuations in foreign currency exchange rates when compared to the prior year's comparable period. The operating margin was 25.7% and 28.0% for the nine months ended February 28, 2009 and February 29, 2008, respectively. The growth in operating income in the nine months ended February 28, 2009 was primarily due to the North America merchant services revenue growth and the related economies of scale benefits. The decrease in operating margin for the three and nine months ended February 28, 2009 compared to the prior year's comparable periods is primarily the result of increased revenue from our ISO sales channel as a percentage of total revenue and the associated commission payments and the aforementioned favorable tax item of \$7.0 million in 2008.

#### *International Merchant Services Segment*

Operating income in the International merchant services segment increased 380% to \$20.8 million for the three months ended February 28, 2009 compared to the prior year's comparable period. The operating margin was 24.4% and 12.9% for the three months ended February 28, 2009 and February 29, 2008, respectively. Operating income in the International merchant services segment increased 334% to \$62.1 million for the nine months ended February 28, 2009 compared to the prior year's comparable period. The operating margin was 23.7% and 14.9% for the nine months ended February 28, 2009 and February 29, 2008, respectively. This growth in operating income was primarily due to the impact of our new limited liability partnership with HSBC UK.

#### *Money Transfer Segment*

Operating income in the money transfer segment increased 194% to \$3.4 million for the three months ended February 28, 2009 compared to the prior year's comparable period. This increase resulted in an operating margin of 10.3% for the three months ended February 28, 2009, compared to 3.4% in the prior year's comparable period. Operating income in the money transfer segment increased 109% to \$12.8 million for the nine months ended February 28, 2009 compared to the prior year's comparable period. This increase resulted in an operating margin of 12.1% for the nine months ended February 28, 2009, compared to 5.9% in the prior year's comparable period. These results were primarily due to the impact of stabilized pricing and the closure of underperforming branch locations. In addition, during the prior year's comparable period, we incurred costs associated with the closure of underperforming locations, such as lease termination fees and fixed asset write-offs.

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### *Corporate*

Our corporate expenses primarily include costs associated with our Atlanta headquarters, insurance, employee incentive programs, and certain corporate staffing areas, including finance, accounting, legal, human resources, marketing, and executive. Corporate also includes expenses associated with our share-based compensation programs. Our corporate costs increased 22% to \$16.3 million for the three months ended February 28, 2009 compared to the prior year's comparable period. Our corporate costs increased 18% to \$46.7 million for the nine months ended February 28, 2009 compared to the prior year's comparable period.

### Impairment and Restructuring Charges

#### *Impairment*

The downturn in the construction market, immigrant labor trends, and overall decrease in economic growth in the United States and Spain is projected to continue for an extended period. These negative macroeconomic factors contributed to decreased projected future cash flows for our Money Transfer reporting units. This decrease in projected cash flows resulted in the carrying amount of these reporting units being greater than the fair value. Our DoEx trademark in our United States Money Transfer reporting unit was also reviewed for impairment in conjunction with our annual impairment test and was deemed to be impaired. We also reviewed the long-lived assets of these reporting units for impairment pursuant to the guidance in FAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and recorded an impairment charge to certain of our long-lived assets.

The following details the impairment charge resulting from our review (in thousands):

|                         | <b>Three Months Ended<br/>February 28, 2009</b> |
|-------------------------|---|
| Goodwill                | \$ 136,800                                      |
| Trademark               | 10,000  |
| Other long-lived assets | 864   |
| Total                   | <u>\$ 147,664</u>                               |

#### *Restructuring*

During the fourth quarter of fiscal 2007, we committed to close two locations and consolidate their functions into existing locations, which is consistent with our strategy to leverage infrastructure and consolidate operations. These restructuring plans required staff reduction and facility closure costs and were completed during our third quarter of fiscal 2008. We recorded restructuring charges of \$1.3 million during the nine months ended February 28, 2008. We do not expect to incur additional restructuring charges in fiscal 2009 related to these restructuring plans.

### Consolidated Operating (Loss) Income

During the three months ended February 28, 2009 we experienced consolidated operating losses of \$81.9 million compared to consolidated operating income of \$59.9 million in the prior year. Consolidated operating income decreased 49% to \$94.0 million for the nine months ended February 28, 2009 compared to the prior year's comparable period. This change resulted in an operating margin of 7.8% for the nine months ended February 28, 2009 compared to 19.8% in the prior year's comparable period. This decrease was primarily due to the non-cash impairment charge in our Money Transfer segment of \$147.7 million related to the write-down of goodwill and indefinite-lived intangible assets, somewhat offset by the favorable impact of the HSBC UK acquisition.

### Consolidated Other Income/Expense, Net

Other income and expense consists primarily of interest income and interest expense. Other income, net decreased to \$1.0 million for the three months ended February 28, 2009 compared to \$2.6 million in the prior year's comparable period. Other income, net decreased to \$0.1 million for the nine months ended February 28, 2009 compared to \$9.3 million in the prior year's comparable period. This decrease was largely due to lower investment balances and rates of return.

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### **Provision for Income Taxes**

Our effective tax rates, reflected as the provision for income taxes divided by (loss) or income before income tax, including the effect of minority interest, were (15.2)% and 33.0% for the three months ended February 28, 2009 and February 29, 2008, respectively. Our effective tax rates, were 100.5% and 34.5% for the nine months ended February 28, 2009 and February 29, 2008, respectively. The effective tax rate for the three and nine months ended February 28, 2009, reflects the impairment charge for our Money Transfer segment. The goodwill impairment charge is non-deductible for tax purposes.

### **Minority Interest, Net of Tax**

Minority interest, net of tax increased to \$8.1 million from \$3.2 million in the three months ended February 28, 2009 and February 29, 2008, respectively. Minority interest, net of tax increased to \$27.7 million from \$7.9 million in the nine months ended February 28, 2009 and February 29, 2008, respectively. The increase was primarily related to our recent HSBC UK acquisition.

### **Net (Loss) Income and Diluted Earnings Per Share**

During the three and nine months ended February 28, 2009 we reported net losses of \$106.8 million (\$1.34 diluted loss per share) and \$0.3 million (\$0.00 diluted loss per share), respectively.

We expect diluted earnings per share to range from \$0.35 to \$0.42 for fiscal 2009.

## **Liquidity and Capital Resources**

Cash flow generated from operations provides us with a significant source of liquidity to meet our needs. At February 28, 2009, we had cash and cash equivalents totaling \$387.6 million. As of February 28, 2009, our cash and cash equivalents included \$132.3 million related to Merchant reserves. While this cash is not restricted and can be used in our general operations, we do not intend to use it, as we believe that designating this cash to collateralize Merchant reserves strengthens our fiduciary standing with our member sponsors and is in accordance with the guidelines set by the card networks. See *Cash and cash equivalents* under Note 1 in the notes to the unaudited consolidated financial statements for additional details.

Net cash provided by operating activities increased \$84.9 million to \$268.8 million in the nine months ended February 28, 2009 from the prior year's comparable period. Our net loss of \$0.3 million included non-cash adjustments for the impairment of goodwill and identified intangible assets of \$147.7 million, a change in minority interest in earnings of \$21.0 million and a change of \$12.3 million in amortization of acquired intangibles. The change in minority interest in earnings is due to our new limited partnership with HSBC UK and with growth in our Asia-Pacific merchant services channel. In addition to our non-cash adjustments, we had cash provided by changes in working capital of \$14.9 million.

Net cash used in investing activities increased \$429.0 million to \$472.9 million in the nine months ended February 28, 2009 from the prior year's comparable period, primarily due to our \$441.6 million investment in a partnership with HSBC UK and our \$10.9 million investment in a partnership with HSBC Asia.

In the nine months ended February 28, 2009, we generated \$175.3 million in cash provided by financing activities compared to \$75.2 million cash used in financing activities in the prior year's comparable period. The increase in cash provided by financing activities was primarily due to our new five year, \$200.0 million term loan agreement. In addition, this increase was also due in part to our purchase of \$87.0 million in shares of our common stock during the nine months ended February 29, 2008, while we did not repurchase any common stock during the comparable period.

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

We regularly evaluate cash requirements for current operations, commitments, development activities and acquisitions, and we may elect to raise additional funds for these purposes in the future, either through the issuance of debt, equity or otherwise. Our current cash flow strategy is to pay off debt, to make planned capital investments in our business, to pursue acquisitions that meet our growth strategies, to pay dividends and repurchase our shares at the discretion of our Board of Directors, to collateralize



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our Merchant reserves, and to invest excess cash in investments that we believe are of high-quality and are marketable in the short term.

### **Contractual Obligations**

The operating lease commitments disclosed in our Annual Report on Form 10-K for the year ended May 31, 2008 have not changed significantly. Our remaining current contractual and other obligations are as follows:

#### Redeemable Minority Interest

We have a redeemable minority interest associated with our Asia-Pacific merchant services channel. Global Payments Asia-Pacific, Limited, or GPAP, is the entity through which we conduct our merchant acquiring business in the Asia-Pacific region. We own 56% of GPAP and HSBC Asia owns the remaining 44%. The GPAP shareholders agreement includes provisions pursuant to which HSBC Asia may compel us to purchase, at fair value, additional GPAP shares from HSBC Asia (the "AP Put Option"). HSBC Asia may exercise the AP Put Option on the fifth anniversary of the closing of the acquisition and on each anniversary thereafter. By exercising the AP Put Option, HSBC Asia can require us to purchase, on an annual basis, up to 15% of the total issued shares of GPAP. While not redeemable until beginning in July 2011, we estimate the maximum total redemption amount of the minority interest under the AP Put Option would be \$93.3 million, as of February 28, 2009.

We also have a redeemable minority interest associated with the HSBC Merchant Services LLP partnership agreement. Under the HSBC Merchant Services LLP partnership agreement, HSBC UK may compel us to purchase, at fair value, additional membership units (the "UK Put Option"). HSBC UK may exercise the UK Put Option on the fifth anniversary of the closing of the acquisition and on each anniversary thereafter. By exercising the UK Put Option, HSBC UK can require us to purchase, on an annual basis, up to 15% of the total membership units. Additionally, on the tenth anniversary of closing and each tenth anniversary thereafter, HSBC UK may compel us to purchase all of their membership units at fair value. While not redeemable until June 2013, we estimate the maximum total redemption amount of the minority interest under the UK Put Option would be \$379.1 million, as of February 28, 2009.

We will adopt the provisions of EITF Topic D-98 beginning June 1, 2009. Topic D-98 requires that redeemable minority interests be recorded at fair value. Had we adopted Topic D-98 as of February 28, 2009, we would have recorded a \$449.5 million increase to minority interest in equity of subsidiaries with a corresponding decrease to retained earnings in the consolidated balance sheets.

#### Pending UCS Transaction

On September 9, 2008, we announced that we have agreed to acquire all of the outstanding stock of ZAO United Card Service ("UCS"), a leading direct merchant acquirer and indirect payment processor in the Russian Federation, from ZAO United Investments. We are currently in discussions with the Seller regarding the terms and conditions of the agreement.

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### Long-Term Debt and Credit Facilities

Outstanding debt consisted of the following:

|   | February 28,<br>2009 | May 31,<br>2008 |
|---|----------------------|-----------------|
|   | (in thousands)       |                 |
| Lines of credit:                                |                      |                 |
| U.S. Credit Facility                            | \$ —                 | \$ —            |
| China Credit Facility                           | 1,243                | 577             |
| Canada Credit Facility                          | —                    | —               |
| National Bank of Canada (“NBC”) Credit Facility | 1,876                | 71              |
| Macau Credit Facility                           | 875                  | 879             |
| Sri Lanka Credit Facility                       | 116                  | —               |
| Term loan                                       | 190,000              | —               |
| Total debt                                      | <u>\$ 194,110</u>    | <u>\$ 1,527</u> |
| Current portion                                 | 29,110               | 1,527           |
| Long-term portion                               | 165,000              | —               |
| Total debt                                      | <u>\$ 194,110</u>    | <u>\$ 1,527</u> |

#### *Lines of Credit*

Our line of credit facilities are used to provide a source of working capital and for general corporate purposes, while the U.S. Credit Facility is additionally available to fund future strategic acquisitions. Certain of our line of credit facilities allow us to fund merchants for credit and debit card transactions prior to receipt of corresponding settlement funds from Visa, MasterCard, and Interac Associates. Further, the Canada and NBC Credit Facilities allow us to provide certain Canadian merchants with “same day value,” which is the practice of giving merchants value as of the date of the applicable sale for credit and debit card transactions processed after the close of the banking day.

#### *Term Loan*

On June 23, 2008, we entered into a five year unsecured \$200.0 million term loan agreement with a syndicate of banks in the United States to partially fund our HSBC Merchant Services acquisition. The term loan bears interest, at our election, at the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. As of February 28, 2009 the interest rate on the term loan was 2.00%. The term loan calls for quarterly principal payments of \$5.0 million beginning with the quarter ended August 31, 2008 and increasing to \$10.0 million beginning with the quarter ending August 31, 2010 and \$15.0 million beginning with the quarter ending August 31, 2011. As of February 28, 2009, the outstanding balance of the term loan was \$190.0 million. The \$5.0 million quarterly principal payment scheduled for February 28, 2009 was paid on March 2, 2009, as the contractual payment due date fell on a weekend.

#### *Compliance with Covenants*

There are certain financial and non-financial covenants contained in our U.S Credit Facility, our Canadian Credit Facility, and our NBC Credit Facility. We complied with these covenants as of February 28, 2009.

#### **Global Payments Credit Services (“GPCS”) Sale**

During the nine months ended February 28, 2009, we sold a 20% interest in Global Payments Credit Services (“GPCS”), a leading credit information company in Russia, to Equifax Decision Systems, BV (“Equifax”) for \$3.0 million in cash (the “GPCS sale”). Prior to the GPCS sale, we owned 50% of GPCS, and we consolidated the results of GPCS for financial reporting purposes. Subsequent to the GPCS sale, we own 30% of GPCS, and we account for our interest in GPCS under the equity method. Under the terms of a new shareholders’ agreement, we and the other shareholders are required to make periodic capital contributions to GPCS through 2010. Our minimum required capital contributions total \$2.3 million, and we may be required to contribute up to \$3.9 million. During the nine months ended February 28, 2009 we made capital contributions of \$0.4 million. Due to these required capital contributions, we have deferred the recognition of a \$2.8 million pre-tax gain on the GPCS sale. We anticipate that we will recognize this gain once we have fulfilled our capital contribution requirements. The deferred gain has been reflected as a reduction of our investment in GPCS. As a result, our investment in GPCS, net of the deferred gain of \$2.8 million, is included in Other Long-term Liabilities on our unaudited consolidated balance sheet as of February 28, 2009.

Net

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proceeds of \$2.9 million from the GPCS sale are included in the proceeds from sale of investments and contractual rights line item of our unaudited consolidated statement of cash flows.

### **Critical Accounting Estimates**

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

Accounting estimates necessarily require subjective determinations about future events and conditions. During the nine months ended February 28, 2009, we have not adopted any new critical accounting policies, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended May 31, 2008. You should read the Critical Accounting Estimates in Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 1A – Risk Factors included in our Annual Report on Form 10-K for the year ended May 31, 2008 and our summary of significant accounting policies in Note 1 of our notes to the unaudited consolidated financial statements in this Form 10-Q.

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### **Special Cautionary Notice Regarding Forward-Looking Statements**

We believe that it is important to communicate our plans and expectations about the future to our shareholders and to the public. Investors are cautioned that some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements 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, are predictive in nature, and depend upon or refer to future events or conditions. You can sometimes identify forward-looking statements by our use of the words “believes,” “anticipates,” “expects,” “intends,” “plans” and similar expressions. Actual events or results might differ materially from those expressed or forecasted in these forward-looking statements.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions, estimates, projections or plans that are inherently subject to significant risks, uncertainties, and contingencies that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth and margins, other results of operation and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors. We advise you to review the risk factors presented in Item 1A – Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2008, and under Item 1A – Risk Factors below, for information on some of the matters which could adversely affect our business and results of operations.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. While we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to release publicly the results of any revisions to our forward-looking statements. You are advised, however, to consult any further disclosures we make in our reports filed with the Securities and Exchange Commission and in our press releases.

### **Where to Find More Information**

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

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

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

NYSE Euronext  
20 Broad Street  
New York, NY 10005

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### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk related to changes in interest rates on our cash investments and debt. We invest our excess cash in securities that we believe are highly liquid and marketable in the short term. These investments are not held for trading or other speculative purposes. Interest rates on our lines of credit are based on market rates and fluctuate accordingly. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes and believe the market risk arising from investment instruments and debt to be minimal. Our long-term debt has the option of variable interest rates based on the prime rate or London Interbank Offered Rate plus a margin based on our leverage position.

Although the majority of our operations are conducted in U.S. dollars, some of our operations are conducted in Canadian dollars, British Pound Sterling, Euros and the various currencies of the Asia-Pacific region, Central and Eastern Europe, and Central and South America. 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 hedged our translation risk on foreign currency exposure. For the nine months ended February 28, 2009, currency rate fluctuations reduced our revenues by \$50.2 million and our diluted earnings per share by \$0.14. To calculate this we converted our fiscal 2009 actual revenues at fiscal 2008 rates.

Our Annual Report on Form 10-K for the fiscal year ended May 31, 2008 contains additional information regarding our exposure to market risk.

### **Item 4. Controls and Procedures**

As of February 28, 2009, 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 February 28, 2009, 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.

During the first quarter of fiscal 2009, we completed the purchase of a fifty-one percent ownership interest in the merchant acquiring business of HSBC UK. This business provides card payment processing services to merchants in the United Kingdom. We intend to integrate the payment processing operations and related support services into our own operations. HSBC UK will continue to provide these operations and services to the business under a transition services agreement until the integration efforts are completed. We are currently evaluating the conversion effort and a timetable for completion has not been established at this time. Until we can integrate the business' financial reporting function into our own, we will rely on HSBC UK to provide certain financial data for the business for purposes of preparing our consolidated financial statements. Accordingly, our internal controls over financial reporting are reasonably likely to be materially affected, by HSBC UK's internal controls and procedures. In order to mitigate this risk, we have implemented certain internal controls and expect to continue to implement other internal controls over financial reporting which monitor the financial data being provided by HSBC UK.

Other than as discussed in the previous paragraph, there were no changes in our internal control over financial reporting during the quarter ended February 28, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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### PART II – OTHER INFORMATION

#### Item 1A. Risk Factors

*Risks associated with foreign currency exchange fluctuations could adversely affect our business, financial position and results of operations.*

We are exposed to foreign currency risks resulting from changes in currency exchange rates because of our international operations in the United Kingdom, Canada, the Czech Republic, and throughout the Asia-Pacific region, as well as our significant electronic money transfer operations in the United States and Europe. Volatility in currency exchange rates has affected and may continue to affect our financial results. For example, for the three months ended February 28, 2009, currency exchange rate fluctuations reduced our revenues by \$35.4 million and our earnings by \$0.10 per diluted share. For the nine months ended February 28, 2009 currency exchange rate fluctuations reduced our revenues by \$50.2 million and our earnings by \$0.14 per diluted share. To calculate this we converted our fiscal 2009 actual revenues at fiscal 2008 rates. We do not use forward contracts or other derivative instruments to mitigate the risks associated with fluctuating exchange rates. Further fluctuations in currency exchange rates could adversely affect our results of operations in future periods.

