

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

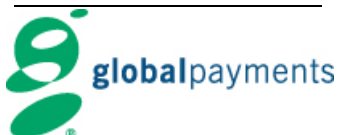
**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended May 31, 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 No. 001-16111



GLOBAL PAYMENTS INC.

(Exact name of registrant as specified in charter)

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

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

Title of each class

Common Stock, No Par Value

Series A Junior Participating Preferred Share Purchase Rights

Name of each exchange
on which registered

New York Stock Exchange

New York Stock Exchange

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

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its Corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$2,650,636,221.

The number of shares of the registrant's common stock outstanding at July 23, 2009 was 80,535,270 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Specifically identified portions of the registrant's proxy statement for the 2009 annual meeting of shareholders are incorporated by reference in Part III.

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**CAUTIONARY NOTICE REGARDING
FORWARD-LOOKING STATEMENTS**

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

We believe that it is important to communicate our plans and expectations about the future to our shareholders and to the public. Some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements concerning our business operations, economic performance and financial condition, including in particular: our business strategy and means to implement the strategy; the amount of future results of operations, such as revenue, certain expenses, operating margins, income tax rates, shares outstanding, capital expenditures, operating metrics, and earnings per share; our success and our timing in developing and introducing new products or services and expanding our business; and the successful integration of future acquisitions. You can sometimes identify forward looking-statements by our use of the words “believes,” “anticipates,” “expects,” “intends,” “plan,” “forecast,” “guidance” and similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, many of which are beyond our control, cannot be foreseen and reflect future business decisions that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth rates and margins, other results of operations and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors, many of which are beyond our ability to predict or control. These factors include, but are not limited to, those set forth in Item 1A—Risk Factors of this report, those set forth elsewhere in this report and those set forth in our press releases, reports and other filings made with the Securities and Exchange Commission, or SEC. These cautionary statements qualify all of our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements.

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

PART I

ITEM 1—BUSINESS

General Developments

Financial Highlights

In the year ended May 31, 2009, or fiscal 2009, revenue increased 26% to \$1,601.5 million from \$1,274.2 million in the year ended May 31, 2008, or fiscal 2008. This revenue growth was primarily due to our acquisition of 51% of HSBC Merchant Services LLP (the “LLP”) in our International merchant services segment and growth in our North America merchant services segment. Consolidated operating income was \$161.4 million for fiscal 2009, compared to \$251.4 million for fiscal 2008, which resulted in a decrease in operating margin to 10.1% for fiscal 2009 from 19.7% for fiscal 2008. This decrease in operating income was primarily due to an impairment charge of \$147.7 million in our money transfer business resulting from our annual goodwill impairment test. Net income decreased \$125.5 million, or 77%, to \$37.2 million in fiscal 2009 from \$162.8 million in the prior year, resulting in a \$1.55 decrease in diluted earnings per share to \$0.46 in fiscal 2009 from \$2.01 in fiscal 2008.

North America merchant services segment revenue increased \$108.4 million or 11% to \$1,106.9 million in fiscal 2009 from \$998.5 million in fiscal 2008. North America merchant services segment operating income decreased slightly to \$273.0 million in fiscal 2009 from \$275.4 million in fiscal 2008, with operating margins of 24.7% and 27.6% for fiscal 2009 and 2008, respectively.

International merchant services segment revenue more than doubled to \$355.5 million in fiscal 2009 from \$132.1 million in fiscal 2008. International merchant services operating income also increased significantly to \$82.8 million in fiscal 2009 from \$17.7 million in fiscal 2008, with operating margins of 23.3% and 13.4% for fiscal 2009 and 2008, respectively. These increases are primarily due to the acquisition of our 51% interest in the LLP.

Money transfer segment revenue decreased \$4.4 million or 3% to \$139.2 million in fiscal 2009 from \$143.6 million in fiscal 2008. Money transfer segment operating income increased 21% to \$16.5 million in fiscal 2009 from \$13.6 million in fiscal 2008, with operating margins of 11.9% and 9.5% for fiscal years 2009 and 2008, respectively.

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

Fiscal 2009 Acquisitions

HSBC Merchant Services LLP

On June 30, 2008, we acquired a 51% majority ownership interest in HSBC Merchant Services LLP. The LLP provides payment processing services to merchants in the United Kingdom and Internet merchants globally. We paid HSBC Bank plc (“HSBC UK”) \$438.6 million in cash 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.

On June 12, 2009, we completed the purchase of the remaining 49% interest in the LLP from HSBC UK and extended our marketing alliance agreement to 2019. Total consideration paid for the remaining interest in the LLP was \$307.7 million in cash. We used existing lines of credit and available cash to complete the transaction.

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Additionally, on July 10, 2009 we entered into a new \$300.0 million term loan agreement with a syndicate of financial institutions. We will use the proceeds of this term loan to pay down our existing credit facility which was used to fund the purchase of our remaining 49% interest in the LLP. The term loan expires in 2012 and has a variable interest rate based on London Interbank Offered Rate plus a margin based on our leverage position.

ZAO United Card Service

On April 30, 2009, we completed the acquisition of all 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. Under the terms of the agreement, we paid a total of \$75.0 million in cash to acquire UCS. As of May 31, 2009, \$55.0 million of the purchase price was held in escrow. Prior to our acquisition of UCS, the former parent company of UCS pledged the company’s stock as collateral for a third party loan that matures on September 24, 2009. Upon repayment of this loan, the stock will be released to us and \$35.0 million of the purchase price will be released to the seller. The remaining \$20.0 million will remain in escrow until January 1, 2013, to satisfy any liabilities discovered post-closing that existed at the purchase date.

Global Payments Asia-Pacific Philippines

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, indirectly acquired Global Payments Asia-Pacific Philippines Incorporated (“GPAP Philippines”), a newly formed company into which The Hongkong and Shanghai Banking Corporation Limited (“HSBC Asia Pacific”) contributed its merchant acquiring business in the Philippines. We own 56% of GPAP and HSBC Asia Pacific owns the remaining 44%. We purchased our share of GPAP Philippines for \$10.9 million.

Business Description

Global Payments Inc. is a leading provider of electronic payments transaction processing services for consumers, merchants, Independent Sales Organizations (ISOs), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, Latin America, the United Kingdom, the Asia-Pacific region, the Czech Republic and the Russian Federation. We serve as an intermediary to facilitate payments transactions and operate in three reportable segments: North America Merchant Services, International Merchant Services, and Money Transfer. We were incorporated in Georgia as Global Payments Inc. in September 2000, and we spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have provided transaction processing services since 1967.

Our merchant services segments target customers in many vertical industries including financial institutions, gaming, government, health care, professional services, restaurants, retail, universities and utilities. Our money transfer segment primarily targets immigrants in the United States and Europe. See Note 12 in the notes to consolidated financial statements for additional segment information and “Item 1A—Risk Factors” for a discussion of risks involved with our international operations.

Merchant Services Overview

Our merchant acquiring services are similar around the world in that we accept a variety of card-based payments at the point of sale. We conduct our merchant acquiring business using two different business models – direct and indirect. In the direct model, merchants are our end customers. We provide our merchant customers with the ability to accept card-based and check payments. The term “merchant” generally refers to any organization that accepts credit or debit cards for the payment of goods and services. We sell our services through multiple sales channels around the world and target customers in many vertical industries. Card-based payment forms consist of credit, debit, gift, stored value, and electronic benefits transfer cards. Credit and debit

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card transaction processing includes the processing of Visa, MasterCard, Discover and JCB credit cards, cards issued by other card networks like American Express and debit cards. Credit and debit card processing involves a consumer or cardholder acquiring goods or services from a merchant and using a credit or debit card as the form of payment. We are the processing intermediary between the merchant, the credit and debit networks and the financial institutions that issue cards. Our services include a comprehensive offering including terminal sales and deployment, front-end authorization processing, settlement and funding processing, full customer support and help-desk functions, chargeback resolution, industry compliance, PCI security, consolidated billing and statements, and on-line reporting. Our value proposition is to provide high quality, responsive, secure and full end-to-end service to all of our customers. Currently, we market direct merchant services in the United States, Canada, the Asia-Pacific region, the United Kingdom, and the Russian Federation.

Indirect merchant services provides similar basic products and services as our direct merchant services 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. These services are marketed in the United States and parts of Eastern Europe, primarily in the Czech Republic and the Russian Federation. We also offer sales, installation and servicing of ATM and point of sale (“POS”) terminals and selected card issuing services, including card management and card personalization, which are components of indirect merchant services, through Global Payments Europe and UCS.

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 as a specified fee per transaction or per service rendered. In both merchant services models, we also charge other fees unrelated to the number of transactions or the transaction value.

Credit and Debit Card Transaction Processing

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

Electronic draft capture is the process of transferring sales draft data into an electronic format so that it may be sent through networks for clearing and settlement. The card networks, primarily Visa and MasterCard, use a system known as interchange, in the case of credit and signature debit cards. Financial institutions use the debit networks, for PIN debit cards, to transfer the information and funds between the card issuers and us to complete the link between merchants and card issuers. Debit card payments differ slightly from traditional credit card transactions in that the cardholder is required to have sufficient funds available in a deposit account at the time of the transaction, or the debit card transaction will not be authorized. PIN-based debit transactions are sent through a debit network, while signature-based debit, or check card transactions, which are offered exclusively in the United States, are sent through Visa and MasterCard and require a signature at the time of purchase. Also, PIN-based debit transactions typically deduct the purchase amount from the cardholder’s deposit account within a day of the purchase, depending on the time of the purchase. Signature-based debit, or check card transactions typically debit the cardholder’s deposit account two to three days after the purchase, although the funds are “held” with a memo posted to the cardholder’s bank account. A credit card transaction posts to a cardholder’s account, reducing the available credit limit in a similar manner.

In order to provide credit and Signature-based debit 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

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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 five primary financial institution sponsors in the United States, Canada, the United Kingdom, the Asia-Pacific region and the Russian Federation 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.

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.

How a Card Transaction Works

A card transaction begins when a cardholder presents a card for payment at a merchant location where the card information is captured by a POS terminal card reader, which may be provided by Global Payments. Alternatively, card and transaction information may be captured and transmitted to our network through a POS device by one of a number of products that we offer directly or through a value added reseller (“VAR”). For a credit card transaction, authorization services generally refer to the process in which the card issuer indicates whether a particular credit card is authentic and whether the impending transaction value will cause the cardholder to exceed defined credit limits. The terminal electronically records sales draft information, such as the credit card identification number, transaction date and value of the goods or services purchased.