*Risks associated with reduced levels of consumer spending could adversely affect our revenues and earnings.*

Significant portions of our revenue and earnings are derived from fees from processing consumer credit card and debit card transactions and electronic money transfer transactions. We are exposed to general economic conditions that effect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. A general reduction in consumer spending in the United States or any other country where we do business could adversely affect our revenues and earnings. For example, in the three and nine months ended February 28, 2009 compared to the prior year's comparable period, our United States direct credit card average dollar value of transaction, or average ticket, decreased in the high single digit percentage range. We believe this decline, while partially due to a shift toward smaller merchants added through our ISOs, was in part driven by lower consumer spending as a result of a weakened economy, and we expect this trend to continue for the remainder of the fiscal year.

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

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

The shares repurchased in the third quarter of fiscal 2009, the average price paid, including commissions, and the dollar value remaining available for purchase are as follows:

| Period                               | Total Number of<br>Shares (or Units)<br>Purchased<br>(a) | Average<br>Price Paid<br>per Share (or Unit)<br>(b) | Total Number of<br>Shares (or Units)<br>Purchased as Part of<br>Publicly Announced<br>Plans or Programs<br>(c) | Maximum<br>Number (or<br>Approximate<br>Dollar Value) of<br>Shares (or Units)<br>that May Yet Be<br>Purchased Under<br>the Plans or<br>Programs<br>(d) |
|--------------------------------------|--|---|--|--|
| December 1, 2008 – December 31, 2008 | —  | \$ —  | —  | \$ 12,980,136  |
| January 1, 2009 – January 31, 2009   | —  | —   | —  | \$ 12,980,136  |
| February 1, 2009 – February 28, 2009 | —  | —   | —  | \$ 12,980,136  |
| Total                                | —  | \$ —  | —  |  |

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Note: Our Board of Directors has approved a share repurchase program that authorized the purchase of up to \$100.0 million of Global Payments' stock in the open market or as otherwise may be determined by us, subject to market conditions, business opportunities, and other factors. Under this authorization, we repurchased 2.3 million shares of our common stock during fiscal 2008 at a cost of \$87.0 million, or an average of \$37.85 per share, including commissions. This authorization has no expiration date and may be suspended or terminated at any time. Repurchased shares will be retired but will be available for future issuance.

### **Item 6. Exhibits**

#### List of Exhibits

- 3.1 Amended and Restated Articles of Incorporation of Global Payments Inc., filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
- 3.2 Fourth Amended and Restated By-laws of Global Payments Inc., filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2003, File No. 001-16111, and incorporated herein by reference.
- 10.1 Second Amendment to Amended and Restated 2000 Long-Term Incentive Plan, dated December 15, 2008 filed as Exhibit 10.10 to the Registrant's Annual Report on Form 10-K dated May 31, 2008, File No. 001-16111, and incorporated herein by reference.
- 10.2 Third Amended and Restated Global Payments Inc. 2005 Incentive Plan, dated December 31, 2008 filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K dated May 31, 2008, File No. 001-16111, and incorporated herein by reference.
- 10.3 Amendment to Employment Agreement for Paul R. Garcia, filed as Exhibit 10.13 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference
- 10.4 Amendment to Employment Agreement for James G. Kelly, filed as Exhibit 99.1 to the Registrant's Form 8-K/A dated June 2, 2006, File No. 001-16111, and incorporated herein by reference.
- 10.5 Amendment to Employment Agreement for Suellen P. Tornay dated June 1, 2001, filed as Exhibit 10.23 to the Registrant's Annual Report on Form 10-K dated May 31, 2004, File No. 001-16111, and incorporated herein by reference.
- 10.6 Employment Agreement for Joseph C. Hyde dated November 3, 2008, filed as Exhibit 10.6 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference.
- 10.7 Amendment to Employment Agreement for Carl J. Williams dated March 15, 2004, filed as Exhibit 10.22 to the Registrant's Annual Report on Form 10-K dated May 31, 2004, File No. 001-16111, and incorporated herein by reference.
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of CEO
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of CFO
- 32.1 CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002

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**Signatures**

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

Global Payments Inc.  
(Registrant)

Date: April 6, 2009

/s/ David E. Mangum  
David E. Mangum  
Chief Financial Officer

Date: April 6, 2009

/s/ Daniel C. O'Keefe  
Daniel C. O'Keefe  
Chief Accounting Officer



**SECOND AMENDMENT TO THE  
GLOBAL PAYMENTS INC.  
AMENDED AND RESTATED 2000 LONG-TERM INCENTIVE PLAN**

This Second Amendment to the Global Payments Inc. Amended and Restated 2000 Long-Term Incentive Plan (the "Plan"), is hereby adopted by the Compensation Committee of the Board of Directors of Global Payments Inc. (the "Company").

The Plan is hereby amended, effective as of December 15, 2008, as follows:

1. The last sentence of Section 7.1(b) (which read "The Committee may permit an arrangement whereby receipt of Stock upon exercise of an Option is delayed until a specified future date.") is hereby deleted.

2. Section 14.3 is hereby deleted and replaced with the following:

14.3. FORM OF PAYMENT FOR AWARDS. Subject to the terms of the Plan and any applicable law or Award Certificate, payments or transfers to be made by the Company or an Affiliate on the grant or exercise of an Award may be made in such form as the Committee determines at or after the Grant Date, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or (for Awards other than Options or SARs) on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

3. Section 16.3 is hereby amended by deleting the following sentence: "If Shares are surrendered to the Company to satisfy withholding obligations in excess of the minimum withholding obligation, such Shares must have been held by the Participant as fully vested shares for at least six months."

4. A new Section 16.16 is hereby added as follows:

16.16. SPECIAL PROVISIONS RELATED TO SECTION 409A OF THE CODE

(a) General. It is intended that the payments and benefits provided under the Plan and any Award shall either be exempt from the application of, or comply with, the requirements of Section 409A of the Code. The Plan and all Award Certificates shall be construed in a manner that effects such intent. Nevertheless, the tax treatment of the benefits provided under the Plan or any Award is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant or other taxpayer as a result of the Plan or any Award.

(b) Definitional Restrictions. Notwithstanding anything in the Plan or in any Award Certificate to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable, or a different form of payment (e.g., lump sum or installment) would be effected, under the Plan or any Award Certificate by reason of the occurrence of a change in control, or the Participant's Disability or separation from service, such amount or benefit will not be payable or distributable to the Participant, and/or such different form of payment will not be effected, by reason of such

circumstance unless the circumstances giving rise to such change in control, Disability or separation from service meet any description or definition of “change in control event”, “disability” or “separation from service”, as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the *vesting* of any Award upon a change in control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award Certificate that is permissible under Section 409A. If this provision prevents the application of a different form of payment of any amount or benefit, such payment shall be made in the same form as would have applied absent such designated event or circumstance.

(c) Allocation among Possible Exemptions. If any one or more Awards granted under the Plan to a Participant could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Awards in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Head of Human Resources) shall determine which Awards or portions thereof will be subject to such exemptions.

(d) Six-Month Delay in Certain Circumstances. Notwithstanding anything in the Plan or in any Award Certificate to the contrary, if any amount or benefit that would constitute non-exempt, “deferred compensation” for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or any Award Certificate by reason of a Participant’s separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(i) the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant’s separation from service will be accumulated through and paid or provided on the first day of the seventh month following the Participant’s separation from service (or, if the Participant dies during such period, within 30 days after the Participant’s death) (in either case, the “Required Delay Period”); and

(ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

For purposes of this Plan, the term “Specified Employee” has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company’s Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

( e ) Grants to Employees of Affiliates. Eligible Participants who are service providers to an Affiliate may be granted Options or SARs under this Plan only if the Affiliate

qualifies as an "eligible issuer of service recipient stock" within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Section 409A of the Code.

(f) Fair Market Value of Unlisted Stock. If the Stock is not listed on a securities exchange, the Fair Market Value of the Stock as of any given date shall, for purposes of the Plan and any Award, be determined by such method as the Committee determines in good faith to be reasonable and in compliance with Section 409A of the Code.

(g) Design Limits on Options and SARs. Notwithstanding anything in this Plan or any Award Certificate, no Option or Stock Appreciation Right granted under this Plan shall (i) provide for Dividend Equivalents or (ii) have any feature for the deferral of compensation other than the deferral of recognition of income until the exercise or disposition of the Option or Stock Appreciation Right.

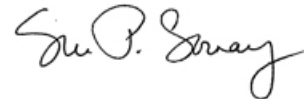
(h) Timing of Distribution of Dividend Equivalents. Unless otherwise provided in the applicable Award Certificate, and Dividend Equivalents granted with respect to an Award hereunder will be paid or distributed no later than the 15th day of the 3rd month following the later of (i) the calendar year in which the corresponding dividends were paid to shareholders, or (ii) the first calendar year in which the Participant's right to such Dividend Equivalents is no longer subject to a substantial risk of forfeiture.

(i) Anti-Dilution Adjustments. Notwithstanding any anti-dilution provision in the Plan, the Committee shall not make any adjustments to outstanding Options or SARs that would constitute a modification or substitution of the stock right under Treas. Reg. Sections 1.409A-1(b)(5)(v) that would be treated as the grant of a new stock right or change in the form of payment for purposes of Code Section 409A.

5. Except as amended hereby, the Plan as previously amended shall remain in full force and effect.

IN WITNESS WHEREOF, Global Payments Inc., by a duly authorized officer, has executed this Second Amendment to the Plan, this 15th day of December, 2008.

GLOBAL PAYMENTS INC.



By: \_\_\_\_\_

**GLOBAL PAYMENTS INC.  
THIRD AMENDED AND RESTATED 2005 INCENTIVE PLAN**

**ARTICLE 1  
PURPOSE**

1.1 GENERAL. The purpose of the Global Payments Inc. Amended and Restated 2005 Incentive Plan (the “Plan”) is to promote the success, and enhance the value, of Global Payments Inc. (the “Company”), by linking the personal interests of employees, officers, directors and consultants of the Company or any Affiliate (as defined below) to those of Company shareholders and by providing such persons with an incentive for outstanding performance. The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of employees, officers, directors and consultants upon whose judgment, interest, and special effort the successful conduct of the Company’s operation is largely dependent. Accordingly, the Plan permits the grant of incentive awards from time to time to selected employees, officers, directors and consultants of the Company and its Affiliates.

**ARTICLE 2  
DEFINITIONS**

2.1 DEFINITIONS. When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase shall generally be given the meaning ascribed to it in this Section or in Section 1.1 unless a clearly different meaning is required by the context. The following words and phrases shall have the following meanings:

(a) “Affiliate” means (i) any Subsidiary or Parent, or (ii) an entity that directly or through one or more intermediaries controls, is controlled by or is under common control with, the Company, as determined by the Committee.

(b) “Award” means any Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award, Deferred Stock Unit Award, Performance Award, Dividend Equivalent Award, or Other Stock-Based Award, Performance-Based Cash Awards, or any other right or interest relating to Stock or cash, granted to a Participant under the Plan.

(c) “Award Certificate” means a written document, in such form as the Committee prescribes from time to time, setting forth the terms and conditions of an Award. Award Certificates may be in the form of individual award agreements or certificates or a program document describing the terms and provisions of an Awards or series of Awards under the Plan.

(d) “Board” means the Board of Directors of the Company.

(e) “Code” means the Internal Revenue Code of 1986, as amended from time to time.

(f) “Committee” means the committee of the Board described in Article 4.

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(g) “Company” means Global Payments Inc., a Georgia corporation, or any successor corporation.

(h) “Continuous Status as a Participant” means the absence of any interruption or termination of service as an employee, officer, consultant or director of the Company or any Affiliate, as applicable; provided, however, that for purposes of an Incentive Stock Option, or a Stock Appreciation Right issued in tandem with an Incentive Stock Option, “Continuous Status as a Participant” means the absence of any interruption or termination of service as an employee of the Company or any Parent or Subsidiary, as applicable. Continuous Status as a Participant shall continue to the extent provided in a written severance or employment agreement during any period for which severance compensation payments are made to an employee, officer, consultant or director, shall not be considered interrupted in the case of any leave of absence authorized in writing by the Company prior to its commencement, and shall not be considered interrupted in a circumstance in which a Participant transfers from a full time employee of the Company or an Affiliate to a full time position as a director of the Company or of an Affiliate.

(i) “Covered Employee” means a covered employee as defined in Code Section 162(m)(3).

(j) “Disability” of a Participant means that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is permanent in nature and can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which is permanent in nature and can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant’s employer. If the determination of Disability relates to an Incentive Stock Option, Disability means Permanent and Total Disability as defined in Section 22(e)(3) of the Code. In the event of a dispute, the determination whether a Participant is Disabled will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.

(k) “Deferred Stock Unit” means a right granted to a Participant under Article 11.

(l) “Dividend Equivalent” means a right granted to a Participant under Article 12.

(m) “Effective Date” has the meaning assigned such term in Section 3.1.

(n) “Eligible Participant” means an employee, officer, consultant or director of the Company or any Affiliate.

(o) “Exchange” means the New York Stock Exchange (“NYSE”) or any national securities exchange on which the Stock may from time to time be listed or traded.

(p) “Fair Market Value”, on any date, means (i) if the Stock is listed on a securities exchange or is traded over the NYSE, the closing sales price on such exchange or over such system on such date or, in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported, or (ii) if the Stock is not

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listed on a securities exchange or traded over the NYSE, the mean between the bid and offered prices as quoted by NASDAQ for such trading date, provided that if it is determined that the fair market value is not properly reflected by such NASDAQ quotations, Fair Market Value will be determined by such other method as the Committee determines in good faith to be reasonable and in compliance with Section 409A of the Code.

(q) "Full Value Award" means an Award other than in the form of an Option or SAR and which is settled by the issuance of Stock (or at the discretion of the Committee, settled in cash valued by reference to Stock value).

(r) "Grant Date" means the first date on which all necessary corporate action has been taken to approve the grant of the Award as provided in the Plan, or such later date as is determined and specified as part of that authorization process. Notice of the grant shall be provided to the grantee within a reasonable time after the Grant Date.

(s) "Incentive Stock Option" means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

(t) "Non-Employee Director" means a director of the Company who is not a common law employee of the Company or an Affiliate.

(u) "Nonstatutory Stock Option" means an Option that is not an Incentive Stock Option.

(v) "Option" means a right granted to a Participant under Article 7 of the Plan to purchase Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Nonstatutory stock option.

(w) "Other Stock-Based Award" means a right, granted to a Participant under Article 13, that relates to or is valued by reference to Stock or other Awards relating to Stock.

(x) "Parent" means a corporation, limited liability company, partnership or other entity which owns or beneficially owns a majority of the outstanding voting stock or voting power of the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Parent shall have the meaning set forth in Section 424(e) of the Code.

(y) "Participant" means a person who, as an employee, officer, director or consultant of the Company or any Affiliate, has been granted an Award under the Plan; provided that in the case of the death of a Participant, the term "Participant" refers to a beneficiary designated pursuant to Section 14.5 or the legal guardian or other legal representative acting in a fiduciary capacity on behalf of the Participant under applicable state law and court supervision.

(z) "Performance Award" means Performance Shares, Performance Units or Performance-Based Cash Awards granted pursuant to Article 9.

(aa) "Performance-Based Cash Award" means a right granted to a Participant under Article 9 to a cash award to be paid upon achievement of such performance goals as the Committee establishes with regard to such Award.

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(bb) "Performance Share" means any right granted to a Participant under Article 9 to a unit to be valued by reference to a designated number of Shares to be paid upon achievement of such performance goals as the Committee establishes with regard to such Performance Share.

(cc) "Performance Unit" means a right granted to a Participant under Article 9 to a unit valued by reference to a designated amount of cash or property other than Shares, to be paid to the Participant upon achievement of such performance goals as the Committee establishes with regard to such Performance Unit.

(dd) "Person" means any individual, entity or group, within the meaning of Section 3(a)(9) of the 1934 Act and as used in Section 13(d)(3) or 14(d)(2) of the 1934 Act.

(ee) "Plan" means the Global Payments Inc. Amended and Restated 2005 Incentive Plan, as amended from time to time.

(ff) "Qualified Performance-Based Award" means an Award that is either (i) intended to qualify for the Section 162(m) Exemption and is made subject to performance goals based on Qualified Business Criteria as set forth in Section 14.10(b), or (ii) an Option or SAR having an exercise price equal to or greater than the Fair Market Value of the underlying Stock as of the Grant Date.

(gg) "Qualified Business Criteria" means one or more of the Business Criteria listed in Section 14.10(b) upon which performance goals for certain Qualified Performance-Based Awards may be established by the Committee.

(hh) "Restricted Stock Award" means Stock granted to a Participant under Article 10 that is subject to certain restrictions and to risk of forfeiture.

(ii) "Restricted Stock Unit Award" means the right granted to a Participant under Article 10 to receive shares of Stock (or the equivalent value in cash or other property if the Committee so provides) in the future, which right is subject to certain restrictions and to risk of forfeiture.

(jj) "Retirement" in the case of an employee means voluntary termination of employment with the Company, a Parent or Subsidiary after age 65 with ten years of continual service. "Retirement" in the case of a non-employee director of the Company means retirement of the director in accordance with the provisions of the Company's bylaws as in effect from time to time or the failure to be re-elected or re-nominated as a director.

(kk) "Section 162(m) Exemption" means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code or any successor provision thereto.

(ll) "Shares" means shares of the Company's Stock. If there has been an adjustment or substitution pursuant to Section 15.1, the term "Shares" shall also include any shares of stock or other securities that are substituted for Shares or into which Shares are adjusted pursuant to Section 15.1.

(mm) "Stock" means the no par value common stock of the Company and such other securities of the Company as may be substituted for Stock pursuant to Article 15.

(nn) "Stock Appreciation Right" or "SAR" means a right granted to a Participant under Article 8 to receive a payment equal to the difference between the Fair Market Value of a Share as of the date of exercise of the SAR over the grant price of the SAR, all as determined pursuant to Article 8.

(oo) "Subsidiary" means any corporation, limited liability company, partnership or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company. Notwithstanding the above, with respect to an Incentive Stock Option, Subsidiary shall have the meaning set forth in Section 424(f) of the Code.

(pp) "1933 Act" means the Securities Act of 1933, as amended from time to time.

(qq) "1934 Act" means the Securities Exchange Act of 1934, as amended from time to time.

### **ARTICLE 3 EFFECTIVE TERM OF PLAN**

3.1 EFFECTIVE DATE. The Plan shall be effective as of the date it is approved by both the Board and the shareholders of the Company (the "Effective Date").

3.2 TERMINATION OF PLAN. The Plan shall terminate on the tenth anniversary of the Effective Date. The termination of the Plan on such date shall not affect the validity of any Award outstanding on the date of termination.

### **ARTICLE 4 ADMINISTRATION**

4.1 COMMITTEE. The Plan shall be administered by a Committee appointed by the Board (which Committee shall consist of at least two directors) or, at the discretion of the Board from time to time, the Plan may be administered by the Board. It is intended that at least two of the directors appointed to serve on the Committee shall be "non-employee directors" (within the meaning of Rule 16b-3 promulgated under the 1934 Act) and "outside directors" (within the meaning of Code Section 162(m) and the regulations thereunder) and that any such members of the Committee who do not so qualify shall abstain from participating in any decision to make or administer Awards that are made to Eligible Participants who at the time of consideration for such Award (i) are persons subject to the short-swing profit rules of Section 16 of the 1934 Act, or (ii) are reasonably anticipated to become Covered Employees during the term of the Award. However, the mere fact that a Committee member shall fail to qualify under either of the foregoing requirements or shall fail to abstain from such action shall not invalidate any Award made by the Committee which Award is otherwise validly made under the Plan. The members of the Committee shall be appointed by, and may be changed at any time and from time to time in the discretion of, the Board. Unless and until changed by the Board, the Compensation Committee of the Board is designated as the Committee to administer the Plan. The Board may



reserve to itself any or all of the authority and responsibility of the Committee under the Plan or may act as administrator of the Plan for any and all purposes. To the extent the Board has reserved any authority and responsibility or during any time that the Board is acting as administrator of the Plan, it shall have all the powers of the Committee hereunder, and any reference herein to the Committee (other than in this Section 4.1) shall include the Board. To the extent any action of the Board under the Plan conflicts with actions taken by the Committee, the actions of the Board shall control.

4.2 ACTION AND INTERPRETATIONS BY THE COMMITTEE. For purposes of administering the Plan, the Committee may from time to time adopt rules, regulations, guidelines and procedures for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the Plan, as the Committee may deem appropriate. The Committee's interpretation of the Plan, any Awards granted under the Plan, any Award Certificate and all decisions and determinations by the Committee with respect to the Plan are final, binding, and conclusive on all parties. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Affiliate, the Company's or an Affiliate's independent certified public accountants, Company counsel or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

4.3 AUTHORITY OF COMMITTEE. Except as provided below, the Committee has the exclusive power, authority and discretion to:

- (a) Grant Awards;
- (b) Designate Participants;
- (c) Determine the type or types of Awards to be granted to each Participant;
- (d) Determine the number of Awards to be granted and the number of Shares or dollar amount to which an Award will relate;
- (e) Determine the terms and conditions of any Award granted under the Plan, including but not limited to, the exercise price, grant price, or purchase price, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Committee in its sole discretion determines;
- (f) Accelerate the vesting, exercisability or lapse of restrictions of any outstanding Award, in accordance with Article 14, based in each case on such considerations as the Committee in its sole discretion determines;
- (g) Determine whether, to what extent, and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (h) Prescribe the form of each Award Certificate, which need not be identical for each Participant;

- (i) Decide all other matters that must be determined in connection with an Award;
- (j) Establish, adopt or revise any rules, regulations, guidelines or procedures as it may deem necessary or advisable to administer the Plan;
- (k) Make all other decisions and determinations that may be required under the Plan or as the Committee deems necessary or advisable to administer the Plan;
- (l) Amend the Plan or any Award Certificate as provided herein; and

(m) Adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of non-U.S. jurisdictions in which the Company or any Affiliate may operate, in order to assure the viability of the benefits of Awards granted to participants located in such other jurisdictions and to meet the objectives of the Plan.

Notwithstanding the foregoing, grants of Awards to Non-Employee Directors hereunder shall be made only in accordance with the terms, conditions and parameters of a plan, program or policy for the compensation of Non-Employee Directors as in effect from time to time, and the Committee may not make discretionary grants hereunder to Non-Employee Directors.

Notwithstanding the above, the Board may expressly delegate to a special committee consisting of one or more directors who are also officers of the Company some or all of the Committee's authority under subsections (a) through (i) above, except that no delegation of its duties and responsibilities may be made to officers of the Company with respect to Awards to Eligible Participants who as of the Grant Date are persons subject to the short-swing profit rules of Section 16 of the 1934 Act, or who as of the Grant Date are reasonably anticipated to become Covered Employees during the term of the Award. The acts of such delegates shall be treated hereunder as acts of the Committee and such delegates shall report to the Committee regarding the delegated duties and responsibilities.

4.4 AWARD CERTIFICATES. Each Award shall be evidenced by an Award Certificate. Each Award Certificate shall include such provisions, not inconsistent with the Plan, as may be specified by the Committee.

## **ARTICLE 5 SHARES SUBJECT TO THE PLAN**

5.1 NUMBER OF SHARES. Subject to adjustment as provided in Section 15.1, the aggregate number of Shares reserved and available for issuance pursuant to Awards granted under the Plan shall be 8,000,000 (after taking into account the stock split which occurred in October 2005); provided, however, that each share of Stock issued pursuant to a Full Value Award shall reduce the number of Available Shares by 2 shares.

### 5.2 SHARE COUNTING.

(a) To the extent that an Award is canceled, terminates, expires, is forfeited or lapses for any reason, any unissued Shares subject to the Award will again be available for issuance pursuant to Awards granted under the Plan.

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(b) Shares subject to Awards settled in cash will again be available for issuance pursuant to Awards granted under the Plan.

(c) If the exercise price of an Option is satisfied by delivering Shares to the Company (by either actual delivery or attestation), only the number of Shares issued in excess of the delivery or attestation shall be considered for purposes of determining the number of Shares remaining available for issuance pursuant to Awards granted under the Plan.

(d) To the extent that the full number of Shares subject to an Option is not issued upon exercise of the Option for any reason (other than Shares used to satisfy an applicable tax withholding obligation), only the number of Shares issued and delivered upon exercise of the Option shall be considered for purposes of determining the number of Shares remaining available for issuance pursuant to Awards granted under the Plan. Nothing in this subsection shall imply that any particular type of cashless exercise of an Option is permitted under the Plan, that decision being reserved to the Committee or other provisions of the Plan.

5.3 STOCK DISTRIBUTED. Any Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

5.4 LIMITATION ON AWARDS. Notwithstanding any provision in the Plan to the contrary (but subject to adjustment as provided in Section 15.1), the maximum number of Shares with respect to one or more Options and/or SARs that may be granted during any one calendar year under the Plan to any one Participant shall be 600,000 (after taking into account the stock split which occurred in October 2005). The maximum aggregate grant with respect to Awards of Restricted Stock, Restricted Stock Units, Deferred Stock Units, Performance Shares or other Stock-Based Awards granted in any one calendar year to any one Participant shall be \$5,000,000 in fair market value (measured as of the Grant Date). The aggregate dollar value of any Performance-Based Cash Award that may be paid to any one Participant during any one calendar year under the Plan shall be \$2,500,000. The aggregate maximum fair market value (measured as of the Grant Date) of any other Awards that may be granted to any one Participant (less any consideration paid by the Participant for such Award) during any one calendar year under the Plan shall be \$2,500,000.

## **ARTICLE 6 ELIGIBILITY**

6.1 GENERAL. Awards may be granted only to Eligible Participants; except that Incentive Stock Options may be granted to only to Eligible Participants who are employees of the Company or a Parent or Subsidiary as defined in Section 424(e) and (f) of the Code. Eligible Participants who are service providers to an Affiliate may be granted Options or SARs under this Plan only if the Affiliate qualifies as an “eligible issuer of service recipient stock” within the meaning of §1.409A-1(b)(5)(iii)(E) of the final regulations under Code Section 409A.

**ARTICLE 7**  
**STOCK OPTIONS**

7.1 GENERAL. The Committee is authorized to grant Options to Participants on the following terms and conditions:

(a) EXERCISE PRICE. The exercise price per Share under an Option shall be determined by the Committee, subject to Section 7.2(a) with respect to Incentive Stock Options.

(b) TIME AND CONDITIONS OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, subject to Section 7.1(d). The Committee shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised or vested. The Committee may waive any exercise or vesting provisions at any time in whole or in part based upon factors as the Committee may determine in its sole discretion so that the Option becomes exercisable or vested at an earlier date.

(c) PAYMENT. The Committee shall determine the methods by which the exercise price of an Option may be paid, the form of payment, including, without limitation, cash, Shares, or other property (including "cashless exercise" arrangements), and the methods by which Shares shall be delivered or deemed to be delivered to Participants.

(d) EXERCISE TERM. In no event may any Option be exercisable for more than ten years from the Grant Date.

(e) NO DEFERRAL FEATURE. No Option shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the later of the exercise or disposition of the Option.

7.2 INCENTIVE STOCK OPTIONS. The terms of any Incentive Stock Options granted under the Plan must comply with the following additional rules:

(a) EXERCISE PRICE. The exercise price of an Incentive Stock Option shall not be less than the Fair Market Value as of the Grant Date.

(b) LAPSE OF OPTION. Subject to any earlier termination provision contained in the Award Certificate, an Incentive Stock Option shall lapse upon the earliest of the following circumstances; provided, however, that the Committee may, prior to the lapse of the Incentive Stock Option under the circumstances described in subsections (3), (4) or (5) below, provide in writing that the Option will extend until a later date, but if an Option is so extended and is exercised after the dates specified in subsections (3) and (4) below, it will automatically become a Nonstatutory Stock Option:

- (1) The expiration date set forth in the Award Certificate.
- (2) The tenth anniversary of the Grant Date.
- (3) Three months after termination of the Participant's Continuous Status as a Participant for any reason other than the Participant's Disability or death.

(4) One year after the Participant's Continuous Status as a Participant by reason of the Participant's Disability.

(5) One year after the termination of the Participant's death if the Participant dies while employed, or during the three-month period described in paragraph (3) or during the one-year period described in paragraph (4) and before the Option otherwise lapses.

Unless the exercisability of the Incentive Stock Option is accelerated as provided in Article 14, if a Participant exercises an Option after termination of employment, the Option may be exercised only with respect to the Shares that were otherwise vested on the Participant's termination of employment. Upon the Participant's death, any exercisable Incentive Stock Options may be exercised by the Participant's beneficiary, determined in accordance with Section 14.5.

(c) INDIVIDUAL DOLLAR LIMITATION. The aggregate Fair Market Value (determined as of the Grant Date) of all Shares with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed \$100,000.00.

(d) TEN PERCENT OWNERS. No Incentive Stock Option shall be granted to any individual who, at the Grant Date, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary unless the exercise price per share of such Option is at least 110% of the Fair Market Value per Share at the Grant Date and the Option expires no later than five years after the Grant Date.

(e) EXPIRATION OF AUTHORITY TO GRANT INCENTIVE STOCK-OPTIONS. No Incentive Stock Option may be granted pursuant to the Plan after the day immediately prior to the tenth anniversary of the date the Plan was adopted by the Board, or the termination of the Plan, if earlier.

(f) RIGHT TO EXERCISE. During a Participant's lifetime, an Incentive Stock Option, may be exercised only by the Participant or, in the case of the Participant's Disability, by the Participant's guardian or legal representative.

(g) ELIGIBLE GRANTEEES. The Committee may not grant an Incentive Stock Option to a person who is not at the Grant Date an employee of the Company or a Parent or Subsidiary.

## **ARTICLE 8 STOCK APPRECIATION RIGHTS**

8.1 GRANT OF STOCK APPRECIATION RIGHTS. The Committee is authorized to grant Stock Appreciation Rights to Participants on the following terms and conditions:

(a) RIGHT TO PAYMENT. Upon the exercise of a Stock Appreciation Right, the Participant to whom it is granted has the right to receive the excess, if any, of:

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(1) The Fair Market Value of one Share on the date of exercise; over

(2) The grant price of the Stock Appreciation Right as determined by the Committee, which shall not be less than the Fair Market Value of one Share on the Grant Date.

(b) EXERCISE TERM. In no event may any Stock Appreciation Right be exercisable for more than ten years from the Grant Date.

(c) NO DEFERRAL FEATURE. No Stock Appreciation Right shall provide for any feature for the deferral of compensation other than the deferral of recognition of income until the later of the exercise or disposition of the Stock Appreciation Right.

(d) OTHER TERMS. All awards of Stock Appreciation Rights shall be evidenced by an Award Certificate. The terms, methods of exercise, methods of settlement, form of consideration payable in settlement, and any other terms and conditions of any Stock Appreciation Right shall be determined by the Committee at the time of the grant of the Award and shall be reflected in the Award Certificate.

## **ARTICLE 9 PERFORMANCE AWARDS**

9.1 GRANT OF PERFORMANCE AWARDS. The Committee is authorized to grant Performance Shares, Performance Units or Performance-Based Cash Awards to Participants on such terms and conditions as may be selected by the Committee. The Committee shall have the complete discretion to determine the number of Performance Awards granted to each Participant, subject to Section 5.4, and to designate the provisions of such Performance Awards as provided in Section 4.3. All Performance Awards shall be evidenced by an Award Certificate or a written program established by the Committee, pursuant to which Performance Awards are awarded under the Plan under uniform terms, conditions and restrictions set forth in such written program.

9.2 PERFORMANCE GOALS. The Committee may establish performance goals for Performance Awards which may be based on any criteria selected by the Committee. Such performance goals may be described in terms of Company-wide objectives or in terms of objectives that relate to the performance of the Participant, an Affiliate or a division, region, department or function within the Company or an Affiliate. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company or the manner in which the Company or an Affiliate conducts its business, or other events or circumstances render performance goals to be unsuitable, the Committee may modify such performance goals in whole or in part, as the Committee deems appropriate. If a Participant is promoted, demoted or transferred to a different business unit or function during a performance period, the Committee may determine that the performance goals or performance period are no longer appropriate and may (i) adjust, change or eliminate the performance goals or the applicable performance period as it deems appropriate to make such goals and period comparable to the initial goals and period, or (ii) make a cash payment to the participant in amount determined by the Committee. The foregoing two sentences shall not apply with respect to a Performance Award that is intended to be a Qualified Performance-Based Award.

9.3 RIGHT TO PAYMENT. The grant of a Performance Share to a Participant will entitle the Participant to receive at a specified later time a specified number of Shares, or the equivalent cash value, if the performance goals established by the Committee are achieved and the other terms and conditions thereof are satisfied. The grant of a Performance Unit to a Participant will entitle the Participant to receive at a specified later time a specified dollar value in cash or other property, including Shares, variable under conditions specified in the Award, if the performance goals in the Award are achieved and the other terms and conditions thereof are satisfied. The Committee shall set performance goals and other terms or conditions to payment of the Performance Awards in its discretion which, depending on the extent to which they are met, will determine the number and value of the Performance Awards that will be paid to the Participant.

9.4 OTHER TERMS. Performance Awards may be payable in cash, Stock, or other property, and have such other terms and conditions as determined by the Committee and reflected in the Award Certificate. For purposes of determining the number of Shares to be used in payment of a Performance Award denominated in cash but payable in whole or in part in Shares or Restricted Stock, the number of Shares to be so paid will be determined by dividing the cash value of the Award to be so paid by the Fair Market Value of a Share on the date of determination by the Committee of the amount of the payment under the Award, or, if the Committee so directs, the date immediately preceding the date the Award is paid.

## **ARTICLE 10 RESTRICTED STOCK AND RESTRICTED STOCK UNIT AWARDS**

10.1 GRANT OF RESTRICTED STOCK AND RESTRICTED STOCK UNITS. The Committee is authorized to make Awards of Restricted Stock or Restricted Stock Units to Participants in such amounts and subject to such terms and conditions as may be selected by the Committee. An Award of Restricted Stock or Restricted Stock Units shall be evidenced by an Award Certificate setting forth the terms, conditions, and restrictions applicable to the Award.

10.2 ISSUANCE AND RESTRICTIONS. Restricted Stock or Restricted Stock Units shall be subject to such restrictions on transferability and other restrictions as the Committee may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, upon the satisfaction of performance goals or otherwise, as the Committee determines at the time of the grant of the Award or thereafter. Except as otherwise provided in an Award Certificate, the Participant shall have all of the rights of a shareholder with respect to the Restricted Stock, and the Participant shall have none of the rights of a shareholder with respect to Restricted Stock Units until such time as Shares of Stock are paid in settlement of the Restricted Stock Units.

10.3 FORFEITURE. Except as otherwise determined by the Committee at the time of the grant of the Award or thereafter, upon termination of Continuous Status as a Participant during the applicable restriction period or upon failure to satisfy a performance goal during the applicable restriction period, Restricted Stock or Restricted Stock Units that are at that time subject to restrictions shall be forfeited, provided, however, that the Committee may provide in any Award Certificate that restrictions or forfeiture conditions relating to Restricted Stock or Restricted Stock Units will be waived in whole or in part in the event of terminations resulting from specified causes, and the Committee may in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock or Restricted Stock Units.

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10.4 DELIVERY OF RESTRICTED STOCK. Shares of Restricted Stock shall be delivered to the Participant at the time of grant either by book-entry registration or by delivering to the Participant, or a custodian or escrow agent (including, without limitation, the Company or one or more of its employees) designated by the Committee, a stock certificate or certificates registered in the name of the Participant. If physical certificates representing shares of Restricted Stock are registered in the name of the Participant, such certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

**ARTICLE 11  
DEFERRED STOCK UNITS**

11.1 GRANT OF DEFERRED STOCK UNITS. The Committee is authorized to grant Deferred Stock Units to Participants subject to such terms and conditions as may be selected by the Committee. Deferred Stock Units shall entitle the Participant to receive Shares of Stock (or the equivalent value in cash or other property if so determined by the Committee) at a future time as determined by the Committee, or as determined by the Participant within guidelines established by the Committee in the case of voluntary deferral elections. An Award of Deferred Stock Units shall be evidenced by an Award Certificate setting forth the terms and conditions applicable to the Award.

**ARTICLE 12  
DIVIDEND EQUIVALENTS**

12.1 GRANT OF DIVIDEND EQUIVALENTS. The Committee is authorized to grant Dividend Equivalents to Participants subject to such terms and conditions as may be selected by the Committee. Dividend Equivalents shall entitle the Participant to receive payments equal to dividends with respect to all or a portion of the number of Shares subject to an Award, as determined by the Committee. The Committee may provide that Dividend Equivalents be paid or distributed when accrued or be deemed to have been reinvested in additional Shares, or otherwise reinvested. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be paid or distributed no later than the 15th day of the 3rd month following the later of (i) the calendar year in which the corresponding dividends were paid to shareholders, or (ii) the first calendar year in which the Participant's right to such Dividends Equivalents is no longer subject to a substantial risk of forfeiture.

**ARTICLE 13  
STOCK OR OTHER STOCK-BASED AWARDS**

13.1 GRANT OF STOCK OR OTHER STOCK-BASED AWARDS. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that are payable in, valued in whole or in part by reference to, or otherwise based on or related to Shares, as deemed by the Committee to be consistent with the purposes of the Plan, including without limitation Shares awarded purely as a "bonus" and not subject to any restrictions or conditions, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, and Awards valued by reference to book value of Shares or the value of securities of or the performance of specified Parents or Subsidiaries. The Committee shall determine the terms and conditions of such Awards.



**ARTICLE 14**  
**PROVISIONS APPLICABLE TO AWARDS**

14.1 STAND-ALONE AND TANDEM AWARDS. Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, any other Award granted under the Plan. Subject to Section 16.2, awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

14.2 TERM OF AWARD. The term of each Award shall be for the period as determined by the Committee, provided that in no event shall the term of any Incentive Stock Option or a Stock Appreciation Right granted in tandem with the Incentive Stock Option exceed a period of ten years from its Grant Date (or, if Section 7.2(d) applies, five years from its Grant Date).