After the card and transaction information is captured by the POS device, the terminal automatically either dials a pre-programmed phone number or otherwise connects to our network, through the internet or a leased line, in order to receive authorization of the transaction. We route the request to the applicable credit or debit network. The credit or debit network forwards the authorization request to the card issuer, who determines a response based on the status of the cardholder’s account. The response is returned to the merchant’s terminal via the same communication network. This entire authorization and response process occurs within seconds.

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 generally follow a net settlement process whereby, if the incoming amount from the card networks precedes the Member’s funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member, in 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. Each participant in the transaction process receives compensation for its services.

As an illustration, on a \$100.00 credit card transaction, the card issuer may fund the Member \$98.50 after retaining approximately \$1.50 referred to as an interchange fee or interchange expense. The card issuer seeks reimbursement of \$100.00 from the cardholder in the cardholder’s monthly credit card bill. The Member would, in turn, pay the merchant \$100.00. The net settlement after this transaction would require Global Payments to advance to the Member \$1.50. After the end of the month, we would bill the merchant a percentage of the

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transaction, or discount, to cover the full amount of the interchange fee and our net revenue from the transaction. If our net revenue from the merchant in the above example was 0.5%, we would bill the merchant \$2.00 at the end of the month for the transaction, reimburse ourselves for approximately \$1.50 in interchange fees and retain \$0.50 as our net revenue for the transaction. Our gross profit on the transaction reflects the net revenue less operating expenses, including the network and systems cost to process the transaction (including assessments) and commissions paid to our sales force or ISO. Assessments are fees charged by Visa and MasterCard based on the dollar value of transactions processed through their networks.

North America Merchant Services Segment

North America merchant services represent 69% of our total consolidated fiscal 2009 revenues and include operations in the United States and Canada. In the U.S. we sell our services via ISOs, a direct sales force, trade associations, agent and VAR referral arrangements, as well as proprietary telesales groups.

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

Our direct sales channel receives qualified leads from our agent bank, VAR and trade association referral partners signing a variety of mid-to-large sized merchants with annual bankcard volume above \$300,000. Our sales force is paid a combination of base salary, commission and benefits.

Our United States revenue also includes check and gaming services and indirect merchant services. Our check products offer merchant customers risk management alternatives, in the case of our verification and recovery offerings, or risk elimination, in the case of our guarantee offerings, by leveraging our internal and external databases of checkwriters to help decide whether the merchant should accept a check as the form of payment from a particular checkwriter. Our check services products are part of our domestic direct service offering.

Check guarantee services include comprehensive check verification and guarantee services designed for a merchant's specific needs and risk adversity. This service offering guarantees payment of all checks that are electronically verified. If a verified check is dishonored, our check guarantee service generally provides the merchant with reimbursement of the check's face value, and then we pursue collection of the check through our internal collection services. While we have the right to collect the full amount of the check from the checkwriter, we have historically recovered less than 100% of the guaranteed checks. We derive revenue for these services primarily by charging the merchant a percentage of the face value of each guaranteed check. Check verification and recovery services are similar to those provided in the check guarantee service, except that these services do not guarantee payment of the verified checks. We derive revenues for these services primarily from the service fees collected from delinquent check writers, fees charged to merchants based on a transaction rate per verified check, and fees charged to merchants for specialized services, such as electronic re-deposits of dishonored checks.

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

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In Canada we sell our services primarily through our direct sales force leveraging our bank referral relationships. Unlike the United States, the majority of payment transactions in Canada are PIN-based debit transactions.

International Merchant Services Segment

International merchant services represent 22% of our total consolidated fiscal 2009 revenues and is comprised of operations in Europe and the Asia-Pacific region. Our business in Europe is primarily located in the United Kingdom, the Czech Republic and the Russian Federation. Our Asia-Pacific region includes the following eleven countries and territories: Brunei, China, Hong Kong, India, Macau, Malaysia, Maldives, the Philippines, Singapore, Sri Lanka and Taiwan. We have a direct sales force in the United Kingdom, the Russian Federation and the Asia-Pacific region through which we primarily sell our services while leveraging our bank referral relationships. In the Czech Republic and the Russian Federation we provide indirect merchant acquiring and other similar card services.

Money Transfer Segment

Our money transfer segment provides consumer money transfer services. Revenue derived from our money transfer offering consists of our electronic money transfer services marketed under our DoEx brand to first and second generation Latin Americans living in the United States. This segment regularly transfers money to family and friends living in Latin America. Following the Europhil acquisition in December 2004, we expanded our money transfer origination locations to Europe and our settlement locations to Morocco, the Philippines, Romania and Poland. Money transfer represents 9 percent of our total consolidated fiscal 2009 revenues.

In a typical money transfer transaction, a customer visits one of our originating branch locations and pays a fee based on the nature and amount of the transaction performed on the customer's behalf. Where applicable, the customer is quoted a retail foreign currency exchange rate when the money transfer transaction is requested. The customer will receive a receipt that includes the amount the beneficiary will receive, the retail exchange rate, money transfer fee, settlement location and total amount that was remitted to us. We earn additional revenue based on the difference between the retail exchange rate that is quoted and the wholesale exchange rate when the currency is purchased, which is in much larger denominations than the individual customer's transaction. On each business day, we estimate the amount of currency needed by our settlement locations, bid the wholesale exchange rates based on the amount needed and purchase currency at the best available rates.

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

	Year Ended May 31,		
	2009	2008	2007
Revenues:			
United States	\$ 805,557	\$ 731,215	\$ 604,899
Canada	301,294	267,249	224,570
North America merchant services	1,106,851	998,464	829,469
Europe	265,121	59,778	51,224
Asia-Pacific	90,334	72,367	48,449
International merchant services	355,455	132,145	99,673
United States	112,429	119,019	115,416
Europe	26,789	24,601	16,965
Money transfer	139,218	143,620	132,381
Consolidated revenues	\$ 1,601,524	\$ 1,274,229	\$ 1,061,523

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Industry Overview and Target Markets

Industry Overview

Payment processing service providers offer high-volume electronic transaction payment processing and support services directly to financial institutions, merchants, multinational corporations, government agencies and ISOs. Generally, the payment processing market in the United States and Canada continues to transition from traditional financial institution providers to independent merchant acquirers, such as Global Payments. We believe merchants seek more efficient distribution channels, as well as increased technological capabilities required for the rapid and efficient creation, processing, handling, storage, and retrieval of information.

Based on *The Nilson Report*, dated March 2009, we are a leading mid-market and small-market merchant acquirer in the United States and we directly compete with Chase Paymentech, First Data Corporation, and Bank of America Merchant Services. According to that report Chase Paymentech is the largest electronic transaction payment processor in the United States.

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

In the European and Asia-Pacific regions, financial institutions remain the dominant providers of payment processing services to merchants, although the outsourcing of merchant processing services to third party service providers is becoming more prevalent. Throughout all markets, processing services have become increasingly complex, requiring significant capital commitments to develop, maintain and update the systems necessary to provide these advanced services at a competitive price.

Our primary competitors within the United Kingdom are the Royal Bank of Scotland and Barclays. The Russian Federation payments market is highly fragmented and our competition is made up of various financial institutions, including Sberbank and Russian Standard Bank. In the Czech Republic, our primary competitors for processing are First Data, SiNSYS, and Euronet. In the Asia-Pacific region, our primary competition is from financial institutions that offer merchant acquiring services as well as Merchant Solutions, which is a joint venture between First Data and Standard Chartered PLC.

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

In the Canadian market, Visa, MasterCard and Interac are planning to migrate to cards containing chip technology over the coming years. Chip technology provides the ability to process payment transactions securely by protecting the cardholder information in an encrypted and confidential manner. The chip is difficult to copy and has the additional capacity to be personalized by a card issuer, including the ability to be programmed with spending and usage limits, making it possible to authorize some transactions off-line. Chip technology can also help enable a variety of additional card features including applications such as loyalty, access control, rewards and public transit passes. We expect that it will take multiple years for all participants to implement the computer equipment and merchant terminals necessary to accept and process the chip card compliant transactions in the Canadian marketplace. We have developed a long-term plan to ensure our merchants will benefit from the migration to chip technology in the Canadian market. In addition, we have begun to deploy chip card-capable terminals in the Canadian market. Chip card technology is already prevalent in the European and Asia-Pacific markets.

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We also provide electronic money transfer services to consumers in the United States and Europe who send money to Latin America, Morocco, the Philippines, Romania, Poland and other destinations. Unlike our major competitors in the Latin American corridor that operate an agent-based network, we generally utilize a branch-owned network strategy at the point of sale. We believe that this differentiation allows us to be more flexible and competitive when setting our prices and introducing new products and services.

We believe the number of electronic transactions will continue to grow in the future and that an increasing percentage of these transactions will be processed through emerging technologies. To help our customers reduce their transaction costs and speed up the transaction approval process, we have integrated new technologies into our service offerings such as internet protocol communications and check truncation or conversion at the point of sale. If new technologies like radio frequency identification or contactless payment cards continue to evolve and are desired by merchants and consumers, we plan to continue developing new products and services that will exploit the benefits that these new technologies can offer our customers. We also believe that new emerging markets will continue to develop in areas that have been previously dominated by paper-based transactions. Industries such as quick service restaurants, government, recurring payments, and business-to-business should continue to see transaction volumes migrate to more electronic-based settlement solutions. We believe that the continued development of new products and services and the emergence of new vertical markets will be a factor in the growth of our business for the foreseeable future.

Target Markets

We believe that significant global opportunities exist for continued growth in the application of electronic transaction payment processing and money transfer services. Although the United States accounts for the largest payment processing volume in the world, global expansion by financial institutions into new geographies and the increased recognition by governments of the ability of payment cards to facilitate economic growth are rapidly transforming the electronic commerce market into a global opportunity.

The growth of retail credit card transactions, as well as the rapid growth in the utilization of debit cards, directly correlates with the historic growth of our business. According to *The Nilson Report* dated May 2009, worldwide annual general purpose card purchase volume increased 10% to \$6.7 trillion in 2008. General purpose cards include the major card networks brands such as MasterCard, Visa, American Express, Discover, Diners Club and JCB. In Canada, general purpose cards also include Interac debit cards.

The Nilson Report dated May 2009 estimates that more than \$3.1 trillion of annual consumer spending was charged in 2008 using general purpose cards in the United States, a 6% increase from 2007. Based on *The Nilson Report* dated April 2009, the United States industry mix of Visa and MasterCard debit and credit purchase transactions are approximately 39% and 61%, respectively. *The Nilson Report* dated February 2009 reported that \$428.5 billion (U.S.) of annual Canadian consumer spending uses general purpose cards as the form of payment, representing an increase of 9% over 2007. Also based on *The Nilson Report* dated February 2009, the Canadian industry mix of Visa and MasterCard credit cards and Interac debit cards purchase transactions are approximately 40% and 60%, respectively. *The Nilson Report* dated May 2009 estimates that \$2.0 trillion of annual consumer spending was charged in 2008 using general purpose cards in Europe, a 10% increase from 2007. The industry mix in the United Kingdom, based on the United Kingdom purchase transaction Payments Authority (APACS) for Visa and MasterCard debit and credit cards are approximately 77% and 23%, respectively.

We process in eleven countries and territories in the Asia-Pacific region. This market includes almost 40% of the world's population and 71% of the total Asia-Pacific population according to the *CIA World Factbook*. These markets are largely cash based. We believe there are significant, long-term growth opportunities for payment processing in this market.

The growth rate of remittances from the United States to Latin America has decreased over the past year, primarily due to a slowing United States economy, a downturn in the United States housing and construction markets, and increased enforcement of immigration policies.

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Strategy

In pursuing our business strategy, we seek to leverage the rapid adoption of and transition to card based payments by expanding market share in our existing markets through our distribution channels or through acquisitions in North America, Asia-Pacific and Europe, and investing in and leveraging technology and people, thereby maximizing shareholder value. We intend to accomplish this overall strategy as follows:

Existing offerings

In pursuing this business strategy, we intend to increase our penetration of existing markets and to further leverage our infrastructure. Our objectives to execute this strategy include the following:

- expand our direct merchant services distribution channels, primarily our existing sales force, ISOs, OEMs, VARs and other referral relationships;
- provide the best possible customer service at levels that exceed our competitors by investing in technology, training and product enhancements;
- grow our direct merchant services market share in the United States, Canada, the United Kingdom, the Asia-Pacific region and the Russian Federation by concentrating on the small and mid-market merchant segments;
- provide the latest, secure and enhanced products and services by developing value-added applications, enhancing existing products and developing new systems and services to blend technology with our customer needs; and
- focus on potential domestic and international acquisitions or investments and alliances with companies that have high growth potential or significant market presence and operate in profitable sectors of payments-related industries through compatible products and services, and development and distribution capabilities.

International markets

We intend to focus on further diversification in international markets with high payments industry growth, such as Europe and the Asia-Pacific region. We may expand our direct merchant services and indirect merchant services offerings into these markets, either organically or through acquisitions. We are evaluating these markets due to the following attractive characteristics:

- currently low but growing credit and debit card utilization;
- a target with significant market share presence; or
- the absence of a dominant merchant acquirer or processor.

Infrastructure

Our focus on the existing infrastructure will center on attracting, developing and retaining talent to execute our strategy and migrate our systems to leading edge technology. We intend to continue systems integrations, primarily the consolidation of both our front and back-end operating platforms.

We continue to make progress on our next generation technology processing platform, referred to as G2. This platform is planned to be a new front-end operating environment for our merchant processing in the United States, Asia-Pacific, the United Kingdom, and Canada, and is intended to replace several legacy platforms that have higher cost structures. Aside from cost advantages, there are many other benefits to this new platform, such as increased speed to market of new products, ease of scalability, enhanced reporting options, hardware environment flexibility, and compliance with EMV and PCI standards. In addition, the platform is being designed as a potential integration platform for future acquisitions.

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Compliance

Money Transfer Licensing and Regulations

We are subject to various United States federal, state and foreign laws and regulations governing money transmission and the sale of payment instruments, such as official checks and money orders.

In the United States, most states license consumer money transfer service providers and issuers of money orders such as DoEx. The applicable state statutes and regulations typically require DoEx to obtain and maintain certain required licenses as a condition to performing these activities. These statutes and regulations vary, but generally require DoEx to do the following: (a) satisfy minimum net worth and other financial covenant requirements; (b) periodically submit information regarding financial results, changes in corporate documentation or ownership, insurance, and other relevant information; (c) procure and maintain a surety bond with minimum statutory levels of coverage; (d) demonstrate the character and fitness of the officers and directors of DoEx; and (e) be subject to periodic financial and operational audits. The state licenses have varying renewal periods. Certain licenses have a specific term of one or more years and require renewals at the end of such term, while others remain in effect unless revoked.

The money transfer service offering also is subject to regulation by various agencies of the federal government that are charged with implementing and enforcing anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, collectively referred to as the BSA. The BSA, among other things, requires money transfer companies to develop and implement risk-based anti-money laundering programs, report large cash transactions and suspicious activity, and maintain transaction records. In addition, certain economic and trade sanctions programs that are administered by the Treasury Department's Office of Foreign Assets Control, or OFAC, prohibit or restrict transactions to or from or dealings with specified countries, their governments, and in certain circumstances, their nationals, and with individuals and entities that are specially-designated nationals of those countries, narcotics traffickers, and terrorists or terrorist organizations.

Global Payments' European money transfer companies, created through Europhil, our acquisition in December 2004, are regulated by various governmental agencies in Spain, and the United Kingdom in their money transfer activities. Prior to its acquisition by Global Payments, Europhil received approval from these governmental agencies to act as a money transfer service provider. The requirements of these governmental agencies vary, but generally require Europhil to do the following: (a) satisfy minimum share capital requirements; (b) periodically submit information regarding financial results, changes in corporate documentation or ownership, insurance, and other relevant information; (c) register and maintain transaction information; (d) maintain adequate insurance coverage; (e) ensure the transparency of the conditions of the transactions to its customers; (f) implement safeguards and restrictions to prevent money laundering; and (g) subject itself to periodic audits.

In addition, the money transfer service offerings are subject to regulation in the settlement countries in which DoEx and Europhil offer their services. These regulations may include limitations on what types of entities may offer money transfer services, limitations on the amount of principal that can be moved into or out of a country, limitations on the number of money transfers that may be received by a customer, limitations on the exchange rates between foreign currencies, and regulations intended to help detect and prevent money laundering.

DoEx and Europhil have developed compliance programs to monitor regulatory requirements and developments and to implement policies and procedures to help satisfy these requirements in each origination and settlement jurisdiction. In addition, DoEx and Europhil's use of a branch network for the origination of electronic money transfers, rather than an agent model typically utilized by our larger competitors, allows for greater control over regulatory compliance, as our customers interface at the point of sale with DoEx and Europhil employees, rather than the employees of third party agents.

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Employees

As of May 31, 2009, we had 5,844 employees. Many of our employees are highly skilled in technical areas specific to electronic transaction payment processing and money transfer. We believe that our current and future operations depend substantially on retaining our key technical employees.

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

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

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

NYSE Euronext
20 Broad Street
New York, NY 10005

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ITEM 1A—RISK FACTORS

Our revenues from the sale of services to merchants that accept Visa cards and MasterCard cards are dependent upon our continued Visa and MasterCard registration and financial institution sponsorship.

In order to provide our transaction processing services, we must be registered as a merchant processor of MasterCard and Visa. These designations are dependent upon our being sponsored by member clearing banks of both organizations and our continuing adherence to the Visa and MasterCard standards. There are a limited number of member clearing banks worldwide that are willing to sponsor merchant processors, such as us, and attaining new sponsorship agreements is difficult. The member financial institutions of Visa and MasterCard, some of which are our competitors, set the standards with which we must comply. If we fail to comply with these standards, our designation as a registered merchant processor of MasterCard and Visa could be suspended or terminated. The termination of any of these designations, the loss of any of our five primary sponsor banks, or any changes in the Visa and MasterCard rules that prevent our registration or otherwise limit our ability to provide transaction processing and marketing services for the Visa or MasterCard organizations would likely result in the loss of merchant customers and lead to a material reduction in our revenues and earnings.

Loss of key Independent Sales Organizations could reduce our revenue growth.

Our ISO sales channel, which purchases and resells our end-to-end services to its own portfolio of merchant customers, is a strong contributor to our revenue growth in our North America merchant services segment. If an ISO switches to another transaction processor, shuts down or becomes insolvent, we will no longer receive new merchant referrals from the ISO. In addition, we risk losing existing merchants that were originally enrolled by the ISO. Consequently, if we lose a key ISO, our revenues and earnings could be negatively affected.

Risks associated with operations outside the United States 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 significant international operations, as well as our significant electronic money transfer operations in the United States, Latin America and Europe. Volatility in currency exchange rates has affected and may continue to affect our financial results. For example, for fiscal year 2009, currency exchange rate fluctuations reduced our revenues by \$88.2 million and our earnings by \$0.10 per diluted share. We do not use forward contracts or other derivative instruments to mitigate the risks associated with currency exchange risk.

We have a number of foreign subsidiaries whose functional currency is their local currency. We are subject to the risk that currency exchange rates between these regions and the United States will fluctuate, potentially resulting in a loss of some of our revenue and earnings when such amounts are exchanged into United States dollars.

We also have significant money transfer operations in the United States, Latin America and Europe which subject us to foreign currency exchange risks as our customers deposit funds in the local currencies of the originating countries where our branches are located, and we typically deliver funds denominated in the home country currencies to each of our settlement locations.

In addition, in certain of the jurisdictions in which we operate, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our foreign currency into United States dollars or limit our ability to freely move currency in or out of particular jurisdictions.

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Some of our competitors are larger and have greater financial and operational resources than we do, which may give them an advantage in our market with respect to the pricing of our products and services offered to our customers, our ability to develop new technologies, and our ability to complete acquisitions.

We operate in the electronic payments and money transfer markets. Our primary competitors in these markets include other independent processors and electronic money transmitters, as well as certain major national and regional banks, financial institutions and independent sales organizations. Companies who are larger than we are have greater financial and operational resources than we have. This may allow them to offer better pricing terms to customers, which could result in a loss of our potential or current customers or could force us to lower our prices as well. Either of these actions could have a significant effect on our revenues and earnings. In addition, our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies, including internet payment processing services that provide improved operating functionality and features to their product and service offerings. If successful, their development efforts could render our product and services offerings less desirable to customers, again resulting in the loss of customers or a reduction in the price we could demand for our offerings. Lastly, our competitors may be willing or able to pay more than us for acquisitions, which may cause us to lose certain acquisitions that we would otherwise desire to complete.

Our money transfer service offerings are dependent on financial institutions to provide such offerings.

Our money transfer service offerings involve transferring funds internationally and are dependent upon foreign and domestic financial institutions, including our competitors, to execute funds transfers and foreign currency transactions. Changes to existing regulations of financial institution operations, such as those designed to combat terrorism or money laundering, could require us to change our operational procedures in such a way that might increase our costs of doing business or could require us to terminate certain product offerings. In addition, as a result of existing regulations and/or changes to such regulations, financial institutions could decide to cease providing the services on which we depend entirely, requiring us to terminate certain product offerings in specifically impacted markets. In the future, the inability to purchase these services from significant regional or national financial institutions would likely result in a material reduction to our money transfer revenue and earnings.