14.3 FORM OF PAYMENT FOR AWARDS. Subject to the terms of the Plan and any applicable law or Award Certificate, payments or transfers to be made by the Company or an Affiliate on the grant or exercise of an Award may be made in such form as the Committee determines at or after the Grant Date, including without limitation, cash, Stock, other Awards, or other property, or any combination, and may be made in a single payment or transfer, in installments, or (for Awards other than Options or SARs) on a deferred basis, in each case determined in accordance with rules adopted by, and at the discretion of, the Committee.

14.4 LIMITS ON TRANSFER. No right or interest of a Participant in any unexercised or restricted Award may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or an Affiliate, or shall be subject to any lien, obligation, or liability of such Participant to any other party other than the Company or an Affiliate. No unexercised or restricted Award shall be assignable or transferable by a Participant other than by will or the laws of descent and distribution or, except in the case of an Incentive Stock Option, pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such Section applied to an Award under the Plan; provided, however, that the Committee may (but need not) permit other transfers where the Committee concludes that such transferability (i) does not result in accelerated taxation, (ii) does not cause any Option intended to be an Incentive Stock Option to fail to be described in Code Section 422(b), and (iii) is otherwise appropriate and desirable, taking into account any factors deemed relevant, including without limitation, state or federal tax or securities laws applicable to transferable Awards.

14.5 BENEFICIARIES. Notwithstanding Section 14.4, a Participant may, in the manner determined by the Committee, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant's death. A beneficiary, legal guardian, legal representative, or other person claiming any rights under the Plan is subject to all terms and conditions of the Plan and any Award Certificate applicable to the Participant, except to the extent the Plan and Award Certificate otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Committee. If no beneficiary has been designated or survives the Participant, payment shall be made to the Participant's estate. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Committee.

14.6 STOCK CERTIFICATES. All Stock issuable under the Plan is subject to any stop-transfer orders and other restrictions as the Committee deems necessary or advisable to comply

with federal or state securities laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Committee may place legends on any Stock certificate or issue instructions to the transfer agent to reference restrictions applicable to the Stock.

14.7 ACCELERATION UPON DEATH OR DISABILITY. Except as otherwise provided in the Award Certificate, upon the Participant's death or Disability during his or her Continuous Status as a Participant, all of such Participant's outstanding Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully exercisable, all time-based vesting restrictions on the Participant's outstanding Awards shall lapse, and any performance-based criteria shall be deemed to be satisfied at the greater of "target" or actual performance as of the date of such termination. Any Awards shall thereafter continue or lapse in accordance with the other provisions of the Plan and the Award Certificate; provided, however, that in the case of acceleration upon the Participant's Retirement, any Awards in the nature of rights that may be exercised shall remain exercisable until the earlier of (i) the original expiration of the Award, or (ii) the fifth anniversary of the Participant's Retirement. To the extent that this provision causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(c), the excess Options shall be deemed to be Nonstatutory Stock Options.

14.8 ACCELERATION FOR ANY OTHER REASON. Regardless of whether an event has occurred as described in Section 14.7 above, and subject to Section 14.10 as to Qualified Performance-Based Awards, the Committee may in its sole discretion at any time determine that all or a portion of a Participant's Options, SARs, and other Awards in the nature of rights that may be exercised shall become fully or partially exercisable, that all or a part of the restrictions on all or a portion of the outstanding Awards shall lapse, and/or that any performance-based criteria with respect to any Awards shall be deemed to be wholly or partially satisfied, in each case, as of such date as the Committee may, in its sole discretion, declare. The Committee may discriminate among Participants and among Awards granted to a Participant in exercising its discretion pursuant to this Section 14.8.

14.9 EFFECT OF ACCELERATION. If an Award is accelerated under Section 14.7 or 14.8, the Committee may, in its sole discretion, provide (i) that the Award will expire after a designated period of time after such acceleration to the extent not then exercised, (ii) that the Award will be settled in cash rather than Stock, (iii) that the Award will be assumed by another party to a transaction giving rise to the acceleration or otherwise be equitably converted or substituted in connection with such transaction, (iv) that the Award may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, or (v) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated. To the extent that such acceleration causes Incentive Stock Options to exceed the dollar limitation set forth in Section 7.2(c), the excess Options shall be deemed to be Nonstatutory Stock Options.

#### 14.10 QUALIFIED PERFORMANCE-BASED AWARDS.

(a) The provisions of the Plan are intended to ensure that all Options and Stock Appreciation Rights granted hereunder to any Covered Employee shall qualify for the Section 162(m) Exemption; provided that the exercise or base price of such Award is not less than the Fair Market Value of the Shares on the Grant Date.

(b) When granting any other Award (including a below-market priced Option or SAR), the Committee may designate such Award as a Qualified Performance-Based Award, based upon a determination that the recipient is or may be a Covered Employee with respect to such Award, and the Committee wishes such Award to qualify for the Section 162(m) Exemption. If an Award is so designated, the Committee shall establish performance goals for such Award within the time period prescribed by Section 162(m) of the Code based on one or more of the following Qualified Business Criteria, which may be expressed in terms of Company-wide objectives or in terms of objectives that relate to the performance of an Affiliate or a division, region, department or function within the Company or an Affiliate (and may be stated in terms of a dollar amount, a percentage increase, a target percentage or as an amount or percent of change over time):

- Revenue
- Sales
- Profit (net profit, gross profit, operating profit, economic profit, profit margins or other corporate profit measures)
- Earnings (EBIT, EBITDA, earnings per share, or other corporate earnings measures)
- Net income (before or after taxes, operating income or other income measures)
- Cash (cash flow, cash generation or other cash measures)
- Stock price or performance
- Total shareholder return (stock price appreciation plus reinvested dividends)
- Return on equity
- Return on assets
- Return on investment
- Market share
- Improvements in capital structure
- Expenses (expense management, expense ratio, expense efficiency ratios or other expense measures)
- Business expansion or consolidation (acquisitions and divestitures)

(c) Each Qualified Performance-Based Award (other than a market-priced Option or SAR) shall be earned, vested and payable (as applicable) only upon the achievement of performance goals established by the Committee based upon one or more of the Qualified Business Criteria, together with the satisfaction of any other conditions, such as continued employment, as the Committee may determine to be appropriate; provided, however, that the Committee may provide, either in connection with the grant thereof or by amendment thereafter, that achievement of such performance goals will be waived upon the death or Disability of the Participant. Performance periods established by the Committee for any such Qualified Performance-Based Award may be as short as three months and may be any longer period.

(d) The Committee may provide in any Qualified Performance-Based Award that any evaluation of performance may include or exclude any of the following events that occurs during a performance period: (a) asset write-downs; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results; (d) accruals for reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and

results of operations appearing in the Company's annual report to shareholders for the applicable year; (f) acquisitions or divestitures; and (g) foreign exchange gains and losses. To the extent such inclusions or exclusions affect Awards to Coveted Employees, they shall be prescribed in a form that meets the requirements of Code Section 162(m) for deductibility.

(e) Any payment of a Qualified Performance-Based Award granted with performance goals pursuant to subsection (c) above shall be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied. Except as specifically provided in subsection (c), no Qualified Performance-Based Award may be amended, nor may the Committee exercise any discretionary authority it may otherwise have under the Plan with respect to a Qualified Performance-Based Award under the Plan, in any manner to waive the achievement of the applicable performance goal based on Qualified Business Criteria or to increase the amount payable pursuant thereto or the value thereof, or otherwise in a manner that would cause the Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption. The Committee has the right for any reason to reduce (but not increase) an Award, notwithstanding the achievement of a specified performance goal.

(f) Section 5.4 sets forth the maximum number of Shares or dollar value that may be granted in any one-year period to a Participant in designated forms of Qualified Performance-Based Awards.

14.11 TERMINATION OF EMPLOYMENT. Whether military, government or other service or other leave of absence shall constitute a termination of employment shall be determined in each case by the Committee at its discretion, and any determination by the Committee shall be final and conclusive. A Participant's Continuous Status as a Participant shall not be deemed to terminate (i) in a circumstance in which a Participant transfers from the Company to an Affiliate, transfers from an Affiliate to the Company, or transfers from one Affiliate to another Affiliate, or (ii) in the discretion of the Committee as specified at or prior to such occurrence, in the case of a spin-off, sale or disposition of the Participant's employer from the Company or any Affiliate. To the extent that this provision causes Incentive Stock Options to extend beyond three months from the date a Participant is deemed to be an employee of the Company, a Parent or Subsidiary for purposes of Sections 424(e) and 424(f) of the Code, the Options held by such Participant shall be deemed to be Nonstatutory Stock Options.

## **ARTICLE 15 CHANGES IN CAPITAL STRUCTURE**

15.1 MANDATORY ADJUSTMENTS. In the event of a nonreciprocal transaction between the Company and its shareholders that causes the per-share value of the Stock to change (including, without limitation, any stock dividend, stock split, spin-off, rights offering, or large nonrecurring cash dividend), the authorization limits under Section 5.1 and 5.4 shall be adjusted proportionately, and the Committee shall make such adjustments to the Plan and Awards as it deems necessary, in its sole discretion, to prevent dilution or enlargement of rights immediately resulting from such transaction. Action by the Committee may include: (i) adjustment of the number and kind of shares that may be delivered under the Plan; (ii) adjustment of the number and kind of shares subject to outstanding Awards; (iii) adjustment of the exercise price of

outstanding Awards or the measure to be used to determine the amount of the benefit payable on an Award; and (iv) any other adjustments that the Committee determines to be equitable. Notwithstanding the foregoing, the Committee shall not make any adjustments to outstanding Options or SARs that would constitute a modification or substitution of the stock right under Treas. Reg. Sections 1.409A-1(b)(5)(v) that would be treated as the grant of a new stock right or change in the form of payment for purposes of Code Section 409A. Without limiting the foregoing, in the event of a subdivision of the outstanding Stock (stock-split), a declaration of a dividend payable in Shares, or a combination or consolidation of the outstanding Stock into a lesser number of Shares, the authorization limits under Section 5.1 and 5.4 shall automatically be adjusted proportionately, and the Shares then subject to each Award shall automatically, without the necessity for any additional action by the Committee, be adjusted proportionately without any change in the aggregate purchase price therefor.

15.2 DISCRETIONARY ADJUSTMENTS. Upon the occurrence or in anticipation of any corporate event or transaction involving the Company (including, without limitation, any merger, reorganization, recapitalization, combination or exchange of shares, or any transaction described in Section 15.1), the Committee may, in its sole discretion, provide (i) that Awards will be settled in cash rather than Stock, (ii) that Awards will become immediately vested and exercisable and will expire after a designated period of time to the extent not then exercised, (iii) that Awards will be assumed by another party to a transaction or otherwise be equitably converted or substituted in connection with such transaction, (iv) that outstanding Awards may be settled by payment in cash or cash equivalents equal to the excess of the Fair Market Value of the underlying Stock, as of a specified date associated with the transaction, over the exercise price of the Award, (v) that performance targets and performance periods for Performance Awards will be modified, consistent with Code Section 162(m) where applicable, or (vi) any combination of the foregoing. The Committee's determination need not be uniform and may be different for different Participants whether or not such Participants are similarly situated.

15.3 GENERAL. Any discretionary adjustments made pursuant to this Article 15 shall be subject to the provisions of Section 16.2. To the extent that any adjustments made pursuant to this Article 15 cause Incentive Stock Options to cease to qualify as Incentive Stock Options, such Options shall be deemed to be Nonstatutory Stock Options."

## **ARTICLE 16 AMENDMENT, MODIFICATION AND TERMINATION**

16.1 AMENDMENT, MODIFICATION AND TERMINATION. The Board or 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 Board or the Committee, either (i) materially increase the number of Shares available under the Plan, (ii) expand the types of awards under the Plan, (iii) materially expand the class of participants eligible to participate in the Plan, (iv) materially extend the term of the Plan, or (v) otherwise constitute a material change requiring shareholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of an Exchange, then such amendment shall be subject to shareholder approval; and provided, further, that the Board or Committee may condition any other amendment or modification on the approval of shareholders of the Company for any reason, including by reason of such approval being necessary or deemed advisable to (i) permit Awards made hereunder to be exempt from liability under Section 16(b) of the 1934 Act, (ii) to comply with the listing or other requirements

of an Exchange, or (iii) to satisfy any other tax, securities or other applicable laws, policies or regulations.

16.2 AWARDS PREVIOUSLY GRANTED. At any time and from time to time, the Committee may amend, modify or terminate any outstanding Award without approval of the Participant; provided, however:

(a) Subject to the terms of the applicable Award Certificate, such amendment, modification or termination shall not, without the Participant's consent, reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment or termination (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment or termination over the exercise or base price of such Award);

(b) The original term of an Option may not be extended without the prior approval of the shareholders of the Company;

(c) Except as otherwise provided in Article 15, the exercise price of an Option may not be reduced, directly or indirectly, without the prior approval of the shareholders of the Company; and

(d) No termination, amendment, or modification of the Plan shall adversely affect any Award previously granted under the Plan, without the written consent of the Participant affected thereby. An outstanding Award shall not be deemed to be "adversely affected" by a Plan amendment if such amendment would not reduce or diminish the value of such Award determined as if the Award had been exercised, vested, cashed in or otherwise settled on the date of such amendment (with the per-share value of an Option or Stock Appreciation Right for this purpose being calculated as the excess, if any, of the Fair Market Value as of the date of such amendment over the exercise or base price of such Award).

#### **ARTICLE 17 GENERAL PROVISIONS**

17.1 NO RIGHTS TO AWARDS; NON-UNIFORM DETERMINATIONS. No Participant or any Eligible Participant shall have any claim to be granted any Award under the Plan. Neither the Company, its Affiliates nor the Committee is obligated to treat Participants or Eligible Participants uniformly, and determinations made under the Plan may be made by the committee selectively among Eligible Participants who receive, or are eligible to receive, Awards (whether or not such Eligible Participants are similarly situated).

17.2 NO SHAREHOLDER RIGHTS. No Award gives a Participant any of the rights of a shareholder of the Company unless and until Shares are in fact issued to such person in connection with such Award.

17.3 WITHHOLDING. The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising

as a result of the Plan. With respect to withholding required upon any taxable event under the Plan, the Committee may, at the time the Award is granted or thereafter, require or permit that any such withholding requirement be satisfied, in whole or in part, by withholding from the Award 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 the Committee establishes.

17.4 NO RIGHT TO CONTINUED SERVICE. Nothing in the Plan, any Award Certificate or any other document or statement made with respect to the Plan, shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Participant's employment or status as an officer, director or consultant at any time, nor confer upon any Participant any right to continue as an employee, officer, director or consultant of the Company or any Affiliate, whether for the duration of a Participant's Award or otherwise.

17.5 UNFUNDED STATUS OF AWARDS. The Plan is intended to be an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Certificate shall give the Participant any rights that are greater than those of a general creditor of the Company or any Affiliate. The Plan is not intended to be subject to ERISA.

17.6 RELATIONSHIP TO OTHER BENEFITS. No payment under the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or benefit plan of the Company or any Affiliate unless provided otherwise in such other plan.

17.7 EXPENSES. The expenses of administering the Plan shall be borne by the Company and its Affiliates.

17.8 TITLES AND HEADINGS. The titles and headings of the Sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

17.9 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

17.10 FRACTIONAL SHARES. No fractional Shares shall be issued and the Committee shall determine, in its discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding up or down.

17.11 GOVERNMENT AND OTHER REGULATIONS.

(a) Notwithstanding any other provision of the Plan, no Participant who acquires Shares pursuant to the Plan may, during any period of time that such Participant is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the 1933 Act), sell such Shares, unless such offer and sale is made (i) pursuant to an effective registration statement under the 1933 Act, which is current and includes the Shares to be sold, or (ii) pursuant to an appropriate exemption from the registration requirement of the 1933 Act, such as that set forth in Rule 144 promulgated under the 1933 Act.

(b) Notwithstanding any other provision of the Plan, if at any time the Committee shall determine that the registration, listing or qualification of the Shares covered by an Award upon any Exchange or under any foreign, federal, state or local law or practice, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the purchase or receipt of Shares thereunder, no Shares may be purchased, delivered or received pursuant to such Award unless and until such registration, listing, qualification, consent or approval shall have been effected or obtained free of any condition not acceptable to the Committee. Any Participant receiving or purchasing Shares pursuant to an Award shall make such representations and agreements and furnish such information as the Committee may request to assure compliance with the foregoing or any other applicable legal requirements. The Company shall not be required to issue or deliver any certificate or certificates for Shares under the Plan prior to the Committee's determination that all related requirements have been fulfilled. The Company shall in no event be obligated to register any securities pursuant to the 1933 Act or applicable state or foreign law or to take any other action in order to cause the issuance and delivery of such certificates to comply with any such law, regulation or requirement.

17.12 GOVERNING LAW. To the extent not governed by federal law, the Plan and all Award Certificates shall be construed in accordance with and governed by the laws of the State of Georgia.

17.13 ADDITIONAL PROVISIONS. Each Award Certificate may contain such other terms and conditions as the Committee may determine; provided that such other terms and conditions are not inconsistent with the provisions of the Plan.

17.14 INDEMNIFICATION. To the extent allowable under applicable law, each member of the Committee shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which such member may be a party or in which he may be involved by reason of any action or failure to act under the Plan and against and from any and all amounts paid by such member in satisfaction of judgment in such action, suit, or proceeding against him provided he gives the Company an opportunity, at its own expense, to handle and defend the same before he undertakes to handle and defend it on his own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

17.15 NO LIMITATIONS ON RIGHTS OF COMPANY. The grant of any Award shall not in any way affect the right or power of the Company to make adjustments, reclassification or changes in its capital or business structure or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets. The Plan shall not restrict the authority of the Company, for proper corporate purposes, to draft or assume awards, other than under the Plan, to or with respect to any person. If the Committee so directs, the Company may issue or transfer Shares to an Affiliate, for such lawful consideration as the Committee may specify, upon the condition or understanding that the Affiliate will transfer such Shares to a Participant in accordance with the terms of an Award granted to such Participant and specified by the Committee pursuant to the provisions of the Plan.



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17.16 SPECIAL PROVISIONS RELATED TO SECTION 409A OF THE CODE

(a) General. It is intended that the payments and benefits provided under the Plan and any Award shall either be exempt from the application of, or comply with, the requirements of Section 409A of the Code. The Plan and all Award Certificates shall be construed in a manner that effects such intent. Nevertheless, the tax treatment of the benefits provided under the Plan or any Award is not warranted or guaranteed. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant or other taxpayer as a result of the Plan or any Award.

(b) Definitional Restrictions. Notwithstanding anything in the Plan or in any Award Certificate to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable, or a different form of payment (e.g., lump sum or installment) would be effected, under the Plan or any Award Certificate by reason of the occurrence of a Change in Control, or the Participant's Disability or separation from service, such amount or benefit will not be payable or distributable to the Participant, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such Change in Control, Disability or separation from service meet any description or definition of "change in control event", "disability" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the *vesting* of any Award upon a Change in Control, Disability or separation from service, however defined. If this provision prevents the payment or distribution of any amount or benefit, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Award Certificate that is permissible under Section 409A. If this provision prevents the application of a different form of payment of any amount or benefit, such payment shall be made in the same form as would have applied absent such designated event or circumstance.

(c) Allocation among Possible Exemptions. If any one or more Awards granted under the Plan to a Participant could qualify for any separation pay exemption described in Treas. Reg. Section 1.409A-1(b)(9), but such Awards in the aggregate exceed the dollar limit permitted for the separation pay exemptions, the Company (acting through the Committee or the Head of Human Resources) shall determine which Awards or portions thereof will be subject to such exemptions.