We are subject to the business cycles and credit risk of our merchant customers and, to a lesser extent, consumer checkwriters.

The current recessionary economic environment could affect our merchants through a higher rate of bankruptcy filings, resulting in lower revenues and earnings for us. Our merchants are liable for any charges properly reversed by the card issuer on behalf of the cardholder. Our merchants and ISOs are also liable for any fines, or penalties, that may be assessed by any card networks. In the event, however, that we are not able to collect such amounts from the merchants, due to merchant fraud, insolvency, bankruptcy or any other reason, we may be liable for any such charges, resulting in lower earnings for us. We process billions of dollars in annual volume that are subject to these risks.

The current recessionary economic environment could also cause checkwriters to dishonor a greater number of checks issued to our merchant customers. If we are unable to collect the face value of these checks, we may incur higher losses and lower earnings.

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

The electronic payments and money transfer markets in which we compete include a wide range of products and services including electronic transaction payment processing, money transfer, transaction reporting and other customer support services. These markets are characterized by technological change, new product introductions,

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evolving industry standards and changing customer needs. In order to remain competitive, we are continually involved in a number of research and development projects including the development of a new front-end platform for electronic payments processing. These projects carry the risks associated with any research and development effort, including cost overruns, delays in delivery and performance problems. In the electronic payments and money transfer markets these risks are even more acute. Our markets are constantly experiencing rapid technological change. Any delay in the delivery of new products or services could render them less desirable to our customers, or possibly even obsolete. In addition, the products and services we deliver to the electronic payments and money transfer markets are designed to process very complex transactions and deliver reports and other information on those transactions, all at very high volumes and processing speeds. Any performance issue that arises with a new product or service could result in significant processing or reporting errors. As a result of these factors, our research and development efforts could result in increased costs that could reduce our earnings in addition to a loss of revenue and earnings if promised new products are not timely delivered to our customers or do not perform as anticipated.

Security breaches or system failures could harm our reputation and adversely affect future earnings.

We handle personal consumer data, such as names, credit and debit account numbers, checking account numbers and payment history records. We process that data and deliver our products and services by utilizing computer systems and telecommunications networks operated both by us and by third party service providers. Although plans and procedures are in place to protect this sensitive data and to prevent failure of, and to provide backup for, our systems, we cannot be certain that our measures will be successful. A security breach or other misuse of such data, or failures of key operating systems and their back-ups, could harm our reputation and deter customers from using our products and services, increase our operating expenses in order to correct the breaches or failures, expose us to unbudgeted or uninsured liability, increase our risk of regulatory scrutiny including the imposition of penalties and fines under state, federal and foreign laws, and adversely affect our continued Visa and MasterCard registration and financial institution sponsorship.

Changes in state, federal and foreign laws and regulations affecting the electronic money transfer industry might make it more difficult for our customers to initiate money transfers, which would adversely affect our revenues and earnings.

If state, federal or foreign authorities adopt new regulations or raise enforcement levels on existing regulations that make it more difficult for our customers to initiate, or their beneficiaries to receive, electronic money transfers, then our revenues and earnings may be negatively affected. This particular topic has been widely debated in the United States at both the state and federal levels, with a currently unclear outcome. Any regulation or enforcement practices that are more restrictive than historical levels that relate to Latin American immigrants, including those who are not legal residents of the United States, could adversely impact our electronic money transfer revenue and earnings.

Changes in immigration patterns can adversely affect our revenues and earnings from electronic money transfers.

Our electronic money transfer business primarily focuses on customers who immigrate to the United States from Latin American countries in order to find higher paying jobs and then send a portion of their earnings to family members in Latin America. In addition, our electronic money transfer business also focuses on customers who immigrate to Spain from Latin American countries, Morocco, the Philippines, Romania, Poland and other countries. Any changes in these immigration patterns for any reason, including government policies or enforcement or deteriorating economic conditions which reverse immigration patterns, may negatively affect the number of immigrants in the United States, Spain and any new countries in which we expand our money transfer service offering in the future, which may reduce our customer base and our corresponding revenues and earnings.

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

Our future growth and profitability depend upon our continued expansion within the markets in which we currently operate, the further expansion of these markets, the emergence of other markets for electronic transaction payment processing, including internet payment systems, and our ability to penetrate these markets. As part of our strategy to achieve this expansion, we are continually looking for acquisition opportunities, investments and alliance relationships with other businesses that will allow us to increase our market penetration, technological capabilities, product offerings and distribution capabilities. We may not be able to successfully identify suitable acquisition, investment and alliance candidates in the future, and if we do, they may not provide us with the benefits we anticipated. Once completed, investments and alliances may not realize the value that we expect.

Our expansion into new markets is also dependent upon our ability to apply our existing technology or to develop new applications to meet the particular service needs of each new market. We may not have adequate financial or technological resources to develop products and distribution channels that will satisfy the demands of these new markets. If we fail to expand into new and existing electronic payments and money transfer markets, we may not be able to continue to grow our revenues and earnings.

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

There may be changes in the laws, regulations, card network rules or other industry standards that affect the way we do business. In the United States, legislation has recently been introduced at the federal level to regulate the fees charged to merchants for card processing services. We are unable to predict whether any of this potential legislation will be enacted or whether any card network rule or other industry standard will change. Furthermore, we cannot predict the impact of any of these changes on our operations and financial condition. These changes may require significant efforts to change our systems and products and may require changes to how we price our services to customers. Failure to comply with these laws, regulations, and standards may impact our ability to do business and jeopardize our card network registration and financial institution sponsorship.

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

From time to time, the credit card networks, including Visa and MasterCard, increase the fees (interchange and assessment fees) that they charge processors such as us. We could attempt to pass these increases along to our merchant customers, but this strategy might result in the loss of those customers to our competitors who do not pass along the increases. If competitive practices prevent our passing along such increased fees to our merchant customers in the future, we may have to absorb all or a portion of such increases thereby increasing our operating costs and reducing our earnings.

Utility and system interruptions or processing errors could adversely affect our operations.

In order to process transactions promptly, our computer equipment and network servers must be functional on a 24-hour basis, which requires access to telecommunications facilities and the availability of electricity. Furthermore, with respect to certain processing services, we are dependent on the systems and services of third party vendors. Telecommunications services and the electricity supply are susceptible to disruption. Computer system interruptions and other processing errors, whether involving our own systems or the systems operated by our third party vendors, may result from such disruption or from human error or other unrelated causes. Any extensive or long-term disruptions in our processing services could cause us to incur substantial additional expense and the loss of customers, which could have an adverse affect on our operations and financial condition.

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The integration of our acquired operations, or other future acquisitions, if any, could result in increased operating costs if the anticipated synergies of operating both businesses as one are not achieved, a loss of strategic opportunities if management is distracted by the integration process, and a loss of customers if our service levels drop during or following the integration process.

The integration of these businesses with ours presents several challenges, including the fact that they may be based in the regions where we do not currently have operations. If the integration process does not proceed smoothly, the following factors could reduce our revenues and earnings, increase our operating costs, and/or result in a loss of projected synergies:

- if we are unable to successfully integrate the benefits plans, duties and responsibilities, and other factors of interest to the management and employees of the acquired business, we could lose employees to our competitors in the region, which could significantly affect our ability to operate the business and complete the integration;
- if the integration process causes any delays with the delivery of our services, or the quality of those services, we could lose customers to our competitors, which would reduce our revenues and earnings; and
- the acquisition and the related integration could divert the attention of our management from other strategic matters including possible acquisitions and alliances and planning for new product development or expansion into new electronic payments markets.

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

The current recessionary environment has resulted in multiple bank failures and government-encouraged consolidation. As banks continue to consolidate, our ability to offer our services through indirect channels successfully will depend in part on whether the institutions that survive are willing to outsource their credit and debit card processing to third party vendors and whether those institutions have pre-existing relationships with any of our competitors. Larger banks and larger merchants with greater transaction volumes may demand lower fees which could result in lower revenues and earnings for us.

Loss of strategic industries could reduce revenues and earnings.

Although our merchant acquiring portfolio is well diversified and neither one economic sector nor any customer concentration represents a significant portion of our business, a decrease in strategic industries could cause us to lose significant revenues and earnings.

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

We are dependent upon the ability and experience of a number of our key personnel who have substantial experience with our operations, the rapidly changing transaction processing and money transfer industries, and the selected markets in which we offer our services. It is possible that the loss of the services of one or a combination of our key personnel would have an adverse effect on our operations. Our success also depends on our ability to continue to attract, manage, and retain additional qualified management and technical personnel as we grow. We cannot guarantee that we will continue to attract or retain such personnel.

Our financial results may be adversely affected if we have to impair our intangible assets or goodwill.

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets (including goodwill). Goodwill and intangible assets, net of amortization, together accounted for approximately 53% and 47% of the total assets on our balance sheet as of May 31, 2009 and May 31, 2008, respectively. We may not realize the full fair value of our intangible assets and goodwill. We expect to engage in additional acquisitions,

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which may result in our recognition of additional intangible assets and goodwill. Under current accounting standards, we are required to amortize certain intangible assets over the useful life of the asset, while goodwill is not amortized. We evaluate on a regular basis whether all or a portion of our goodwill and other indefinite-lived intangible assets may be impaired. Under current accounting rules, any determination that impairment has occurred would require us to write-off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. Such a write-off could adversely affect our financial condition and results of operations. During fiscal 2009 we recorded a pre-tax impairment charge of \$147.7 million in our money transfer business resulting from our annual goodwill impairment test.

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 fiscal year 2009 compared to the prior year, 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.

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

Payment processing companies like us may be subject to taxation by various jurisdictions on our net income or certain portions of our fees charged to customers for our services. Application of these taxes is an emerging issue in our industry and the taxing authorities have not yet all adopted uniform regulations on this topic. If we are required to pay such taxes and are not able to pass the tax expense through to our merchant customers, our costs will increase, reducing our earnings.

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

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

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

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

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

Provisions of our articles of incorporation and by-laws, our rights agreement and provisions of applicable Georgia law may discourage, delay or prevent a merger or other change of control that shareholders may consider favorable. The provisions of our articles and by-laws, among other things:

- divide our Board of Directors into three classes, with members of each class to be elected in staggered three-year terms;
- limit the right of shareholders to remove directors;
- regulate how shareholders may present proposals or nominate directors for election at annual meetings of shareholders; and
- authorize our Board of Directors to issue preferred shares in one or more series, without shareholder approval.

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

The payment of dividends and repurchase of shares are at the discretion of our Board of Directors and will be subject to our financial results, our working capital requirements, the availability of acquisitions and other business opportunities, the availability of surplus funds, interest rate levels, debt covenants, our stock price levels and restrictions under financing agreements. No assurance can be given that we will be able to or will choose to pay any dividends or repurchase any shares in the foreseeable future.

Unfavorable resolution of tax contingencies could adversely affect our tax expense.

We have established contingent liabilities for tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These liabilities reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the liabilities are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial cost less than any related liability. An unfavorable resolution, therefore, could negatively impact our results of operations.

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

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

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

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ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

The following summarizes the type of facilities we use to operate our business as of May 31, 2009:

<u>Type of Facility</u>	<u>Leased</u>	<u>Owned</u>
Facilities in the United States:		
Multi-Purpose (Operations, Sales, Administrative)	3	—
Operations/Customer Support	20	—
Sales and money transfer retail branches	729	1
	<u>752</u>	<u>1</u>
International Facilities:		
Multi-Purpose (Operations, Sales, Administrative)	11	3
Operations/Customer Support	14	—
Sales and money transfer retail branches	91	5
	<u>116</u>	<u>8</u>
Total	<u>868</u>	<u>9</u>

Our principal facilities in the United States are located in Atlanta, Georgia; Owings Mills, Maryland; Arlington, Texas and Niles, Illinois. Our principal international facilities are located in Toronto, Canada; Prague, Czech Republic; Leicester, England; London, England; the Hong Kong Special Administrative Region; Mexico City, Mexico; Monterrey, Mexico; Madrid, Spain and Moscow, Russian Federation. The majority of our sales facilities are money transfer originating retail branches.

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

ITEM 3—LEGAL PROCEEDINGS

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

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

No matters were submitted to a vote of our shareholders during our fourth quarter ended May 31, 2009.

PART II**ITEM 5—MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock trades on the New York Stock Exchange under the ticker symbol “GPN.” The table set forth below provides the intraday high and low sales prices and dividends paid per share of our common stock for the four quarters during fiscal 2009 and 2008. We expect to continue to pay our shareholders a dividend per share, on a quarterly basis, in an amount comparable to the dividends indicated in the table. However, any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, capital requirements and such other factors as the Board of Directors deems relevant.

	<u>High</u>	<u>Low</u>	<u>Dividend Per Share</u>
Fiscal 2009:			
First Quarter	\$49.87	\$41.51	\$ 0.02
Second Quarter	49.39	29.67	0.02
Third Quarter	36.68	30.08	0.02
Fourth Quarter	35.96	27.48	0.02
Fiscal 2008:			
First Quarter	\$41.58	\$35.14	\$ 0.02
Second Quarter	48.18	38.45	0.02
Third Quarter	46.69	35.54	0.02
Fourth Quarter	47.40	36.86	0.02

The number of shareholders of record of our common stock as of July 23, 2009 was 2,481.

Equity Compensation Plan Information

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

Sale of Unregistered Securities

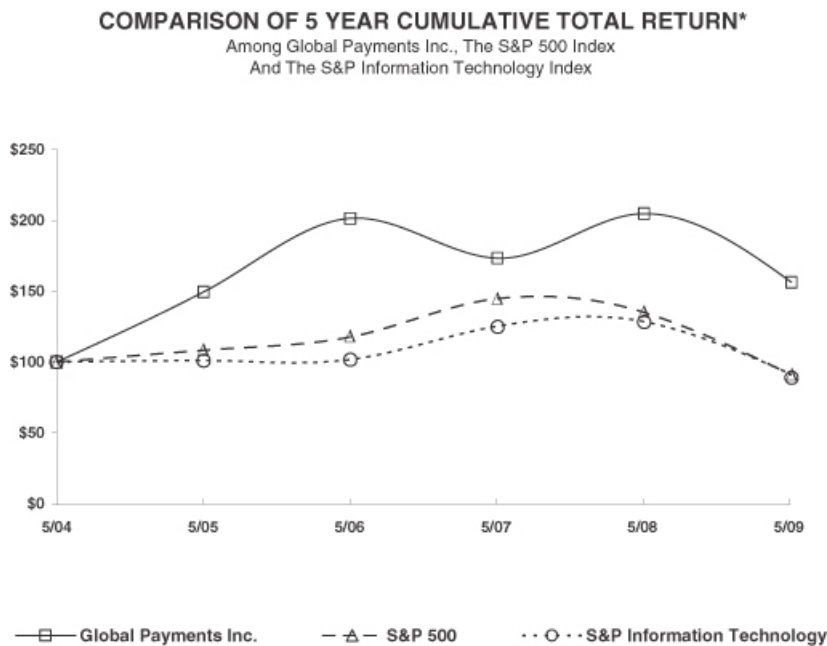
We have not issued any unregistered securities during our fiscal year ended May 31, 2009.

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Stock Performance Graph

The following line-graph presentation compares our cumulative shareholder returns with the Standard & Poor's Information Technology Index and the Standard & Poor's 500 Stock Index for the past five years. The line graph assumes the investment of \$100 in our common stock, the Standard & Poor's Information Technology Index, and the Standard & Poor's 500 Stock Index on May 31, 2004 and assumes reinvestment of all dividends.



	Global Payments	S&P 500	S&P Information Technology
May 31, 2004	\$100.00	\$100.00	\$ 100.00
May 31, 2005	148.96	108.24	100.91
May 31, 2006	200.63	117.59	101.65
May 31, 2007	172.80	144.39	125.05
May 31, 2008	204.19	134.72	128.25
May 31, 2009	155.83	90.84	91.37

Issuer Purchases of Equity Securities

In fiscal 2007, our Board of Directors approved a share repurchase program that authorized the purchase of up to \$100 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 have repurchased 2.3 million shares of our common stock. 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.

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We did not repurchase shares in the fourth quarter of fiscal 2009; the dollar value remaining available for purchase are as follows:

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased (a)</u>	<u>Average Price Paid per Share (or Unit) (b)</u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (c)</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (d)</u>
March 1, 2009 – March 31, 2009	—	\$ —	—	\$ 12,980,136
April 1, 2009 – April 30, 2009	—	—	—	\$ 12,980,136
May 1, 2009 – May 31, 2009	—	—	—	\$ 12,980,136
Total	—	\$ —	—	

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ITEM 6—SELECTED FINANCIAL DATA

You should read the selected financial data set forth below in conjunction with “Item 7—Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Item 8—Financial Statements and Supplementary Data” included elsewhere in this annual report. The income statement data for each of the three fiscal years ended May 31, 2009, 2008, and 2007 and the balance sheet data as of May 31, 2009 and 2008 are derived from the audited consolidated financial statements included elsewhere in this annual report. The income statement data for each of the two fiscal years ended May 31, 2006 and 2005 and the balance sheet data as of May 31, 2007, 2006 and 2005 were derived from audited consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2006.

	Year Ended May 31,				
	2009	2008	2007	2006	2005
(in thousands, except per share data)					
Income statement data:					
Revenue	\$ 1,601,524	\$ 1,274,229	\$ 1,061,523	\$ 908,056	\$ 784,331
Operating income (1)	161,429	251,359	218,089	201,088	160,101
Net income (1)	37,217	162,754	142,985	125,524	92,896
Per share data:					
Basic earnings per share	\$ 0.47	\$ 2.05	\$ 1.78	\$ 1.59	\$ 1.20
Diluted earnings per share	0.46	2.01	1.75	1.53	1.16
Dividends per share	0.08	0.08	0.08	0.08	0.08
Balance sheet data:					
Total assets	\$ 1,676,821	\$ 1,445,907	\$ 1,200,629	\$ 1,018,678	\$ 853,505
Lines of credit	10,174	1,527	—	—	58,606
Total notes payable	197,003	—	—	—	—
Total shareholders’ equity	1,047,015	1,126,818	957,776	770,223	578,350

- (1) Includes impairment, restructuring and other charges of \$147,664, \$1,317, \$3,088, \$1,878, and \$3,726 in fiscal 2009, 2008, 2007, 2006 and 2005, respectively. See Note 3 of the notes to consolidated financial statements for a more detailed discussion of fiscal 2009 impairment charges.

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

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

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

General

We are a 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 Latin American immigrants in the United States and Europe. See Note 12 in the notes to the 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 similar 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 or per service rendered. 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 and revenue is primarily generated based on a fee paid by the customer which is in turn based on the nature and amount of the transaction. A majority of the revenue derived from our money transfer offering consists of our electronic money transfer services marketed under our DolEx 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.

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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 fiscal 2009, we experienced revenue growth of 26%. 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 declined given the difficult macroeconomic conditions directly impacting this segment's customer base. Additionally, our results were affected by unfavorable foreign currency trends.

On June 30, 2008, we acquired a 51% majority ownership interest in HSBC Merchant Services LLP (the "LLP"). The LLP provides payment processing services to merchants in the United Kingdom and Internet merchants globally. We paid HSBC Bank plc ("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.

On June 12, 2009, we completed the purchase of the remaining 49% of the LLP from HSBC UK and extended our marketing alliance agreement to 2019. Total consideration paid for the remaining interest in the LLP was \$307.7 million in cash. We used existing lines of credit and available cash to complete the transaction.

On July 10, 2009 we entered into a new \$300.0 million term loan agreement with a syndicate of financial institutions. We will use the proceeds of this term loan to pay down our existing credit facility which was used to fund the purchase of our remaining 49% interest in the LLP. The term loan expires in 2012 and has a variable interest rate based on London Interbank Offered Rate ("LIBOR") plus a margin based on our leverage position.

On April 30, 2009, we completed the acquisition of all 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. Under the terms of the agreement, we paid a total of \$75.0 million in cash to acquire UCS. As of May 31, 2009, \$55.0 million of the purchase price was held in escrow (the "escrow account"). Prior to our acquisition of UCS, the former parent of company of UCS pledged the company's stock as collateral for a third party loan (the "loan") that matures on September 24, 2009. Upon repayment of this loan, the stock will be released to us and \$35.0 million of the purchase price will be released to the seller. The remaining \$20.0 million will remain in escrow until January 1, 2013, to satisfy any liabilities discovered post-closing that existed at the purchase date.

Upon acquisition of UCS Global Payments assumed an indirect guarantee of the loan. In the event of a default by the third-party debtor, we would be required to transfer all of the shares of UCS to the trustee or pay the amount outstanding under the loan. At May 31, 2009 the maximum potential amount of future payments under the guarantee was \$44.1 million which represents the total outstanding under the loan, consisting of \$21.8 million due and paid on June 24, 2009 and \$22.3 million due on September 24, 2009. Should the third-party debtor default on the final payment, Global Payments would pay the total amount outstanding and seek to be reimbursed for any payments made from the \$55 million held in the escrow account. We did not record an obligation for this guarantee because we determined that the fair value of the guarantee is de minimis.