(d) Six-Month Delay in Certain Circumstances. Notwithstanding anything in the Plan or in any Award Certificate to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan or any Award Certificate by reason of a Participant's separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

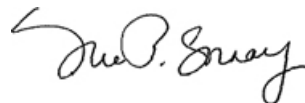
(i) the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated through and paid or provided on the first day of the seventh month following the Participant's separation from service (or, if the Participant dies during such period, within 30 days after the Participant's death) (in either case, the "Required Delay Period"); and

(ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period.

For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, *provided, however*, that, as permitted in such final regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board or any committee of the Board, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

The foregoing is hereby acknowledged as being the Global Payments Inc. Third Amended and Restated 2005 Incentive Plan as adopted by the Committee on December 31<sup>st</sup> 2008.

GLOBAL PAYMENTS INC.



By: \_\_\_\_\_  
Suelyn P. Tornay  
Its: General Counsel

**AMENDMENT TO EMPLOYMENT AGREEMENT  
BETWEEN  
PAUL R. GARCIA  
AND GLOBAL PAYMENTS INC. DATED AS OF JULY 12, 2000**

Effective January 1, 2009, Global Payments Inc., a Georgia corporation (the "Company"), and Paul R. Garcia ("Executive") agree to amend the Employment Agreement (dated as of July 12, 2000) (the "Agreement") between the parties as hereinafter set forth in order to clarify certain provisions of the Agreement and to comply with Section 409A of the Internal Revenue Code (the "Code") and the regulations thereunder. The terms of this Amendment supersede any inconsistent terms in the Agreement. Words and phrases that are defined in the Agreement have the same meaning when used in this Amendment.

1. Section 5(b)(i) is amended by revising the second sentence thereof to read as follows:

"The Company may determine in any year that up to \$100,000 of the Bonus Opportunity for that year will be subject to the attainment of a sustained minimum growth goal for the next fiscal year, which goal shall be 15% in earnings before income taxes."

2. Section 7 is amended by adding a new section (f) at the end thereof, as follows:

"(f) Definition of Termination of Employment. For purposes of determining the time of payment of any amount hereunder in accordance with Section 409A, all references in this Agreement to termination of employment and Date of Termination mean a separation from service as defined under Section 409A and the regulations thereunder. This provision does not prohibit the vesting of any amount upon a termination of employment, however defined."

3. In Section 8(a), the clause "only if Executive executes a Release in substantially the form of Exhibit B hereto (the "Release")" is amended to read as follows:

"only if Executive executes (and does not revoke) a Release in substantially the form of Exhibit B hereto (the "Release") within 60 days of the Date of Termination"

4. Section 8(a)(ii) is amended to read as follows:

"(ii) the Company shall pay salary continuation in accordance with this clause (ii) as follows:

(A) on the six (6) month anniversary of the Date of Termination, the Company shall pay Executive a lump sum equal to the amount of the Executive's Base Salary for the six (6) months following the Date of Termination;

(B) thereafter, for up to twelve (12) additional months, the Company will continue to pay Executive an amount equal to his monthly Base Salary in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time, provided, however, that the Company's obligations to make or continue such payments shall cease if Executive becomes employed with a subsequent employer (the period for which salary payments are continued is the "Normal Severance Period"); and

(C) the Company's obligation to make or continue any payments provided for in this clause (ii) shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and"

5. Section 8(a)(iv) is amended by replacing "not later than 30 days after the Date of Termination" with:

"on the six (6) month anniversary of the Date of Termination"

6. Section 8(a)(vii) is amended to read as follows:

"(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(a)(vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the Normal Severance Period, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and"

7. In Section 8(b), the clause "only if Executive executes the Release" is amended to read as follows:

"only if Executive executes (and does not revoke) the Release within 60 days of the Date of Termination"

8. Section 8(b)(ii) is amended to read as follows:

"(ii) the Company shall pay salary continuation in accordance with this clause (ii) as follows:

(A) on the six (6) month anniversary of the Date of Termination, the Company shall pay Executive a lump sum equal to the amount of the Executive's Base Salary for the six (6) months following the Date of Termination;

(B) thereafter, for up to six (6) additional months, the Company will continue to pay Executive an amount equal to his monthly Base Salary in equal monthly

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or more frequent installments as are customary under the Company's payroll practices from time to time;

(C) no payments shall be made under this clause (ii) with respect to periods after Employee has become employed by a subsequent employer (the period for which salary continuation payments are made is the "Poor Performance Period"); and

(D) the Company's obligation to make or continue any payments provided for in this clause (ii) shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and"

9. Section 8(b)(iv) is amended by replacing "not later than 30 days after the Date of Termination" with:

"on the six (6) month anniversary of the Date of Termination"

10. Section 8(b)(vii) is amended to read as follows:

"(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(b)(iv) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the later of (1) six (6) months from the Date of Termination, or (2) the end of the Poor Performance Severance Period, Date of Termination, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and"

11. In Section 8(c), the clause "only if Executive executes the Release" is amended to read as follows:

"only if Executive executes (and does not revoke) the Release within 60 days of the Date of Termination"

12. Section 8(c)(ii) is amended to read as follows:

"(ii) the Company (or any successor to the Company) shall pay salary continuation in accordance with this clause (ii), as follows:

(A) on the six (6) month anniversary of the Date of Termination, the Company (or any successor to the Company) shall pay Executive a lump sum equal to the amount of the Executive's Base Salary for the six (6) months following the Date of Termination,

(B) thereafter, for up to eighteen (18) additional months, the Company (or any successor to the Company) will continue to pay Executive an amount equal to his

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monthly Base Salary in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time, and

(C) the Company's (or successor's) obligation to make or continue any payments provided for in this clause (ii) shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and"

13. Section 8(c)(iii) is amended by replacing "during the Change in Control Severance Period" with "for twenty-four (24) months after the Date of Termination (the "Change in Control Severance Period")".

14. Section 8(c)(iv) is amended by replacing "not later than 30 days after the Date of Termination" with:

"on the six (6) month anniversary of the Date of Termination"

15. Section 8(c)(vii) is amended to read as follows:

"(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(c)(vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the Change in Control Severance Period, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and"

16. Section 10(a) is amended by deleting the last sentence thereof and replacing it with the following:

"In that event, the cash Payments provided under this Agreement shall be reduced on a pro rata basis."

17. Section 10 is amended by adding the following new paragraph (e) at the end thereof:

"(e) Notwithstanding anything in this Section 10 to the contrary, any Gross-Up payment to which the Executive is entitled under this Section 10 (including any gross-up provided under Section 10(c) as a result of payment of costs and expenses) shall be paid no earlier than the six (6) month anniversary of the Termination Date and no later than the end of Executive's taxable year following the taxable year in which the related taxes are remitted. Any payment of costs or expenses relating to claims as described in Section 10(c) shall be made by the end of Executive's taxable year following the taxable year in which the taxes that are the subject of the claim are remitted or, if no taxes are remitted, by the end of Executive's taxable year following the year in which an audit relating to

such claim is completed or there is a final and nonappealable settlement or other resolution of the claim.”

18. Section 11 is amended by adding the following at the end thereof:

“Any costs or expenses that otherwise meet the requirements for reimbursement under this Section 11 shall be reimbursed within 60 days of submission by Executive for a request for reimbursement, but in no event later than the last day of Executive’s taxable year following the taxable year in which the Executive becomes entitled to such reimbursement by reason of being successful on at least one material issue (provided a request for reimbursement has been made).”

19. Section 15 is revised to read as follows:

“ 1 5 . Rabbi Trust. In order to ensure the payment of the severance benefit provided for in Section 8(c)(ii) of this Agreement, immediately following the commencement of any action by a third party with the aim of effecting a Change in Control of the Company, or the publicly-announced threat by a third party to commence any such action, the Company shall fully fund through the Global Payments Inc. Benefit Security Trust, or similar “rabbi trust,” the amount of the severance payment that would have been paid to Executive under Section 8(c)(ii) if the Date of Termination had occurred on the date of commencement, or publicly-announced threat of commencement, of such action by the third party. Amounts shall be paid to Executive from such trust as provided under this Agreement and the trust. The right of Executive to receive payments under this Agreement shall be an unsecured claim against the general assets of the Company and Executive shall have no rights in or against any specific assets of the Company.”

20. Section 17 is amended by adding a new section (i) at the end thereof, as follows:

“(i) Section 409A.

(i) This Agreement is intended to comply with Section 409A of the Code and applicable regulations. The Agreement shall be interpreted in such a way so as to comply, to the extent necessary, with Section 409A and the regulations thereunder.

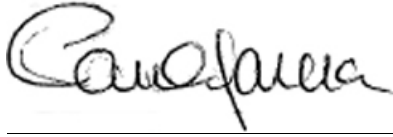
(ii) In the case of the continuation of Welfare Plan benefits as provided under this Agreement, to the extent any of the Welfare Plan benefits constitute deferred compensation subject to Section 409A, and the Welfare Plan does not have provisions in compliance with Section 409A, then, notwithstanding anything in the Welfare Plan to the contrary (A) any reimbursements of an eligible expense shall be made on or before the last day of Executive’s taxable year following the taxable year in which the expense was incurred, (B) no payments of such benefits will be made if the amount of benefits available in one taxable year may affect the amount available in another taxable year, except to the extent permitted under Section 409A, (C) such benefits will not be subject

to liquidation or exchange for another benefit, and (D) Executive shall pay for the first six-months of such payments or benefits following the Termination Date and shall be reimbursed for such payments or benefits on the first day of the seventh month following the Termination Date; the remaining benefits, if any, shall be provided as otherwise specified in this Agreement.”

IN WITNESS WHEREOF, the parties hereto have duly executed this amendment to the Agreement, effective as the date specified above.

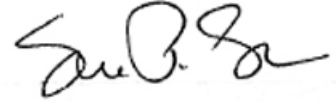
EXECUTIVE:

GLOBAL PAYMENTS INC.



Paul R. Garcia

Date: 12/23/08



By: \_\_\_\_\_

Name: Suellen P. Tornay

Title: Exec. Vice President

Date: 12/23/08



**AMENDMENT TO EMPLOYMENT AGREEMENT  
BETWEEN  
JAMES G. KELLY  
AND GLOBAL PAYMENTS INC. DATED AS OF JUNE 2, 2006**

Effective January 1, 2009, Global Payments Inc., a Georgia corporation (the "Company"), and James G. Kelly ("Executive") agree to amend the Employment Agreement (dated as of June 2, 2006) (the "Agreement") between the parties as hereinafter set forth in order to clarify certain provisions of the Agreement and to comply with Section 409A of the Internal Revenue Code Section and the regulations thereunder. The terms of this Amendment supersede any inconsistent terms in the Agreement. Words and phrases that are defined in the Agreement have the same meaning when used in this Amendment.

1. Section 7 is amended by adding a new section (f) at the end thereof, as follows:

"(f) Definition of Termination of Employment. For purposes of determining the time of payment of any amount hereunder in accordance with Section 409A, all references in this Agreement to termination of employment or Date of Termination mean a separation from service as defined under Section 409A and the regulations thereunder. This provision does not prohibit the vesting of any amount upon a termination of employment, however defined."

2. In Section 8(a), the clause "only if Executive executes a Release in substantially the form of Exhibit A hereto (the "Release")" is amended to read as follows:

"only if Executive executes (and does not revoke) a Release in substantially the form of Exhibit A hereto (the "Release") within 60 days of the Date of Termination"

3. Section 8(a)(iv) is amended to read as follows:

"(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company's group health plan in accordance with "COBRA," and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the eighteen (18) month period, *provided, however,* that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive's obtaining other employment to the extent that such health care coverage is provided by the new employer, and"

4. Section 8(a)(v) is amended to read as follows:

"(v) on the six (6) month anniversary of the Date of Termination, the Company shall pay Executive a lump sum bonus for the year in which the Date of Termination

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occurs in an amount equal to 50% of his then current potential Bonus Opportunity at target levels, and”

5. Section 8(a)(viii) is amended to read as follows:

“(viii) all of Executive’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(a)(vii) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 9<sup>th</sup> day following the Date of Termination, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and”

6. In Section 8(b), the clause “only if Executive executes the Release” is amended to read as follows:

“only if Executive executes (and does not revoke) the Release within 60 days of the Date of Termination”

7. Section 8(b)(iv) is amended to read as follows:

“(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company’s group health plan in accordance with “COBRA,” and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first twelve (12) such months, *provided, however*, that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive’s obtaining other employment to the extent that such health care coverage is provided by the new employer, and”

8. Section 8(b)(v) is amended to read as follows:

“(v) on the six (6) month anniversary of the Date of Termination, the Company shall pay Executive a lump sum bonus for the year in which the Date of Termination occurs in an amount equal to 50% of his then current potential Bonus Opportunity at target levels, and”

9. Section 8(b)(viii) is amended to read as follows:

“(viii) all of Executive’s vested but unexercised Options as of the Date of Termination shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the Date of Termination, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and”

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10. In Section 8(c), the clause “only if Executive executes the Release” is amended to read as follows:

“only if Executive executes (and does not revoke) the Release within 60 days of the Date of Termination”

11. The first Section 8(c)(iv) is amended to read as follows:

“(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company’s group health plan in accordance with “COBRA,” and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first twelve (12) month period, *provided, however*, that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive’s obtaining other employment to the extent that such health care coverage is provided by the new employer, and”

12. The second Section 8(c)(iv) is amended to read as follows:

“(iv) on the six (6) month anniversary of the Date of Termination, the Company shall pay Executive a lump sum bonus for the year in which the Date of Termination occurs in an amount equal to 100% of his then current potential Bonus Opportunity at target levels, and”

13. Section 8(c)(vii) is amended to read as follows:

“(vii) all of Executive’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(c)(vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the Date of Termination, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and”

14. Section 8(d) is amended to read as follows:

“(d) Death, Disability, or Retirement. Upon the Date of Termination due to Executive’s death, Disability (as defined in Section 7(a)), or Retirement (as defined in Section 7(a)), all grants of Restricted Stock held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination and all of Executive’s Options held by executive as of the Date of Termination will become immediately vested and exercisable as of the Date of Termination. All of Executive’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to the forgoing sentence) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the Date of Termination or such longer period as specified in the plan document governing the applicable award, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option. For a period of eighteen (18) months after the Date of

Termination due to Executive's death, Disability (as defined in Section 7(a)), or Retirement (as defined in Section 7(a)), Executive shall have the right to elect continuation of health care coverage under the Company's group plan (if allowed by the plan) in accordance with "COBRA" provided the Executive shall pay the entire cost of such coverage. Except as set forth above and regardless of whether or not a Change in Control shall have occurred, if Executive's employment is terminated by reason of Executive's death, Disability or Retirement, this Agreement shall terminate without further obligations to Executive or his estate or legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as used in this Section 8(d) shall include, without limitation, and Executive or his estate and/or beneficiaries shall be entitled to receive, benefits under such plans, programs, practices and policies relating to death, disability or retirement benefits, if any, as are applicable to Executive on the Date of Termination."

15. Section 10(a) is amended by deleting the last sentence thereof and replacing it with the following:

"In that event, the cash Payments provided under this Agreement shall be reduced on a pro rata basis."

16. Section 10 is amended by adding the following new paragraph (e) at the end thereof:

"(e) Notwithstanding anything in this Section 10 to the contrary, any Gross-Up payment to which the Employee is entitled under this Section 10 (including any gross-up provided under Section 10(c) as a result of payment of costs and expenses) shall be paid no earlier than the six (6) month anniversary of the Termination Date and no later than the end of Employee's taxable year following the taxable year in which the related taxes are remitted. Any payment of costs or expenses relating to claims as described in Section 10(c) shall be made by the end of Employee's taxable year following the taxable year in which the taxes that are the subject of the claim are remitted or, if no taxes are remitted, by the end of Employee's taxable year following the year in which an audit relating to such claim is completed or there is a final and nonappealable settlement or other resolution of the claim."

17. Section 11 is amended by adding the following at the end thereof:

"Any costs or expenses that otherwise meet the requirements for reimbursement under this Section 11 shall be reimbursed within 60 days of submission by Executive for a request for reimbursement, but in no event later than the last day of Executive's taxable year following the taxable year in which the Employee becomes entitled to such reimbursement by reason of being successful on at least one material issue (provided a request for reimbursement has been made)."

18. Section 15 is revised to read as follows:

"15. Rabbi Trust. In order to ensure the payment of the severance benefit provided for in Section 8(c)(ii) and (iii) of this Agreement, immediately following the commencement of any action by a third party with the aim of effecting a Change in Control of the Company, or the publicly-announced threat by a third party to commence any such action, the Company shall fully fund through the Global Payments Inc. Benefit Security Trust, or similar "rabbi trust" the amount of the severance payment that would have been paid to Executive under Section 8(c)(ii) and (iii) if the Date of Termination had occurred on the date of commencement, or publicly-announced threat of commencement, of such action by the third party. Amounts shall be paid to Executive from such trust as provided under this Agreement and the trust. The right of Executive to receive payments under this Agreement shall be an unsecured claim against the general assets of the Company and Executive shall have no rights in or against any specific assets of the Company."

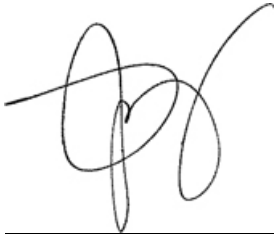
19. Section 17 is amended by adding a new section (i) at the end thereof, as follows:

"(i) Section 409A. This Agreement is intended to comply with Section 409A of the Code and applicable regulations. The Agreement shall be interpreted in such a way so as to comply, to the extent necessary, with Section 409A and the regulations thereunder."

IN WITNESS WHEREOF, the parties hereto have duly executed this amendment to the Agreement, effective as the date specified above.

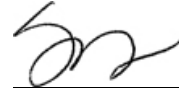
EXECUTIVE

GLOBAL PAYMENTS INC.



James G. Kelly

Date: 12-22-08



By: \_\_\_\_\_

Name: Suellyn P. Tornay

Title: Exec. Vice President

Date: 12/23/08

**AMENDMENT TO EMPLOYMENT AGREEMENT  
BETWEEN  
SUELLYN P. TORNAY  
AND GLOBAL PAYMENTS INC. DATED AS OF JUNE 1, 2001**

Effective January 1, 2009, Global Payments Inc., a Georgia corporation (the "Company"), and Suellen P. Tornay ("Employee") agree to amend the Employment Agreement (dated as of June 1, 2001) (the "Agreement") between the parties as hereinafter set forth in order to clarify certain provisions of the Agreement and to comply with Internal Revenue Code Section 409A and the regulations thereunder. Words and phrases that are defined in the Agreement have the same meaning when used in this Amendment.

1. Section 7 is amended by adding a new section (f) at the end thereof, as follows:

"(f) Definition of Termination of Employment. For purposes of determining the time of payment of any amount hereunder in accordance with Section 409A, all references in this Agreement to termination of employment and Date of Termination mean a separation from service as defined under Section 409A and the regulations thereunder. This provision does not prohibit the vesting of any amount upon a termination of employment, however defined."