Revenues increased \$327.3 million during fiscal 2009 compared to the prior year. Our North America merchant services segment reported growth primarily driven by our ISO channel which continues to drive expanding market share in the United States as evidenced by our 17% transaction growth for the year. In Canada, revenue was driven by successful pricing initiatives, partially offset by an unfavorable foreign currency exchange

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impact and modest macroeconomic-based softening in our Canadian volumes. 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 a difficult environment for United States construction and Latino immigration trends; however we have initiated cost containment measures resulting in increased margins.

Operating margins were impacted by negative currency exchange rates and modest softening across all of our businesses due to the macroeconomic environment. For the year ended May 31, 2009 currency exchange rate fluctuations reduced our revenues by \$88.2 million and our earnings by \$0.23 per diluted share. To calculate the impact of currency exchange rate fluctuations we converted our fiscal 2009 actual revenues at fiscal 2008 rates. Further future fluctuations in currency exchange rates or decreases in consumer spending could cause our results to differ from our current expectations.

Results of Operations

Fiscal Year Ended May 31, 2009 Compared to Fiscal Year Ended May 31, 2008

The following table shows key selected financial data for the fiscal years ended May 31, 2009 and 2008, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of fiscal 2008.

	<u>2009</u>	<u>% of Revenue (1)</u>	<u>2008</u>	<u>% of Revenue (1)</u>	<u>Change</u>	<u>% Change</u>
	(dollar amounts in thousands)					
Revenues:						
United States	\$ 805,557	50%	\$ 731,215	57%	\$ 74,342	10%
Canada	301,294	19	267,249	21	34,045	13
North America merchant services	1,106,851	69	998,464	78	108,387	11
Europe	265,121	17	59,778	5	205,343	344
Asia-Pacific	90,334	6	72,367	6	17,967	25
International merchant services	355,455	22	132,145	10	223,310	169
United States	112,429	7	119,019	9	(6,590)	(6)
Europe	26,789	2	24,601	2	2,188	9
Money transfer	139,218	9	143,620	11	(4,402)	(3)
Total revenues	<u>\$ 1,601,524</u>	<u>100%</u>	<u>\$ 1,274,229</u>	<u>100%</u>	<u>\$ 327,295</u>	<u>26%</u>
Consolidated operating expenses:						
Cost of service	\$ 598,785	37.4%	\$ 475,612	37.3%	\$ 123,173	26%
Sales, general and administrative	693,646	43.3	545,941	42.8	147,705	27
Impairment, restructuring and other	147,664	9.2	1,317	0.1	146,347	NM
Operating income	<u>\$ 161,429</u>	<u>10.1%</u>	<u>\$ 251,359</u>	<u>19.7%</u>	<u>\$ (89,930)</u>	<u>(36)%</u>
Operating (loss) income for segments:						
North America merchant services	\$ 272,972		\$ 275,356		\$ (2,384)	(1)%
International merchant services	82,763		17,674		65,089	368
Money transfer	16,547		13,635		2,912	21
Corporate	(63,189)		(53,989)		(9,200)	(17)
Impairment, restructuring and other	(147,664)		(1,317)		(146,347)	NM
Operating income	<u>\$ 161,429</u>		<u>\$ 251,359</u>		<u>\$ (89,930)</u>	<u>(36)%</u>
Operating margin for segments:						
North America merchant services	24.7%		27.6%		(2.9)%	
International merchant services	23.3%		13.4%		9.9%	
Money transfer segment	11.9%		9.5%		2.4%	

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

NM – Not Meaningful

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Revenues

We derive our revenues from three primary sources: charges based on volumes, 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 fiscal 2009, revenues increased 26% to \$1,601.5 million compared to the prior year. 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. This growth was partially offset by fluctuations in foreign currency exchange rates. For fiscal 2009, currency exchange rate fluctuations reduced our revenues by \$88.2 million. 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.

North America Merchant Services Segment

In fiscal 2009, revenue from our North America merchant services segment increased 11% to \$1,106.9 million compared to the prior year. 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 fiscal 2009, our United States direct credit and debit card processed transactions grew 17% and our total United States revenue grew 10% compared to the prior year. In fiscal 2009 compared to the prior year, our United States direct credit and debit card average dollar value of transaction, or average ticket, decreased in the high single-digit percentage range. We believe this decline was due to a combination of lower consumer spending as a result of a weakened economy, the industry shift of increasing debit transactions, as well as the shift toward smaller merchants added through our ISO channel. Smaller merchants tend to have lower average tickets than larger merchants. The effect of consumers replacing cash-based payments with debit card transactions also lowers our overall U.S. average ticket amounts. Based on our mix of merchants, slightly more than half of our U.S. transactions are comprised of a combination of signature- and PIN-based debit. 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 lower rate than our United States direct credit and debit card transaction growth.

For fiscal 2009, our Canadian revenue grew 13% compared to the prior year period. This growth was primarily due to successful pricing initiatives and, to a lesser extent, transaction growth of 4%, partially offset by an unfavorable Canadian currency exchange rate. In addition, our average ticket in Canada declined in the low 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 fiscal 2009, our International merchant services revenue increased 169% to \$355.5 million compared to the prior year. In Europe, this growth was primarily due to our acquisition of 51% of HSBC Merchant Services LLP. Revenues attributed to this acquisition were \$203.5 million during fiscal 2009. Our Asia-Pacific merchant services revenue for fiscal 2009 increased 25% to \$90.3 million compared to the prior year period. Our Asia-Pacific merchant services revenue has grown due to the favorable impact of our acquisition in the Philippines on September 4, 2008, expansion of our customer base, the introduction of new product offerings, and strategic pricing initiatives.

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Money Transfer Segment

In fiscal 2009, revenue from our money transfer segment decreased 3% to \$139.2 million compared to the prior year. 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 fiscal 2009, our United States money transfer channel transactions decreased 16% and revenue decreased 6%, compared to the prior year. Revenue decreased less than transactions primarily due to pricing initiatives.

As a result of our continuing efforts to close unprofitable branches, our United States branch footprint decreased to 741 branches as of May 31, 2009, compared to 793 branch locations as of May 31, 2008. On a sequential basis, our domestic branch footprint as of May 31, 2009 decreased by 15 locations compared to our domestic branch footprint as of February 28, 2009. 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. For fiscal 2009, our European money transfer revenue grew 9%, with transaction declines of 1%. Our revenue growth exceeded transaction growth due to higher pricing compared to the prior year and our acquisition of LFS Spain in the fourth quarter of fiscal year 2008. In Europe, we decreased our branch footprint to 77 locations as of May 31, 2009, compared to 90 locations as of May 31, 2008, through the sale of our Belgium branches and branch closures. The vast majority of our revenue in this channel is generated in Spain. Similar to the United States, Spain has experienced a 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 function; 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 26% to \$598.8 million for fiscal 2009 compared to the prior year. 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 assessments and fees, 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 27% to \$693.6 million in fiscal 2009 compared to the prior year. As a percentage of revenue, these expenses increased to 43.3% for fiscal 2009 compared to 42.8% in the prior year. 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 fiscal 2008 we recorded a favorable impact from a non-recurring, non-cash operating tax item of \$7.0 million.

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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 1% to \$273.0 million for fiscal 2009 compared to the prior year. The operating margin was 24.7% and 27.6% for fiscal 2009 and fiscal 2008, respectively. The decrease in operating income in fiscal 2009 was primarily due to the negative impact of the Canadian Dollar exchange rate. In addition, fiscal 2008 reflects a favorable impact of a non-recurring, non-cash operating tax item of \$7.0 million. Growth in the ISO channel also negatively impacted fiscal 2009 margins. 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.

International Merchant Services Segment

Operating income in the International merchant services segment increased 368% to \$82.8 million for fiscal 2009 compared to the prior year. The operating margin was 23.3% and 13.4% for fiscal 2009 and fiscal 2008, respectively. This growth in operating margin and operating income was primarily due to the acquisition of 51% of HSBC Merchant Services LLP in the United Kingdom. In the Czech Republic and the Russian Federation our contracts with key indirect merchant acquiring customers are subject to periodic renewal. Such renewals may include lower fees which may negatively impact our margins.

Money Transfer Segment

Operating income in the money transfer segment increased 21% to \$16.5 million for fiscal 2009 compared to the prior year. This increase resulted in an operating margin of 11.9% for fiscal 2009, compared to 9.5% in the prior year. These results were primarily due to the impact of stabilized pricing, the closure of underperforming branch locations, and reduced overhead costs. In addition, during the prior year, we incurred costs associated with the closure of underperforming locations, such as lease termination fees and fixed asset write-offs.

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 17% to \$63.2 million for fiscal 2009 compared to the prior year.

Impairment Charges

The downturn in the United States construction market, immigrant labor trends, and overall decrease in economic growth in the United States and Spain 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; therefore, goodwill was deemed impaired. Our DoEx trademark in our United States Money Transfer reporting unit was also deemed to be impaired. In addition, we 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 for certain of our long-lived assets.

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

	<u>Year Ended May 31, 2009</u>
Goodwill	\$ 136,800
Trademark	10,000
Other long-lived assets	864
Total	<u>\$ 147,664</u>

Consolidated Operating Income

Consolidated operating income decreased 36% to \$161.4 million for fiscal 2009 compared to the prior year. This change resulted in an operating margin of 10.1% for fiscal 2009 compared to 19.7% in the prior year. 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, the unfavorable impact of foreign currency exchange rates 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 \$10.0 million for fiscal 2009 compared to the prior year. This decrease was largely due to lower investment balances and rates of return. Interest rates decreased during fiscal year 2009 when compared to the prior year. This decline in interest rates resulted in lower interest income but also resulted in a decline in interest expense on increased debt balances.

Provision for Income Taxes

Our effective tax rates were 69.7% and 35.6% for fiscal 2009 and fiscal 2008, respectively. The effective tax rate for fiscal 2009 reflects the effect of the non-deductible impairment charge for our Money Transfer segment.

Minority Interest, Net of Tax

Minority interest, net of tax increased \$28.9 million from \$8.1 million fiscal 2008. The increase was primarily related to our recent HSBC UK acquisition.

Net Income and Diluted Earnings Per Share

During fiscal 2009 we reported net income of \$37.2 million (\$0.46 diluted earnings per share).