2. In Section 8(a), the clause "only if Employee executes a Release in substantially the form of Exhibit A hereto (the "Release")" is amended to read as follows:

"only if Employee executes (and does not revoke) a Release in substantially the form of Exhibit A hereto (the "Release") within 60 days of the Date of Termination"

3. Section 8(a)(ii) is amended to read as follows:

"(ii) the Company shall pay salary continuation in accordance with this clause (ii) as follows:

(A) on the six (6) month anniversary of the Date of Termination, the Company shall pay Employee a lump sum equal to the amount of the Employee's Base Salary for the six (6) months following the Date of Termination;

(B) thereafter, for up to twelve (12) additional months, the Company will continue to pay Employee an amount equal to her monthly Base Salary in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time, provided, however, that the Company's obligations to make or continue such payments shall cease if Employee becomes employed with a subsequent employer (the period for which salary payments are continued is the "Normal Severance Period"); and

(C) the Company's obligation to make or continue any payments provided for in this clause (ii) shall cease if Employee violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and"

4. Section 8(a)(iv) is amended by replacing "not later than 30 days after the Date of Termination" with the following:

"on the six (6) month anniversary of the Date of Termination"

5. Section 8(a)(vii) is amended to read as follows:

"(vii) notwithstanding the provisions of the applicable Option Agreement, all of Employee's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(a)(vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the Normal Severance Period, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and"

6. In Section 8(b), the clause "only if Employee executes the Release" is amended to read as follows:

"only if Employee executes (and does not revoke) the Release within 60 days of the Date of Termination"

7. Section 8(b)(ii) is amended to read as follows:

"(ii) The Company shall pay salary continuation in accordance with this clause (ii) as follows:

(A) on the six (6) month anniversary of the Date of Termination, the Company shall pay Employee a lump sum equal to the amount of the Employee's Base Salary for the six (6) months following the Date of Termination,

(B) thereafter, for up to six (6) additional months, the Company will continue to pay Employee an amount equal to her monthly Base Salary in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time,

(C) no payments shall be made under this clause (ii) with respect to periods after Employee has become employed by a subsequent employer (the period for which salary continuation payments are made is the "Poor Performance Period"), and

(D) the Company's obligation to make or continue any payments provided for in this clause (ii) shall cease if Employee violates any of the Restrictive

Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and”

8. Section 8(b)(iv) is amended by replacing “not later than 30 days after the Date of Termination” with  
“on the six (6) month anniversary of the Date of Termination”

9. Section 8(b)(vii) is amended to read as follows:

“(vii) notwithstanding the provisions of the applicable Option Agreement, all of Employee’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(b)(iv) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the later of (1) six months from the Date of Termination, or (2) the end of the Poor Performance Severance Period, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and”

10. In Section 8(c), the clause “only if Employee executes the Release” is amended to read as follows:

“only if Employee executes (and does not revoke) the Release within 60 days of the Date of Termination”

11. Section 8(c)(ii) is amended to read as follows:

“(ii) the Company (or its successor) shall pay salary continuation in accordance with this clause (ii), as follows:

(A) on the six (6) month anniversary of the Date of Termination, the Company (or its successor) shall pay Employee a lump sum equal to the amount of the Employee’s Base Salary for the six (6) months following the Date of Termination,

(B) thereafter, for up to eighteen (18) additional months, the Company (or its successor) will continue to pay Employee an amount equal to her monthly base salary in equal monthly or more frequent installments as are customary under the Company’s payroll practices from time to time, and

(C) the Company’s (or successor’s) obligation to make or continue any payments provided for in this clause (ii) shall cease if Employee violates any of the Restrictive Covenants (as defined in Section 13(a) of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and”



12. Section 8(c)(iii) is amended by replacing “during the Change in Control Severance Period” with “for twenty-four (24) months after the Date of Termination (the “Change in Control Severance Period”)”.

13. Section 8(c)(iv) is amended by replacing “not later than 30 days after the Date of Termination” with:

“on the six (6) month anniversary of the Date of Termination”

14. Section 8(c)(vii) is amended to read as follows:

“(vii) notwithstanding the provisions of the applicable Option agreement, all of Employee’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(c)(vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the Change in Control Severance Period, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and”

15. Section 10(a) is amended by deleting the last sentence thereof and replacing it with the following:

“In that event, the cash Payments provided under this Agreement shall be reduced on a pro rata basis.”

16. Section 10 is amended by adding the following new paragraph (e) at the end thereof:

“(e) Notwithstanding anything in this Section 10 to the contrary, any Gross-Up payment to which the Employee is entitled under this Section 10 (including any gross-up provided under Section 10(c) as a result of payment of costs and expenses) shall be paid no earlier than the six (6) month anniversary of the Termination Date and no later than the end of Employee’s taxable year following the taxable year in which the related taxes are remitted. Any payment of costs or expenses relating to claims as described in Section 10(c) shall be made by the end of Employee’s taxable year following the taxable year in which the taxes that are the subject of the claim are remitted or, if no taxes are remitted, by the end of Employee’s taxable year following the year in which an audit relating to such claim is completed or there is a final and nonappealable settlement or other resolution of the claim.”

17. Section 11 is amended by adding the following at the end thereof:

“Any costs or expenses that otherwise meet the requirements for reimbursement under this Section 11 shall be reimbursed within 60 days of submission by Executive for a request for reimbursement, but in no event later than the last day of Executive’s taxable year following the taxable year in which the Employee becomes entitled to such

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reimbursement by reason of being successful on at least one material issue (provided a request for reimbursement has been made).”

18. Section 15 is revised to read as follows:

“ 1 5 . Rabbi Trust. In order to ensure the payment of the severance benefit provided for in Section 8(c)(ii) of this Agreement, immediately following the commencement of any action by a third party with the aim of effecting a Change in Control of the Company, or the publicly-announced threat by a third party to commence any such action, the Company shall fully fund through the Global Payments Inc. Benefit Security Trust, or similar “rabbi trust,” the amount of the severance payment that would have been paid to Executive under Section 8(c)(ii) if the Date of Termination had occurred on the date of commencement, or publicly-announced threat of commencement, of such action by the third party. Amounts shall be paid to Executive from such trust as provided under this Agreement and the trust. The right of Executive to receive payments under this Agreement shall be an unsecured claim against the general assets of the Company and Executive shall have no rights in or against any specific assets of the Company.”

19. Section 17 is amended by adding a new section (h) at the end thereof, as follows:

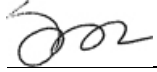
“(h) Section 409A.

(i) This Agreement is intended to comply with Section 409A of the Code and applicable regulations. The Agreement shall be interpreted in such a way so as to comply, to the extent necessary, with Section 409A and the regulations thereunder.

(ii) In the case of the continuation of Welfare Plan benefits is provided under this Agreement, to the extent any of the Welfare Plan benefits constitute deferred compensation subject to Section 409A, and the Welfare Plan does not contain provisions to comply with Section 409A, then, notwithstanding anything in the Welfare Plan to the contrary (A) any reimbursements of an eligible expense shall be made on or before the last day of Employee’s taxable year following the taxable year in which the expense was incurred, (B) no payments of such benefits will be made if the amount of benefits available in one taxable year may affect the amount available in another taxable year, except to the extent permitted under Section 409A, (C) such benefits will not be subject to liquidation or exchange for another benefit, and (D) Employee shall pay for the first six-months of such payments or benefits following the Termination Date and shall be reimbursed for such payments or benefits on the first day of the seventh month following the Termination Date; the remaining benefits, if any, shall be provided as otherwise specified in this Agreement.”

IN WITNESS WHEREOF, the parties hereto have duly executed this amendment to the Agreement, effective as the date specified above:

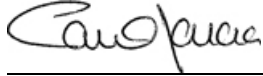
EMPLOYEE:



\_\_\_\_\_  
Suellen P. Tornay

Date: 12/23/08

GLOBAL PAYMENTS INC.

By: 

\_\_\_\_\_  
Name: PAUL R. GARCIA

Title: CEO & CHAIRMAN

Date: 12/23/08

**AMENDED AND RESTATED  
EMPLOYMENT AGREEMENT  
BETWEEN  
JOSEPH C. HYDE  
AND  
GLOBAL PAYMENTS INC.  
Dated as of November 3, 2008**

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**EMPLOYMENT AGREEMENT**

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## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into this 3rd day of November, 2008 by and between Global Payments Inc., a Georgia corporation (the "Company"), and Joseph C. Hyde ("Executive"), to be effective as of the Effective Date, as defined in Section 1. This Agreement supersedes the Employment Agreement between Executive and Company dated June 2, 2006.

### BACKGROUND

Executive shall serve as the President - International of the Company. Executive and the Company desire to memorialize the terms of such employment in this Agreement. In addition, the Board of Directors of the Company (the "Board"), has determined that it is in the best interests of the Company and its stockholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change in Control (as defined below) of the Company. As it is desired and anticipated that Executive will continue to be employed and provide services for the Company's successor for some period of time following a Change in Control, one purpose of this Agreement is to provide Executive with compensation and benefits arrangements which ensure that the compensation and benefits expectations of Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Board has caused the Company to enter into this Agreement. The terms of this Agreement replace any terms that might have been contained in any prior agreement or other communication regarding Executive's employment.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Effective Date. The effective date of this Agreement (the "Effective Date") is November 3, 2008.
2. Employment. Executive is hereby employed as "President – International". In such capacity, Executive shall have the responsibilities as shall be assigned to him by the Chief Executive Officer or President of the Company. For greater certainty, Executive acknowledges that there could be other individuals with the title of "President" who may have international responsibilities and the foregoing will not constitute a breach of this Agreement or give Executive the right to terminate for "Good Reason" hereunder.
3. Employment Period. Executive's employment hereunder shall continue until terminated in accordance with Section 7 hereof (the "Employment Period").

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4. Extent of Service. During the Employment Period, Executive shall render his services to the Company (or to its successor following a Change in Control) in conformity with professional standards, in a prudent and workmanlike manner and in a manner consistent with the obligations imposed on officers of corporations under applicable law. Executive shall promote the interests of the Company and its subsidiaries in carrying out Executive's duties and shall not deliberately take any action which could, or fail to take any action which failure could, reasonably be expected to have a material adverse effect upon the business of the Company or any of its subsidiaries or any of their respective affiliates. Executive agrees to devote his business time, attention, skill and efforts exclusively to the faithful performance of his duties hereunder (both before and after a Change in Control); provided, however, that it shall not be a violation of this Agreement for Executive to (i) devote reasonable periods of time to charitable and community activities and, with the approval of the Company, industry or professional activities, and/or (ii) manage or participate in personal business interests and investments, so long as such activities do not materially interfere with the performance of Executive's responsibilities under this Agreement and comply with all Company policies and codes.

5. Compensation and Benefits.

(a) Base Salary. Thereafter, during the Employment Period, the Company will pay to Executive a base salary in the amount of U.S. \$400,000 per year ("Base Salary"), less normal withholdings, payable in equal bi-weekly or other installments as are customary under the Company's payroll practices from time to time. The Executive's Base Salary will be reviewed periodically and, subject to approval of the Compensation Committee of the Board, the Company may increase Executive's Base Salary from time to time. The periodic review of Executive's salary by the Board will consider, among other things, Executive's own performance and the Company's performance.

(b) Incentive and Savings Plans. During the Employment Period, Executive shall be entitled to participate in incentive and savings plans, practices, policies and programs applicable generally to employees of the Company. Certain executive programs will be made available on a selective basis at the discretion of the Chief Executive Officer, the President or the Compensation Committee of the Board. Without limiting the foregoing, the following shall apply:

(i) Annual Bonus. Each year the Chief Executive Officer or the President and the Executive shall establish Executive's annual bonus opportunity, based on achievement of agreed-upon financial and performance objectives. The annual bonus opportunity and specific performance and financial objectives will be set forth in Executive's individual performance and incentive plan for each year. Executive's annual Bonus Opportunity at target levels shall not be less than 70% of his then current Base Salary. The Executive must be an active employee on the date the annual bonuses are paid on a Company wide basis in order to be eligible to receive any bonus payment.



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(ii) Incentive Awards. Upon approval by the Board of Directors or the applicable committee, the Company may grant Executive stock options and/or shares of restricted stock as a long-term incentive for performance.

(c) Welfare Benefit Plans. During the Employment Period, Executive and Executive's family shall be eligible for participation in, and shall receive all benefits under, the welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) ("Welfare Plans").

(d) Expenses. During the Employment Period, Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by Executive in accordance with the policies, practices and procedures of the Company.

(e) Fringe Benefits. During the Employment Period, Executive shall be entitled to fringe benefits in accordance with the plans, practices, programs and policies of the Company.

(f) Relocation Assistance. In connection with Executive's relocation to the United Kingdom, the Company will pay reasonable transportation and moving costs for Executive's personal property and will reimburse Executive for his reasonable expenses incurred in connection with establishing residency in the United Kingdom for him and his immediate family. As for any of the above referenced expenses that are taxable to the Executive, the Company shall "gross up" the amount paid to ensure that Executive receives 100% of the amount to be reimbursed. Notwithstanding anything else contained in this Agreement to the contrary, if Executive resigns from the Company within eighteen (18) months from the date of relocation, Executive shall reimburse the Company for all amounts received pursuant to this section 5(f) on a pro-rata basis. For purposes of the foregoing sentence, all amounts paid to the Executive in accordance with this section 5(f) shall be added together and divided by 547 (which is the number of calendar days in an eighteen month period). In order to determine the amount to be re-paid by Executive, the resulting quotient shall be multiplied by the number of days remaining in Executive's initial 18 month term of employment after the relocation date.

(g) Other Allowances. While Executive is living in the United Kingdom, the Company will pay Executive an additional \$60,000 stipend annually (which shall not be considered a part of Base Salary) and either pay or reimburse Executive for reasonable expenses associated with the following: rent and utility costs on a house or apartment, furnishings, lease and insurance costs on an automobile, fees for a club membership, and business class airfare to the United States up to three (3) trips per family member per year. Any housing, automobile, and club fees will be approved in advance by the Chief Executive Officer or the President. Any housing lease shall be executed by Executive in his personal capacity. If Executive is terminated hereunder by Company for any reason, if Executive terminates this Agreement for Good Reason, or if Executive terminates this

Agreement for no reason at any time after the fifth anniversary date of Executive's relocation date, then, upon written request from Executive, the Company will pay reasonable transportation and moving costs to Atlanta, Georgia for Executive's personal property (excluding furniture). As for any of the above referenced expenses that are taxable to the Executive, the Company shall "gross up" the amount paid to ensure that Executive receives 100% of the amount to be reimbursed. For greater certainty, the foregoing gross-up provision shall not apply to the \$60,000 stipend.

6. Change in Control. For the purposes of this Agreement, a "Change in Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition by a Person who is on the Effective Date the beneficial owner of 35% or more of the Outstanding Company Voting Securities, (ii) any acquisition directly from the Company, (iii) any acquisition by the Company which reduces the number of Outstanding Company Voting Securities and thereby results in any person having beneficial ownership of more than 35% of the Outstanding Company Voting Securities, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (v) any acquisition by any corporation pursuant to a transaction which complies with clauses (i) and (ii) of subsection (b) of this Section 6; or

(b) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, and (ii) no Person (excluding the Company or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more

of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; provided, however, that

(c) Notwithstanding anything in this definition to the contrary, a restructuring and/or separation of any line of business or business unit from the Company will not of itself constitute a Change in Control.

7. Termination of Employment.

(a) Death, Retirement or Disability. Executive's employment and the Employment Period shall terminate automatically upon Executive's death or Retirement. For purposes of this Agreement, "Retirement" shall mean normal retirement as defined in the Company's then-current retirement plan, or if there is no such retirement plan, "Retirement" shall mean voluntary termination after age 65 with ten years of service. If the Company determines in good faith that the Disability of Executive has occurred (pursuant to the definition of Disability set forth below), it may give to Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such written notice by Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall mean a mental or physical disability as determined by the Board in accordance with standards and procedures similar to those under the Company's employee long-term disability plan, if any. At any time that the Company does not maintain such a long-term disability plan, Disability shall mean the inability of Executive, as determined by the Board, to substantially perform the essential functions of his regular duties and responsibilities due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six consecutive months.

(b) Termination by the Company. The Company may terminate Executive's employment for Poor Performance or with or without Cause. For purposes of this Agreement:

"Poor Performance" shall mean the consistent failure of Executive to meet reasonable performance expectations (other than any such failure resulting from incapacity due to physical or mental illness); provided, however, that termination for Poor Performance shall not be effective unless at least 30 days prior to such termination Executive shall have received written notice from the Chief Executive Officer or the Board which specifically identifies the manner in which the Board or the Chief Executive Officer believes that Executive has not met performance expectations and Executive shall have failed after receipt of such notice to resume the diligent performance of his duties to the satisfaction of the Chief Executive Officer or the Board; and

"Cause" shall mean:

(i) the failure of Executive to perform substantially Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness, and specifically excluding any failure by Executive, after reasonable efforts, to meet performance expectations), after a written demand for substantial performance is delivered to Executive by the Chief Executive Officer or the Board of Directors of the Company which specifically identifies the manner in which such Board or officer believes that Executive has not substantially performed Executive's duties, or

(ii) any act of fraud, misappropriation, embezzlement or similar dishonest or wrongful act by Executive, including, without limitation, any violation of the Sarbanes-Oxley Act or similar laws or legal standards, or

(iii) Executive's abuse of alcohol, prescription drugs or any substance which materially interferes with Executive's ability to perform services on behalf of the Company or Executive's use of illegal drugs, or

(iv) Executive's violation of any laws, agreements or Company policies or codes prohibiting employment discrimination, harassment, conflicts of interest, retaliation, competition with the Company, solicitation of Company customers or employees on behalf of anyone other than Company, improper use or disclosure of Trade Secrets, Confidential Information or other proprietary information of the Company; or

(iv) Executive's commission of, conviction for, or plea of guilty or *nolo contendere* to, a felony, or

(v) Executive's failure to relocate or unwillingness to remain in the U.K. for any reason.

(c) Termination by Executive. Executive's employment may be terminated by Executive for Good Reason or no reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) a reduction by the Company in Executive's Base Salary as in effect on the Effective Date or as the same may be increased from time to time, unless a similar reduction is made in the salary of similarly-situated senior executives which reduction is not rescinded within ten (10) days after the Company receives written notice from Executive that he believes that the reduction constitutes Good Reason and that he intends to resign if it is not rescinded; or

(iii) any failure by the Company to comply with and satisfy Section 16(c) of this Agreement; or

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(iv) a requirement that Executive be based in any office or location other than in the greater metropolitan area of Atlanta, Georgia or in the United Kingdom; or

(v) without the written consent of Executive, the assignment to a position with a title other than “President-International” of a publicly traded corporation having a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended; which assignment is not rescinded within ten (10) days after the Company receives written notice from Executive that he believes that the assignment constitutes Good Reason and that he intends to resign if it is not rescinded. For greater certainty, Executive acknowledges that there could be other individuals with the title of “President” who may have international responsibilities and the foregoing will not constitute a breach of this Agreement or give Executive the right to terminate for “Good Reason” hereunder.

(d) Notice of Termination. Any termination by the Company or by Executive shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 17(f) of this Agreement. For purposes of this Agreement, a “Notice of Termination” means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive’s employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date. The failure by Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason, Poor Performance or Cause shall not waive any right of Executive or the Company, respectively, hereunder or preclude Executive or the Company, respectively, from asserting such fact or circumstance in enforcing Executive’s or the Company’s rights hereunder.

(e) Date of Termination. “Date of Termination” means (i) if the Executive’s employment is terminated by the Executive for Good Reason, the date specified in the Notice of Termination, which may not be less than 60 days after the date of delivery of the Notice of Termination; provided that the Company may specify any earlier Date of Termination, (ii) if Executive’s employment is terminated by the Company other than by reason of death or Disability, the date of receipt of the Notice of Termination, or any later date specified therein, or (iii) if Executive’s employment is terminated by reason of death, Disability or Retirement, the Date of Termination will be the date of death or Retirement, or the Disability Effective Date, as the case may be.

(f) Definition of Termination of Employment. For purposes of determining the time of payment of any amount hereunder in accordance with Section 409A, all references in this Agreement to termination of employment mean a separation from service as defined under Section 409A and the regulations thereunder. This provision does not prohibit the vesting of any amount upon a termination of employment, however defined.

8. Obligations of the Company upon Termination.

(a) Prior to a Change in Control: Termination by Executive for Good Reason; Termination by the Company Other Than for Poor Performance, Cause or Disability. If, prior to a Change in Control, the Company shall terminate Executive's employment other than for Poor Performance, Cause or Disability, or Executive shall terminate employment for Good Reason within a period of 90 days after the occurrence of the event giving rise to Good Reason, then (and with respect to the payments and benefits described in clauses (ii) through (viii) below, only if Executive executes (and does not revoke) a Release in substantially the form of Exhibit A hereto (the "Release") within 30 days of the Date of Termination):

(i) the Company shall pay to Executive in a lump sum in cash within 30 days after the Date of Termination the sum of Executive's Base Salary through the Date of Termination to the extent not theretofore paid ("Accrued Obligations"), and

(ii) on the six (6) month anniversary of the Date of Termination (the "Pay Date"), the Company shall pay the Executive a lump sum equal to the amount of the Executive's Base Salary from the Date of Termination until the Pay Date, provided however, that the Company shall have no obligation to make such payment if Executive has violated any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and failed to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation;

(iii) thereafter, for up to twelve (12) additional months, the Company will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive becomes employed with a subsequent employer or earns an income which will be reportable as non-employee compensation on a 1099 form provided that such non-employee compensation is reasonably anticipated to be more than \$50,000 per year or if Executive violates any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company's group health plan in accordance with "COBRA," and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the eighteen (18) month period, *provided, however*, that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive's obtaining other employment to the extent that such health care coverage is provided by the new employer, and

(v) on the six (6) month anniversary of the Date of Termination, the Company shall pay Executive a lump sum bonus for the year in which the Date of Termination occurs in an amount equal to 50% of his then current potential Bonus Opportunity at target levels, and

(vi) all grants of restricted stock of the Company, ("Restricted Stock") held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination; and

(vii) all of Executive's options to acquire Common Stock of the Company ("Options") that would have become vested (by lapse of time) within the 24-month period following the Date of Termination had Executive remained employed during such period will become immediately vested as of the Date of Termination; and

(viii) all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(a) (vii) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the Date of Termination, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and

(ix) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive any other amounts or benefits required to be paid or provided or which Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits") to the extent permitted under the applicable plan or policies.

(b) Prior to a Change in Control: Termination by the Company for Poor Performance. If, prior to the occurrence of a Change in Control, the Company shall terminate Executive's employment for Poor Performance, then (and with respect to the payments and benefits described in clauses (ii) through (vii) below, only if Executive executes (and does not revoke) the Release within 30 days of the Date of Termination):

(i) the Company shall pay to Executive the Accrued Obligations in a lump sum in cash within 30 days after the Date of Termination; and

(ii) on the six month anniversary of the Date of Termination (the "Pay Date"), the Company shall pay the Executive a lump sum equal to the amount of the Executive's Base Salary from the Date of Termination until the Pay Date, provided however, that the Company shall have no obligation to make such payment if Executive has violated any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and failed to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation;

(iii) thereafter, for up to six (6) additional months, the Company will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive becomes employed with a subsequent employer or earns an income which will be reportable as non-employee compensation on a 1099 form provided such non-employee compensation is reasonably anticipated to be more than \$50,000 a year or if Executive violates any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company's group health plan in accordance with "COBRA," and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first twelve (12) such months, *provided, however*, that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive's obtaining other employment to the extent that such health care coverage is provided by the new employer, and

(v) all grants of Restricted Stock held by Executive as of the Date of Termination that would have become vested (by lapse of time) within the 24-month period following the Date of Termination had Executive remained employed during such period will become immediately vested as of the Date of Termination; and

(vi) all of Executive's Options that would have become vested (by lapse of time) within the 24-month period following the Date of Termination had Executive remained employed during such period will become immediately vested and exercisable as of the Date of Termination; and

(vii) all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(b) (vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the Date of Termination, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and

(viii) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive his Other Benefits to the extent permitted under the applicable plan or policies

(c) After or in Connection with a Change in Control: Termination by Executive for Good Reason; Termination by the Company Other Than for Cause or Disability. If there occurs a Change in Control and, within 36 months following such Change in Control (or if Executive can reasonably show that such termination by the Company was in anticipation of the Change in Control), the Company shall terminate



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Executive's employment other than for Cause or Disability, or Executive shall terminate employment for Good Reason, then (and with respect to the payments and benefits described in clauses (ii) through (viii) below, only if Executive executes (and does not revoke) the Release within 30 days of the Date of Termination):

(i) the Company (or its successor) shall pay to Executive the Accrued Obligations in a lump sum in cash within 30 days after the Date of Termination; and

(ii) on the six month anniversary of the Date of Termination (the "Pay Date"), the Company (or its successor) shall pay the Executive a lump sum equal to the amount of the Executive's Base Salary from the Date of Termination until the Pay Date, provided however, that the Company shall have no obligation to make such payment if Executive has violated any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and failed to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation;

(iii) thereafter, for up to eighteen (18) additional months, the Company (or its successor) will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company's group health plan in accordance with "COBRA," and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first eighteen (18) month period, *provided, however*, that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive's obtaining other employment to the extent that such health care coverage is provided by the new employer, and

(v) on the six (6) month anniversary of the Termination Date, Executive will be paid a bonus for the year in which the Termination Date occurs in an amount equal to 100% of his bonus opportunity for the then current year at target levels; and

(vi) all grants of Restricted Stock held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination; and

(vii) all of Executive's Options held by Executive as of the Date of Termination will become immediately vested and exercisable as of the Date of Termination; and

(viii) all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(c) (vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the Date of Termination, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and

(ix) to the extent not theretofore paid or provided, the Company shall timely pay or provide to Executive his Other Benefits to the extent permitted under the applicable plan or policies.

(d) Death, Disability, or Retirement. Upon the Date of Termination due to Executive's death, Disability (as defined in Section 7(a)), or Retirement (as defined in Section 7(a)), all grants of Restricted Stock held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination and all of Executive's Options held by executive as of the Date of Termination will become immediately vested and exercisable as of the Date of Termination. All of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to the forgoing sentence) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the Date of Termination or such longer period as specified in the plan document governing the applicable award, or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option. For a period of eighteen (18) months after the Date of Termination due to Executive's death, Disability (as defined in Section 7(a)), or Retirement (as defined in Section 7(a)), Executive shall have the right to elect continuation of health care coverage under the Company's group plan (if allowed by the plan) in accordance with "COBRA" provided the Executive shall pay the entire cost of such coverage. Except as set forth above and regardless of whether or not a Change in Control shall have occurred, if Executive's employment is terminated by reason of Executive's death, Disability or Retirement, this Agreement shall terminate without further obligations to Executive or his estate or legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as used in this Section 8(d) shall include, without limitation, and Executive or his estate and/or beneficiaries shall be entitled to receive, benefits under such plans, programs, practices and policies relating to death, disability or retirement benefits, if any, as are applicable to Executive on the Date of Termination.

(e) Cause or Voluntary Termination without Good Reason. Regardless of whether or not a Change in Control shall have occurred, if Executive's employment shall be terminated for Cause, or if Executive voluntarily terminates employment without Good Reason, this Agreement shall terminate without further obligations to Executive, other than for payment of Accrued Obligations and the timely payment or provision of

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Other Benefits to the extent permitted under the applicable plan or policies. For a period of eighteen (18) months after the Date of Termination for Cause or for the voluntary termination by Executive, Executive shall have the right to elect continuation of healthcare coverage under the Company's group plan in accordance with "COBRA" provided the Executive shall pay the entire cost of such coverage.

9. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive's continuing or future participation in any plan, program, policy or practice provided by the Company and for which Executive may qualify, nor, subject to Section 17(d), shall anything herein limit or otherwise affect such rights as Executive may have under any contract or agreement with the Company. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

10. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 10(a), if it shall be determined that Executive is entitled to a Gross-Up Payment, but that Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least \$50,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to Executive and the Payments in the aggregate, shall be reduced to the Reduced Amount. In that event, the cash Payments provided under this Agreement shall be reduced on a pro rata basis.

(b) Subject to the provisions of Section 10(c), all determinations required to be made under this Section 10, including whether and when a Gross-Up Payment is

required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by a nationally recognized certified public accounting firm reasonably acceptable to the Company as may be designated by Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and Executive within 15 business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 10(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation of the foregoing provisions of this Section 10(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 10(c), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 10(e)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 10(c), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) Notwithstanding anything in this Section 10 to the contrary, any Gross-Up payment to which the Employee is entitled under this Section 10 (including any gross-up provided under Section 10(c) as a result of payment of costs and expenses) shall be paid no earlier than the six (6) month anniversary of the Termination Date and no later

than the end of Employee's taxable year following the taxable year in which the related taxes are remitted. Any payment of costs or expenses relating to claims as described in Section 10(c) shall be made by the end of Employee's taxable year following the taxable year in which the taxes that are the subject of the claim are remitted or, if no taxes are remitted, by the end of Employee's taxable year following the year in which an audit relating to such claim is completed or there is a final and nonappealable settlement or other resolution of the claim.

11. Costs of Enforcement. Unless otherwise provided by the arbitrator(s) in an arbitration proceeding pursuant to Section 14 hereof, in any action taken in good faith relating to the enforcement of this Agreement or any provision herein, Executive shall be entitled to be paid any and all costs and expenses incurred by him in enforcing or establishing his rights thereunder, including, without limitation, reasonable attorneys' fees, whether suit be brought or not, and whether or not incurred in trial, bankruptcy or appellate proceedings, but only if Executive is successful on at least one material issue raised in the enforcement proceeding. Any costs or expenses that otherwise meet the requirements for reimbursement under this Section 11 shall be reimbursed within 60 days of submission by Executive for a request for reimbursement, but in no event later than the last day of Executive's taxable year following the taxable year in which the Employee becomes entitled to such reimbursement by reason of being successful on at least one material issue (provided a request for reimbursement has been made).

12. Representations and Warranties. Executive hereby represents and warrants to the Company that Executive is not a party to, or otherwise subject to, any covenant not to compete with any person or entity, and Executive's execution of this Agreement and performance of his obligations hereunder will not violate the terms or conditions of any contract or obligation, written or oral, between Executive and any other person or entity.

13. Restrictions on Conduct of Executive.

(a) General. Executive and the Company understand and agree that the purpose of the provisions of this Section 13 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to eliminate Executive's post-employment competition with the Company per se, nor is it intended to impair or infringe upon Executive's right to work, earn a living, or acquire and possess property from the fruits of his labor. Executive hereby acknowledges that the post-employment restrictions set forth in this Section 13 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of this Agreement. Therefore, subject to the limitations of reasonableness imposed by law, Executive shall be subject to the restrictions set forth in this Section 13. For the purposes of this Section 13, "Company" shall be deemed to include Company and all of its parents, affiliates, and subsidiaries.

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(b) Definitions. The following terms used in this Section 13 shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

“Competitive Position” means any employment with a Competitor in which Executive has duties for such Competitor that relate to Competitive Services and that are the same or similar to those services actually performed by Executive for the Company;

“Competitive Services” means the provision of products and services to facilitate or assist with the movement in electronic commerce of payment and financial information, merchant processing, 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.

“Competitor” means any of the following companies, all of whom engage in Competitive Services and all of their parents, affiliates, and subsidiaries 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., Fifth Third Processing Solutions, Wells Fargo Merchant Services, Heartland Payment Systems, First National Merchant Solutions, RBS Lynk, TransFirst Holdings, iPayment, BA Merchant Services, NPC, Nova Information Services (now known as Elavon), Alliance Data, Moneris Solutions, Western Union, MoneyGram Payment Systems, Inc, RBS, Barclay’s, Lloyd’s, and Halifax

“Confidential Information” means all information regarding the Company, its activities, business or clients that is the subject of reasonable efforts by the Company to maintain its confidentiality and that is not generally disclosed by practice or authority to persons not employed by the Company, but that does not rise to the level of a Trade Secret. “Confidential Information” shall include, but is not limited to, financial plans and data concerning the Company; management planning information; business plans; operational methods; market studies; marketing plans or strategies; product development techniques or plans; lists of current or prospective customers; details of customer contracts; current and anticipated customer requirements; past, current and planned research and development; business acquisition plans; and new personnel acquisition plans. “Confidential Information” shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company. This definition shall not limit any definition of “confidential information” or any equivalent term under state or federal law.

“Determination Date” means the date of termination of Executive’s employment with the Company for any reason whatsoever or any earlier date of an alleged breach of the Restrictive Covenants by Executive.

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“Person” means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.

“Principal or Representative” means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

“Protected Customers” means any Person to whom the Company has sold or provided its products or services during the twelve (12) months prior to the Determination Date.

“Protected Employees” means employees of the Company who were employed by the Company at any time within six (6) months prior to the Determination Date.

“Restricted Period” means the Employment Period and a period extending two (2) years from the termination of Executive’s employment with the Company.

“Restricted Territory” means the States of California, Florida, Georgia, Illinois, Maryland, Michigan, New York, Pennsylvania, Texas and Massachusetts and the United Kingdom.

“Restrictive Covenants” means the restrictive covenants contained in Section 13(c) hereof.

“Trade Secret” means all information, without regard to form, including, but not limited to, technical or non-technical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, distribution lists or a list of actual or potential customers, advertisers or suppliers which is not commonly known by or available to the public and which information: (A) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. Without limiting the foregoing, Trade Secret means any item of Confidential Information that constitutes a “trade secret(s)” under the common law or applicable state law.



(c) Restrictive Covenants.

( i ) Restriction on Disclosure and Use of Confidential Information and Trade Secrets. Executive understands and agrees that the Confidential Information and Trade Secrets constitute valuable assets of the Company and its affiliated entities, and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that Executive shall not, directly or indirectly, at any time during the Employment Period or during the two (2) years immediately following the end of the Employment Period for any reason reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and Executive shall not, directly or indirectly, at any time during the Employment Period or during the two (2) years immediately following the end of the Employment Period for any reason use or make use of any Confidential Information in connection with any business activity other than that of the Company. Throughout the term of this Agreement and at all times after the date that this Agreement terminates for any reason, Executive shall not directly or indirectly transmit or disclose any Trade Secret of the Company to any Person, and shall not make use of any such Trade Secret, directly or indirectly, for himself or for others, without the prior written consent of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices.

Anything herein to the contrary notwithstanding, Executive shall not be restricted from disclosing or using Confidential Information that is required to be disclosed by law, court order or other legal process; provided, however, that in the event disclosure is required by law, Executive shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by Executive.

(ii) Non-solicitation of Protected Employees. Executive understands and agrees that the relationship between the Company and each of its Protected Employees constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that during the Restricted Period Executive shall not directly or indirectly on Executive's own behalf or as a Principal or Representative of any Person or otherwise solicit or induce any Protected Employee with whom Executive worked or otherwise had material contact through his employment with the Company to terminate his or her employment relationship with the Company or to enter into employment with any other Person.

(iii) Restriction on Relationships with Protected Customers. Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that, during the Restricted Period, Executive shall not, without the prior written consent of the Company, directly or indirectly, on Executive's own behalf or as a Principal or Representative of any

Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom Executive had Material Contact on the Company's behalf during the twelve (12) months immediately preceding the termination of his employment hereunder. For purposes of this Agreement, Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company's behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer.

(iv) Non-competition with the Company. The parties acknowledge: (A) that Executive's services under this Agreement require special expertise and talent in the provision of Competitive Services and that Executive will have substantial contacts with customers, suppliers, advertisers and vendors of the Company; (B) that pursuant to this Agreement, Executive will be placed in a position of trust and responsibility and he will have access to a substantial amount of Confidential Information and Trade Secrets and that the Company is placing him in such position and giving him access to such information in reliance upon his agreement not to compete with the Company during the Restricted Period; (C) that due to his management duties, Executive will be the repository of a substantial portion of the goodwill of the Company and would have an unfair advantage in competing with the Company; (D) that due to Executive's special experience and talent, the loss of Executive's services to the Company under this Agreement cannot reasonably or adequately be compensated solely by damages in an action at law; (E) that Executive is capable of competing with the Company; and (F) that Executive is capable of obtaining gainful, lucrative and desirable employment that does not violate the restrictions contained in this Agreement. In consideration of the compensation and benefits being paid and to be paid by the Company to Executive hereunder, Executive hereby agrees that, during the Restricted Period, Executive will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in the Restricted Territory; provided, however, that the provisions of this Agreement shall not be deemed to prohibit the ownership by Executive of any securities of the Company or its affiliated entities or not more than five percent (5%) of any class of securities of any corporation having a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended.

(d) Enforcement of Restrictive Covenants.

(i) Rights and Remedies Upon Breach. In the event Executive breaches, or threatens to commit a breach of, any of the provisions of the Restrictive Covenants, the Company shall have the following rights and remedies, which shall be independent of any others and severally enforceable, and shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity:

- (A) the right and remedy to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Restrictive Covenants

and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

(B) the right and remedy to require Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by Executive as the result of any transactions constituting a breach of the Restrictive Covenants.

(ii) Severability of Covenants. Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in time and scope and in all other respects. The covenants set forth in this Agreement shall be considered and construed as separate and independent covenants. Should any part or provision of any covenant be held invalid, void or unenforceable in any court of competent jurisdiction, such invalidity, voidness or unenforceability shall not render invalid, void or unenforceable any other part or provision of this Agreement. If any portion of the foregoing provisions is found to be invalid or unenforceable by a court of competent jurisdiction because its duration, the territory, the definition of activities or the definition of information covered is considered to be invalid or unreasonable in scope, the invalid or unreasonable term shall be redefined, or a new enforceable term provided, such that the intent of the Company and Executive in agreeing to the provisions of this Agreement will not be impaired and the provision in question shall be enforceable to the fullest extent of the applicable laws.

14. Arbitration. Any claim or dispute arising under this Agreement (other than under Section 13) shall be subject to arbitration, and prior to commencing any court action, the parties agree that they shall arbitrate all such controversies. The arbitration shall be conducted in Atlanta, Georgia, in accordance with the Employment Dispute Rules of the American Arbitration Association and the Federal Arbitration Act, 9 U.S.C. §1, *et. seq.* The arbitrator(s) shall be authorized to award both liquidated and actual damages, in addition to injunctive relief, but no punitive damages. The arbitrator(s) may also award attorney's fees and costs, without regard to any restriction on the amount of such award under Georgia or other applicable law. Such an award shall be binding and conclusive upon the parties hereto, subject to 9 U.S.C. §10. Each party shall have the right to have the award made the judgment of a court of competent jurisdiction.