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 for 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

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and for the deconsolidation of a subsidiary. FAS 160 will become effective for us on June 1, 2009. Upon adoption of FAS 160, minority interests that are not redeemable will be reclassified from the 'mezzanine' section of the consolidated balance sheet to permanent equity but separate from parent's equity. As further described in Note 13, 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 were made 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 maximum redemption amount 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. These redeemable minority interests will remain in the mezzanine section of the consolidated balance sheet. 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 maximum redemption amount of our redeemable minority interest with a corresponding adjustment to retained earnings in the consolidated balance sheet. As a result of this guidance, on June 1, 2009 we recorded a \$379.6 million increase to minority interest in equity of subsidiaries with a corresponding decrease to retained earnings in the consolidated balance sheet.

[Table of Contents](#)[Index to Financial Statements](#)***Fiscal Year Ended May 31, 2008 Compared to Fiscal Year Ended May 31, 2007***

The following table shows key selected financial data for the fiscal years ended May 31, 2008 and 2007, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of fiscal 2007.

	<u>2008</u>	<u>% of Revenue (1)</u>	<u>2007</u> (dollar amounts in thousands)	<u>% of Revenue (1)</u>	<u>Change</u>	<u>% Change</u>
Revenues:						
United States	\$ 731,215	57%	\$ 604,899	57%	\$126,316	21%
Canada	267,249	21	224,570	21	42,679	19
North America merchant services	998,464	78	829,469	78	168,995	20
Europe	59,778	5	51,224	5	8,554	17
Asia-Pacific	72,367	6	48,449	5	23,918	49
International merchant services	132,145	10	99,673	9	32,472	33
United States	119,019	9	115,416	11	3,603	3
Europe	24,601	2	16,965	2	7,636	45
Money transfer	143,620	11	132,381	12	11,239	8
Total revenues	<u>\$1,274,229</u>	<u>100%</u>	<u>\$1,061,523</u>	<u>100%</u>	<u>\$212,706</u>	<u>20%</u>
Consolidated operating expenses:						
Cost of service	\$ 475,612	37.3%	414,837	39.1%	60,755	15
Sales, general and administrative	545,941	42.8	425,509	40.1	120,432	28
Restructuring and other	1,317	0.1	3,088	0.3	(1,771)	(57)
Operating income	<u>\$ 251,359</u>	<u>19.7%</u>	<u>\$ 218,089</u>	<u>20.5%</u>	<u>\$ 33,270</u>	<u>15%</u>
Operating income for segments:						
North America merchant services	\$ 275,356		\$ 241,082		\$ 34,274	14%
International merchant services	17,674		18,588		(914)	(5)
Money transfer	13,635		14,476		(841)	(6)
Corporate	(53,989)		(52,969)		(1,020)	(2)
Restructuring and other	(1,317)		(3,088)		1,771	(57)
Operating income	<u>\$ 251,359</u>		<u>\$ 218,089</u>		<u>\$ 33,270</u>	<u>15%</u>
Operating margin for segments:						
North America merchant services	27.6%		29.1%		(1.5)%	
International merchant services	13.4%		18.6%		(5.2)%	
Money transfer segment	9.5%		10.9%		(1.4)%	

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

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 fiscal 2008, revenue increased 20% to \$1,274.2 million compared to the prior year. We attribute this revenue growth primarily to our merchant services channels.

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North America Merchant Services Segment

Revenue from our North America merchant services segment for fiscal 2008 increased by \$169.0 million or 20% to compared to the prior year.

We have continued to grow our domestic direct merchant channel by adding small and mid-market merchants in diversified vertical markets, primarily through our ISOs. For fiscal 2008, our credit and debit card processed transactions grew 26% and our revenue grew 21% for this channel compared to the prior year period. In fiscal 2008 compared to the prior year, our domestic direct credit card average dollar value of transaction, or average ticket, decreased in the mid single digit percentage range, due to a shift toward smaller merchants added through our ISOs. Offsetting this decline in average ticket was a mid single digit percentage increase in our average discount revenue per dollar value volume, or spread, in fiscal 2008 compared to the prior year. Our spread was favorably impacted by the shift towards smaller merchants added through our ISOs. Smaller merchants tend to have lower average tickets and higher spreads than larger merchants. Aside from the impact of changes in our average ticket and spread, the remaining difference between our transaction growth and revenue growth was due to our service fees, equipment fees and check-related services. The total of this revenue grew at a lesser rate than our credit and debit card transaction growth.

For fiscal 2008, our Canadian direct credit and debit card processed transactions grew 3%, with overall Canadian revenue growth of 19% compared to the prior year period. The difference between our transaction growth and revenue growth was primarily due to a favorable Canadian currency exchange rate and a positive impact from changes in the Canadian market interchange structure implemented in April 2008, offset by the unfavorable impact of non-recurring card association incentive revenue realized during fiscal 2007.

We experienced continued and expected declines in our domestic indirect and other channel during fiscal 2008, with a decline in revenue of 6% compared to the prior year. We attributed this revenue decline to the industry consolidation of financial institutions and competitive pricing pressures.

International Merchant Services Segment

Our Asia-Pacific merchant services revenue for fiscal 2008 increased 49% compared to the prior year period. This growth was due to enhancing our sales force, industry expansion and strategic pricing initiatives. Also contributing to the growth is the impact of reporting a full year of results in fiscal 2008 compared to a partial year in fiscal 2007. We completed the purchase of our ownership in HSBC's Asia-Pacific merchant acquiring business on July 24, 2006, and began operating in this channel at that time.

Our Central and Eastern European merchant services revenue for fiscal 2008 increased 17% compared to the prior year period, largely due to a favorable Czech currency exchange rate, the impact of our Diginet acquisition and growth in credit and debit card processed transactions of 11%. Revenue growth was offset by the loss of a major customer which deconverted at the end of fiscal 2007, in addition to the impact of price reductions granted on contract renewals.

Money Transfer Segment

For fiscal 2008, revenue from our money transfer segment increased 8% to \$143.6 million compared to the prior year.

Our domestic 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 fiscal 2008, our domestic money transfer channel transactions grew 7% and revenue increased 3%, compared to the prior year.

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The growth in transactions was driven primarily by same store sales growth and acquired branch locations. We decreased our domestic branch footprint to 793 domestic branches for fiscal 2008, compared to 875 branch locations in fiscal 2007. On a sequential basis, our domestic branch footprint as of May 31, 2008 decreased by 32 locations compared to our domestic branch footprint as of February 29, 2008. This decrease in domestic branches was the result of the closure of underperforming locations, partially offset by branch acquisitions and, to a lesser extent, new branch openings.

The difference between our domestic transaction growth and revenue growth was primarily due to lower pricing.

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 90 locations for fiscal 2008, compared to 68 locations in fiscal 2007, primarily through our acquisition of LFS Spain. For fiscal 2008, our European money transfer revenue grew 45%, primarily due to acquired and new branch locations, which resulted in transaction growth of 34%. Revenues for fiscal 2008 were also impacted by a favorable year-over-year currency exchange rate.

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; assessments and other fees paid to card associations; 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; 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 15% to \$475.6 million for fiscal 2008 compared to the prior year. As a percentage of revenue, cost of service decreased to 37.3% of revenue for fiscal 2008 from 39.1% in fiscal 2007.

For fiscal 2008, the decline in cost of service as a percentage of revenue was related to our revenue growth and the related economies of scale benefits. The growth in cost of service expenses was primarily due to the following factors: the addition of our Asia-Pacific channel; costs associated with our money transfer segment; the weakening of the United States dollar compared to the currencies of Canada, the Czech Republic, and Spain; increased losses in our check guarantee service offering; and increases in variable processing expenses associated with our revenue growth, primarily assessment fees paid to card associations.

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 28% to \$545.9 million compared to the prior year. As a percentage of revenue, these expenses increased to 42.8% for fiscal 2008 compared to 40.1% in fiscal 2007.

The increases in sales, general and administrative expenses were primarily due to growth in commission payments to ISOs resulting from the increased revenue in this sales channel. 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. The ISO commission model differs from our other sales channels where the commissions are primarily paid for only a twelve-month period. The addition of our new Asia-Pacific channel also contributed to the increases in sales, general and administrative expenses due to the investment in the regional sales force and infrastructure. Lastly, the weakening of the United States dollar compared to the currencies of Canada, the Czech Republic and Spain also increased these expenses.

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Offsetting the increases in sales, general and administrative expenses was the favorable impact of a non-recurring, non-cash operating tax item of \$7.0 million that was recognized in fiscal 2008. During fiscal 2008, we determined that an accrued liability relating to a contingent operating tax matter was no longer deemed to be probable. We made this determination as a result of consultation with outside legal counsel and further analysis of applicable legislation. As such, we released the related liability.

Operating Income and Operating Margin for Segments

For the purpose of discussing segment operations, management refers 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 increased 14% to \$275.4 million for fiscal 2008 compared to the prior year. The operating margin was 27.6% and 29.1% for fiscal 2008 and fiscal 2007, respectively. This operating margin decline was primarily due to the growth of our ISO channel, increased losses in our check guarantee service offering, and the prior year non-recurring card association incentive revenue in Canada. Offsetting this decline in operating margin was the impact of the operating tax item discussed above.

International Merchant Services Segment

Operating income in the International merchant services segment decreased 5% to \$17.7 million for fiscal 2008 compared to the prior year. The operating margin was 13.4% and 18.6% for fiscal 2008 and fiscal 2007, respectively. This operating margin decline was primarily due to the ongoing investments in our Asia-Pacific channel and the customer attrition and pricing pressure in our Central and Eastern European channel.

Money Transfer Segment

Operating income in the money transfer segment decreased 6% to \$13.6 million for fiscal 2008 compared to the prior year. This decrease resulted in an operating margin of 9.5% for fiscal 2008, compared to 10.9% in the prior year.

This operating margin decline was primarily due to the increased price competition discussed above and our use of a fixed-cost, branch model at the point of sale. In addition, we incurred costs associated with the closure of underperforming locations, such as lease termination fees and fixed asset write-offs. In contrast with the operating margin decline for the full fiscal 2008 year, recent trends have improved. For the three months ended May 31, 2008, we achieved operating income growth of 116% in this segment compared to the prior year, and our operating margin improved to 18.6% compared to 10.2% in the prior year. These strong results were primarily due to stabilized pricing, the closure of underperforming branch locations, and economies of scale benefits resulting from our fixed cost model.

Corporate

Our corporate expenses primarily include costs associated with our Atlanta headquarters, insurance, employee incentive programs, Board of Directors' fees, share-based compensation, and certain corporate staffing areas, including finance, accounting, legal, human resources, marketing, and executive. Our corporate costs increased 2% to \$54.0 million for fiscal 2008 compared to \$53.0 million for fiscal 2007. These increases were primarily due to higher employee incentive program expenses, offset by lower share-based compensation costs.