Initials of parties as to this Section 14:

Company: \_\_\_\_\_

Executive: \_\_\_\_\_

15. Rabbi Trust. In order to ensure the payment of the severance benefit provided for in Section 8(c)(ii) and (iii) of this Agreement, immediately following the commencement of any action by a third party with the aim of effecting a Change in Control of the Company, or the publicly-announced threat by a third party to commence any such action, the Company shall fully fund through the Global Payments Inc. Benefit

Security Trust, or similar “rabbi trust” the amount of the severance payment that would have been paid to Executive under Section 8(c)(ii) and (iii) if the Date of Termination had occurred on the date of commencement, or publicly-announced threat of commencement, of such action by the third party. Amounts shall be paid to Executive from such trust as provided under this Agreement and the trust. The right of Executive to receive payments under this Agreement shall be an unsecured claim against the general assets of the Company and Executive shall have no rights in or against any specific assets of the Company.

16. Assignment and Successors.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive’s legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

17. Miscellaneous.

(a) Waiver. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

(b) Severability. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be invalid, illegal or unenforceable, either in whole or in part, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of the remaining provisions or covenants, or any part thereof, of this Agreement, all of which shall remain in full force and effect.

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(c) Other Agents. Nothing in this Agreement is to be interpreted as limiting the Company from employing other personnel on such terms and conditions as may be satisfactory to it.

(d) Entire Agreement. Except as provided herein, this Agreement contains the entire agreement between the Company and Executive with respect to the subject matter hereof and, from and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

(e) Governing Law. Except to the extent preempted by federal law, and without regard to conflict of laws principles, the laws of the State of Georgia shall govern this Agreement in all respects, whether as to its validity, construction, capacity, performance or otherwise.

(f) Notices. All notices, requests, demands and other communications required or permitted hereunder shall be in writing and shall be deemed to have been duly given if delivered or three days after mailing if mailed, first class, certified mail, postage prepaid:

To Company:       Global Payments Inc.  
                          10 Glenlake Parkway- North Tower  
                          Atlanta, Georgia 30328  
                          Office of the Corporate Secretary

To Executive:       Joseph C. Hyde  
                          962 Canter Road,  
                          Atlanta, Georgia 30324

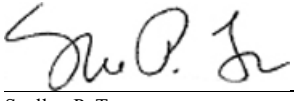
Any party may change the address to which notices, requests, demands and other communications shall be delivered or mailed by giving notice thereof to the other party in the same manner provided herein.

(g) Amendments and Modifications. This Agreement may be amended or modified only by a writing signed by both parties hereto, which makes specific reference to this Agreement.

(h) Section 409A. This Agreement is intended to comply with Section 409A of the Code and applicable regulations. The Agreement shall be interpreted in such a way so as to comply, to the extent necessary, with Section 409A and the regulations thereunder.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Employment Agreement as of the date first above written.

GLOBAL PAYMENTS INC.

By:   
Name: Suellen P. Tornay  
Title: Executive Vice President and General Counsel  
Date: 11-19-08

EXECUTIVE:

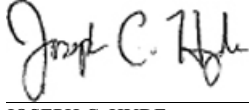
  
JOSEPH C. HYDE  
Date: 11-3-08

EXHIBIT A  
Form of Release

This Release is granted effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ , by \_\_\_\_\_ (“Executive”) in favor of Global Payments Inc. (the “Company”). This is the Release referred to that certain Employment Agreement effective as of \_\_\_\_\_, 20\_\_ by and between the Company and Executive (the “Employment Agreement”). Executive gives this Release in consideration of the Company’s promises and covenants as recited in the Employment Agreement, with respect to which this Release is an integral part.

This Release is granted effective as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ , by \_\_\_\_\_ (“Executive”) in favor of Global Payments Inc. (the “Company”). This is the Release referred to that certain Employment Agreement effective as of \_\_\_\_\_, 20\_\_ by and between the Company and Executive (the “Employment Agreement”). Executive gives this Release in consideration of the Company’s promises and covenants as recited in the Employment Agreement, with respect to which this Release is an integral part.

1. Release of the Company. Executive, for himself, his successors, assigns, attorneys, and all those entitled to assert his rights, now and forever hereby releases and discharges the Company and its respective officers, directors, stockholders, trustees, employees, agents, parent corporations, subsidiaries, affiliates, estates, successors, assigns and attorneys (“the Released Parties”), from any and all claims, actions, causes of action, sums of money due, suits, debts, liens, covenants, contracts, obligations, costs, expenses, damages, judgments, agreements, promises, demands, claims for attorney’s fees and costs, or liabilities whatsoever, in law or in equity, which Executive ever had or now has against the Released Parties, including, without limitation, any claims arising by reason of or in any way connected with any employment relationship which existed between the Company or any of its parents, subsidiaries, affiliates, or predecessors, and Executive. It is understood and agreed that this Release is intended to cover all actions, causes of action, claims or demands for any damage, loss or injury, whether known or unknown, of any nature whatsoever, including those which may be traced either directly or indirectly to the aforesaid employment relationship, or the termination of that relationship, that Executive has, had or purports to have, from the beginning of time to the date of this Release, and including but not limited to claims for employment discrimination under federal or state law, except as provided in Paragraph 2; claims arising under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq., Title VII of the Civil Rights Act, 42 U.S.C. § 2000(e), et seq. or the Americans With Disabilities Act, 42 U.S.C. § 12101 et seq.; claims for statutory or common law wrongful discharge, claims arising under the Fair Labor Standards Act, 29 U.S.C. § 201et seq.; claims for attorney’s fees, expenses and costs; claims for defamation; claims for emotional distress; claims for wages or vacation pay; claims for benefits, including any claims arising under the Executive Retirement Income Security Act, 29 U.S.C. § 1001, et seq.; and claims under any other applicable federal, state or local laws or legal concepts; provided, however, that nothing herein shall release the

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Company of any indemnification obligations to Executive under the Company's bylaws, certificate of incorporation, Delaware law or otherwise.

2. Release of Claims Under Age Discrimination in Employment Act. Without limiting the generality of the foregoing, Executive agrees that by executing this Release, he has released and waived any and all claims he has or may have as of the date of this Release for age discrimination under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq. Executive acknowledges and agrees Executive has been, and hereby is, advised by Company to consult with an attorney prior to executing this Release. Executive further acknowledges and agrees that Company has offered Executive the opportunity, before executing this Release, to consider this Release for a period of twenty-one (21) calendar days; and that the consideration he receives for this Release is in addition to amounts to which he was already entitled. It is further understood that this Release is not effective until seven (7) calendar days after the execution of this Release and that Executive may revoke this Release within seven (7) calendar days from the date of execution hereof.

3. Non-Admission. It is understood and agreed by Executive that the payment made to him is not to be construed as an admission of any liability whatsoever on the part of the Company or any of the other Releasees, by whom liability is expressly denied.

4. Acknowledgement and Revocation Period. Executive agrees that he has carefully read this Release and is signing it voluntarily. Executive acknowledges that he has had twenty one (21) days from receipt of this Release to review it prior to signing or that, if Executive is signing this Release prior to the expiration of such 21-day period, Executive is waiving his right to review the Release for such full 21-day period prior to signing it. Executive has the right to revoke this release within seven (7) days following the date of its execution by him. In order to revoke this Release, Executive must deliver notice of the revocation in writing to Company's General Counsel before the expiration of the seven (7) day period. However, if Executive revokes this Release within such seven (7) day period, no severance benefit will be payable to him under the Employment Agreement and he shall return to the Company any such payment received prior to that date.

5. No Revocation After Seven Days. Executive acknowledges and agrees that this Release may not be revoked at any time after the expiration of the seven (7) day revocation period and that he/she will not institute any suit, action, or proceeding, whether at law or equity, challenging the enforceability of this Release. Executive further acknowledges and agrees that, with the exception of an action to challenge the waiver of claims under the ADEA, Executive shall not ever attempt to challenge the terms of this Release, attempt to obtain an order declaring this Release to be null and void, or institute litigation against the Company or any other Releasee based upon a claim that is covered by the terms of the release contained herein, without first repaying all monies paid to him/her under Section 8 of the Employment Agreement. Furthermore, with the exception of an action to challenge his waiver of claims under the ADEA, if Executive does not



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prevail in an action to challenge this Release, to obtain an order declaring this Release to be null and void, or in any action against the Company or any other Releasee based upon a claim that is covered by the release set forth herein, Executive shall pay to the Company and/or the appropriate Releasee all their costs and attorneys' fees incurred in their defense of Executive's action.

6. Governing Law and Severability. This Release and the rights and obligations of the parties hereto shall be governed and construed in accordance with the laws of the State of Georgia. If any provision hereof is unenforceable or is held to be unenforceable, such provision shall be fully severable, and this document and its terms shall be construed and enforced as if such unenforceable provision had never comprised a part hereof, the remaining provisions hereof shall remain in full force and effect, and the court or tribunal construing the provisions shall add as a part hereof a provision as similar in terms and effect to such unenforceable provision as may be enforceable, in lieu of the unenforceable provision.

EXECUTIVE HAS CAREFULLY READ THIS RELEASE AND ACKNOWLEDGES THAT IT CONSTITUTES A GENERAL RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS AGAINST THE COMPANY UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT. EXECUTIVE ACKNOWLEDGES THAT HE HAS HAD A FULL OPPORTUNITY TO CONSULT WITH AN ATTORNEY OR OTHER ADVISOR OF HIS CHOOSING CONCERNING HIS EXECUTION OF THIS RELEASE AND THAT HE IS SIGNING THIS RELEASE VOLUNTARILY AND WITH THE FULL INTENT OF RELEASING THE COMPANY FROM ALL SUCH CLAIMS.

**AMENDMENT TO EMPLOYMENT AGREEMENT  
BETWEEN  
CARL J. WILLIAMS  
AND GLOBAL PAYMENTS INC. DATED AS OF MARCH 15, 2004**

Effective January 1, 2009, Global Payments Inc., a Georgia corporation (the "Company"), and Carl J. Williams ("Executive") agree to amend the Employment Agreement (dated as of March 15, 2004) (the "Agreement") between the parties as hereinafter set forth in order to clarify certain provisions of the Agreement and to comply with Section 409A of the Internal Revenue Code Section and the regulations thereunder. The terms of this Amendment supersede any inconsistent terms in the Agreement. Words and phrases that are defined in the Agreement have the same meaning when used in this Amendment.

1. Section 7 is amended by adding a new section (f) at the end thereof, as follows:

“(f) Definition of Termination of Employment. For purposes of determining the time of payment of any amount hereunder in accordance with Section 409A, all references in this Agreement to termination of employment or Date of Termination mean a separation from service as defined under Section 409A and the regulations thereunder. This provision does not prohibit the vesting of any amount upon a termination of employment, however defined.”

2. In Section 8(a), the clause “only if Executive executes a Release in substantially the form of Exhibit A hereto (the “Release”)” is amended to read as follows:

“only if Executive executes (and does not revoke) a Release in substantially the form of Exhibit A hereto (the “Release”) within 60 days of the Date of Termination”

3. Section 8(a)(ii) of the Agreement shall be deleted in its entirety and replaced with the following:

“(ii) the Company shall continue to pay Executive for the shorter of nine (9) months after the Date of Termination or until Executive becomes employed with a subsequent employer, earns an income from becoming an owner, partner, or an independent contractor of any other entity, or in the event Employee earns an income from becoming a consultant, starting a business, or otherwise, (the “Normal Severance Period”), an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company’s payroll practices for active employees from time to time; provided, however that the Company’s obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as set forth in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation and further provided that the payments due Executive under this Section for the first six (6) months after the Date of Termination shall be paid on the six (6) month anniversary of the Date of Termination (the “Pay Date”); and”

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4. Section 8(a)(v) of the Agreement shall be deleted in its entirety and replaced with the following:

“(v) notwithstanding the provisions of the applicable Option agreement, all of Executive’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(a)(iv) above) shall remain exercisable through the earlier of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the Normal Severance Period; or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option.”

5. In Section 8(b), the clause “only if Executive executes the Release” is amended to read as follows:

“only if Executive executes (and does not revoke) the Release within 60 days of the Date of Termination”

6. Section 8(b)(ii) of the Agreement shall be deleted in its entirety and replaced with the following:

“(ii) the Company shall continue to pay Executive for the shorter of six (6) months after the Date of Termination or until Executive becomes employed with a subsequent employer, earns an income from becoming an owner, partner, or an independent contractor of any other entity, or in the event Executive earns an income from becoming a consultant, starting a business, or otherwise, (the “Poor Performance Severance Period”), an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company’s payroll practices for active employees from time to time; provided, however that the Company’s obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as set forth in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation and further provided that the payments due Executive under this Section for the first (6) six months after the Date of Termination shall be paid on the six (6) month anniversary of the Date of Termination (the “Pay Date”); and”

7. Section 8(b)(vii) of the Agreement shall be deleted in its entirety and replaced with the following:

“(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to the Section 8(b)(vi) shall remain exercisable through the earlier of (A) the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the Poor Performance Severance Period; or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option.”

8. In Section 8(c), the clause “only if Executive executes the Release” is amended to read as follows:

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“only if Executive executes (and does not revoke) the Release within 60 days of the Date of Termination”

9. Section 8(c)(ii) of the Agreement shall be deleted in its entirety and replaced with the following:

“(ii) on the six (6) month anniversary of the Date of Termination (the “Pay Date”), the Company (or its successor) shall pay the Executive a lump sum equal to the amount of the Executive’s Base Salary from the Date of Termination until the Pay Date, provided however, that the Company shall have no obligation to make such payment if Executive has violated any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and failed to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; thereafter, for up to three (3) additional months, the Company (or its successor) will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company’s payroll practices for active employees from time to time; provided, however that the Company’s obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and”

10. Section 8(c)(iii) of the Agreement shall be deleted in its entirety and replaced with the following:

“(iii) for a period of nine (9) months after the Date of Termination, the Company shall continue benefits to Executive and/or Executive’s family at least equal to those which would have been provide to them in accordance with the Welfare Plans described in Section 5(c) of this Agreement as if Executive’s employment had not been terminated; provided, however that the Company’s obligation to provide such benefits shall cease if Executive violates any of the Restrictive Covenants (as set forth in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and”

11. Section 8(c)(iv) of the Agreement shall be deleted in its entirety and replaced with the following:

“(iv) on the six month anniversary of the Date of Termination (the “Pay Date”), the Company shall pay Executive a bonus for the year in which the Date of Termination occurs in an amount equal to 100% of the applicable year’s Bonus Opportunity (as defined in Section 5(b)(i)); and”

12. Section 8(c)(vii) of the Agreement shall be deleted in its entirety and replaced with the following:

“(vii) notwithstanding the provisions of the applicable Option agreement, all of Executive’s vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to the Section 8(c)(vi) above) shall remain exercisable through the earlier of (A)

the original expiration date of the Option, (B) the 90<sup>th</sup> day following the end of the Change in Control Severance Period; or (C) the date that is the 10<sup>th</sup> anniversary of the original date of grant of the Option; and”

13. The last sentence in Section 10(a) of the Agreement shall be deleted in its entirety and replaced with the following:

“In that event, Payments to the Executive shall be reduced on a pro-rata basis.”

14. The following sentence in Section 10(b) shall be deleted in its entirety:

“Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm’s determination.”

and replaced with the following language:

“Any Gross-Up Payment, as determined pursuant to this Section 10, shall be paid by the Company to Executive within five days of the receipt of the Accounting Firm’s determination, but in no event before the sixth month anniversary of the Termination Date or later than the end of Executive’s taxable year following the taxable year in which the Excise Tax is remitted.”

15. The following sentence in Section 10(b) shall be deleted in its entirety:

“In the event that the Company exhausts its remedies pursuant to Section 10(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive.”

and replaced with the following language:

“In the event that the Company exhausts its remedies pursuant to Section 10(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company (but in no event before the sixth month anniversary of the Termination Date or later than the end of Executive’s taxable year following the taxable year in which the Underpayment is remitted) to or for the benefit of Executive.”

16. Section 10 is amended by adding the following new paragraph (e) at the end thereof:

“(e) Any payment of costs or expenses relating to claims as described in Section 10(c) shall be made by the end of Employee’s taxable year following the taxable year in which the taxes that are the subject of the claim are remitted or, if no taxes are remitted, by the end of Employee’s taxable year following the year in which an audit relating to such claim is completed or there is a final and nonappealable settlement or other resolution of the claim.”

17. Section 11 of the Agreement shall be modified by adding the following sentence to the end of the existing Section 11:

“Any costs or expenses that otherwise meet the requirements for reimbursement under this Section 11 shall be reimbursed within 60 days of submission by Executive of a request for reimbursement, but in no event later than the last day of Executive’s taxable year following the taxable year in which the Executive becomes entitled to such reimbursement by reason of being successful on at least one material issue (provided a request for reimbursement has been made).”

18. Section 15 of the Agreement shall be deleted in its entirety and replaced with the following:

“15. Rabbi Trust. In order to ensure the payment of the severance benefit provided for in Section 8(c)(ii) and (iii) of this Agreement, immediately following the commencement of any action by a third party with the aim of effecting a Change in Control of the Company, or the publicly-announced threat by a third party to commence any such action, the Company shall fully fund through the Global Payments Inc. Benefit Security Trust, or similar “rabbi trust” the amount of the severance payment that would have been paid to Executive under Section 8(c)(ii) and (iii) if the Date of Termination had occurred on the date of commencement, or publicly-announced threat of commencement, of such action by the third party. Amounts shall be paid to Executive from such trust as provided under this Agreement and the trust. The right of Executive to receive payments under this Agreement shall be an unsecured claim against the general assets of the Company and Executive shall have no rights in or against any specific assets of the Company.”

19. Section 17 of the Agreement shall be modified by adding the following new subsection (h) to the end of the existing Section 17:

“(h) Section 409A. This Agreement is intended to comply with Section 409A of the Code and the regulations thereunder, to the extent applicable. The Agreement shall be interpreted in such a way so as to comply, to the extent necessary, with Section 409A and applicable regulations. References to termination of employment shall, to the extent necessary, be references to a severance from service as defined in Section 409A.”

IN WITNESS WHEREOF, the parties hereto have duly executed this amendment to the Agreement, effective as the date specified above.

EXECUTIVE:

/s/ Carl J. Williams  
Carl J. Williams

Date: 12/31/08

GLOBAL PAYMENTS INC.

By: /s/ Suellen P. Tornay

Name: Suellen P. Tornay

Title: Executive Vice President and  
General Counsel

Date: 12/31/08

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Paul R. Garcia, certify that:

1. I have reviewed this 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 6, 2009

By: /s/ PAUL R. GARCIA

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Paul R. Garcia  
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, David E. Mangum, 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 and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 6, 2009

By: /s/ DAVID E. MANGUM

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David E. Mangum  
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 February 28, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul R. Garcia, Chief Executive Officer of Global Payments Inc. (the "Company"), and David E. Mangum, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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*/s/ Paul R. Garcia*

**Paul R. Garcia**  
Chief Executive Officer  
Global Payments Inc.  
April 6, 2009

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*/s/ David E. Mangum*

**David E. Mangum**  
Chief Financial Officer  
Global Payments Inc.  
April 6, 2009

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.