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Restructuring and Other Charges

During the fourth quarter of fiscal 2007, we committed to plans 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 second quarter of fiscal 2008. We recorded restructuring charges of \$1.3 million in fiscal 2008. We recorded restructuring and other charges of \$3.1 million in fiscal 2007.

Consolidated Operating Income

Consolidated operating income increased 15% to \$251.4 million for fiscal 2008 compared to the prior year. This change resulted in an operating margin of 19.7% for fiscal 2008 compared to 20.5% in the prior year.

Consolidated Other Income/Expense, Net

Other income and expense consists primarily of interest income and interest expense. Interest and other income, net increased to \$10.0 million in fiscal 2008 compared to \$8.2 million in the prior year. This improvement was largely due to higher interest income due to higher cash balances.

Provision for Income Taxes

In fiscal 2008, our effective tax rate, reflected as the provision for income taxes divided by income before income taxes, including the effect of minority interest, increased to 35.6% from 34.1% in fiscal 2007. This increase was primarily due to favorable one-time tax benefit items in the prior year related to income tax statute expirations and certain tax planning initiatives.

Minority Interest, Net of Tax

Minority interest, net of tax decreased to \$8.1 million for fiscal 2008 compared to \$9.9 million in the prior year. This decrease primarily related to our investment in our Asia-Pacific channel, offset by growth in our Comerica Bank alliance.

Net Income and Diluted Earnings Per Share

Net income increased 14% to \$162.8 million in fiscal 2008 compared to the prior year. This growth resulted in a 15% increase in diluted earnings per share to \$2.01 in fiscal 2008 compared to the prior year.

Liquidity and Capital Resources

At May 31, 2009, we had cash and cash equivalents totaling \$426.9 million. Of this amount, we consider \$115.6 million to be available cash, which generally excludes settlement related and merchant reserve cash balances, as well as cash that belongs to a partnership. At May 31, 2009, our cash and cash equivalents included \$163.6 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 associations. See *Cash and cash equivalents* under Note 1 in the notes to the consolidated financial statements for additional details.

Net cash provided by operating activities increased \$110.6 million to \$383.0 million for fiscal 2009 from the prior year. The increase in cash flow from operating activities was primarily due to increased operating income resulting from our acquisition of 51% of HSBC Merchant Services LLP. Our net income of \$37.2 million included a non-cash charge for the impairment of goodwill and identified intangible assets of \$147.7 million, minority interest in earnings of \$37.0 million and \$30.9 million of amortization of acquired intangibles. In addition to our non-cash adjustments, we had cash provided by changes in working capital of \$26.9 million.

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The working capital change was primarily due to the change in net settlement processing assets and obligations of \$22.4 million, the change in accounts payable and accrued liabilities of \$7.9 million, and the change in prepaid expenses and other assets of \$8.2 million, partially offset by the change in income taxes payable of \$15.8 million.

The change in net settlement processing assets and obligations relates to timing differences, processed volume changes and exchange rate fluctuations. See Settlement processing assets and obligations under Note 1 in the notes to the consolidated financial statements for additional details. The change in accounts payable and accrued liabilities is due to timing differences related to payments versus accruals, primarily relating to ISO commissions, year-end bonus accruals, employee benefits, and third party processing charges. The change in prepaid expenses and other assets is primarily due to net timing differences related to amortization of prepaid assets, prepayments for computer maintenance, and collections of receivables from ISO's relating to the sale of merchants and/or residual streams for Discover activity. The change in income taxes payable is attributed to the timing and amount of estimated tax payments this year compared to last year.

Net cash used in investing activities increased \$496.0 million to \$559.3 million in fiscal 2009 from the prior year, primarily due to our \$441.6 million investment in a partnership with HSBC UK, our \$75.0 million acquisition of all outstanding stock of UCS, and our \$10.9 million investment in a partnership with HSBC Asia Pacific.

Capital expenditures decreased to \$40.9 million in fiscal 2009 from \$45.0 million in fiscal 2008. These expenditures primarily relate to software and infrastructure.

In fiscal 2009, we generated \$161.5 million in cash provided by financing activities compared to \$76.4 million cash used in financing activities in the prior year. 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 fiscal 2008, while we did not repurchase any common stock during fiscal 2009.

On June 12, 2009, we completed the purchase of the remaining 49% of HSBC Merchant Services LLP (the "LLP") from HSBC Bank plc. Total consideration for the LLP's remaining interest was \$307.7 million in cash. We used existing lines of credit and available cash to complete the transaction. On July 10, 2009 we entered into a new \$300.0 million term loan agreement with a syndicate of financial institutions. We used the proceeds of the term loan to pay down our existing credit facility which was used initially to fund the purchase of the remaining 49% interest in the LLP. The term loan expires in 2012 and has a variable interest rate based on London Interbank Offered Rate plus a margin based on our leverage position.

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. For fiscal 2010, we do not have any material capital commitments, other than commitments under operating leases and planned expansions.

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 make planned capital investments in our business, to pursue acquisitions that meet our growth strategies, to pay dividends, to pay off debt and repurchase our shares at the discretion of our Board of Directors, to collateralize our Merchant reserves, and to invest excess cash in investments that we believe are of high-quality and marketable in the short term.

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Long-Term Debt and Credit Facilities

Outstanding debt consisted of the following:

	May 31, 2009	May 31, 2008
	(in thousands)	
Lines of credit:		
U.S. Credit Facility	\$ —	\$ —
China Credit Facility	—	577
Canada Credit Facility	—	—
National Bank of Canada (“NBC”) Credit Facility	1,534	71
Macau Credit Facility	1,333	879
Sri Lanka Credit Facility	1,355	—
Philippines Credit Facility	5,244	—
Maldives Credit Facility	708	—
Notes Payable	12,003	
Term loan	185,000	—
Total debt	<u>\$ 207,177</u>	<u>\$ 1,527</u>
Current portion	35,174	1,527
Long-term debt	172,003	—
Total debt	<u>\$ 207,177</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. Our line of credit facilities consist of the following:

- U.S.—a five year, \$350 million unsecured revolving credit facility agreement with a syndicate of banks based in the United States, which we refer to as our U.S. Credit Facility. The facility expires in November 2011, and borrowings bear a variable interest rate based on a market short-term floating rate plus a margin that varies according to our leverage position. In addition, the U.S. Credit Facility allows us to expand the facility size to \$700 million by requesting additional commitments from existing or new lenders. We plan to use the U.S. Credit Facility to fund future strategic acquisitions, to provide a source of working capital, and for general corporate purposes.
- China—a revolving credit facility with the People’s Bank of China for up to \$2.6 million to provide a source of working capital. This credit facility is denominated in Chinese Renminbi and has a variable interest rate based on the lending rate stipulated by People’s Bank of China. This facility is subject to annual review up to and including June 2010.
- Canada—a credit facility, which we refer to as our Canada Credit Facility, with the Canadian Imperial Bank of Commerce, or CIBC, as administrative agent and lender. The Canada Credit Facility is a facility which consists of a line of credit of \$25 million Canadian dollars. In addition, the Canada Credit Facility allows us to expand the size of the uncommitted facility to \$50 million Canadian dollars and does not have a fixed term. This credit facility carries no termination date, but can be terminated by CIBC with advance notice. This credit facility has a variable interest rate based on the Canadian dollar London Interbank Offered Rate plus a margin.
- NBC—a credit facility for up to \$80 million Canadian dollars and \$5 million United States dollars to provide certain Canadian merchants with same day value for their Canadian and United States dollar

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MasterCard credit card transactions and debit card transactions. This credit facility has a variable interest rate based on the National Bank of Canada prime rate. As of May 31, 2009 the interest rate on the facility was 3.8%.

- Macau—a revolving overdraft facility with HSBC Asia Pacific, for up to \$3.8 million to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. This is denominated in Macau Pataca and has a variable interest rate based on the lending rate stipulated by HSBC Asia Pacific, plus a margin. As of May 31, 2009 the interest rate on the facility was 2.5%. This facility is subject to annual review up to and including January 2010.
- Sri Lanka—a revolving overdraft facility with HSBC Bank, Sri Lanka, for up to \$1.8 million to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. This is denominated in Sri Lankan Rupees and has a variable interest rate based on the lending rate stipulated by HSBC Bank. As of May 31, 2009 the interest rate on the facility was 18.1%. This facility is subject to annual review up to and including June 2010.
- Philippines—a revolving overdraft facility with HSBC Bank, Philippines, for up to 350 million Pesos and \$1.5 million United States dollars to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. The facility denominated in Philippine Pesos has a variable interest rate based on the lending rate stipulated by HSBC Bank. As of May 31, 2009 the interest rate on the facility was 5.0%. This facility is subject to annual review up to and including August 2010.
- Maldives—a revolving overdraft facility with HSBC Bank, Maldives, for up to \$1.0 million to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. This facility is denominated in United States Dollars and has a variable interest rate based on the lending rate stipulated by HSBC Bank. As of May 31, 2009 the interest rate on the facility was 5.7%. This facility is subject to annual review up to and including June 2010.

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 (Note 2). The term loan bears interest, at our election, at the prime rate or LIBOR plus a margin based on our leverage position. As of May 31, 2009 the interest rate on the term loan was 1.43%. 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 May 31, 2009, the outstanding balance of the term loan was \$185.0 million. The \$5.0 million quarterly principal payment scheduled for May 31, 2009 was paid on June 1, 2009, as the contractual payment due date fell on a weekend.

Notes Payable

In connection with our acquisition of UCS, we assumed notes payable with a total outstanding balance of approximately \$12.0 million at May 31, 2009. These notes are used to fund the purchase of ATMs and have interest rates ranging from 8% to 10.5% with maturity dates ranging from March 31, 2011 through July 25, 2013.

Redeemable Minority Interests

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 Pacific owns the remaining 44%. The GPAP shareholders agreement includes provisions pursuant to which HSBC Asia Pacific may compel us to purchase, at the lesser of fair value or a net revenue multiple, additional GPAP shares from HSBC Asia

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Pacific (the “AP Put Option”). HSBC Asia Pacific 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 Pacific 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 \$91.7 million as of May 31, 2009.

We also had a redeemable minority interest associated with the HSBC Merchant Services LLP partnership agreement. Under the HSBC Merchant Services LLP partnership agreement, HSBC UK could compel us to purchase, at fair value, additional membership units (the “UK Put Option”). HSBC UK could 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 could require us to purchase, on an annual basis, up to 15% of the total membership units. While not redeemable until June 2013, we estimate the maximum total redemption amount of the minority interest under the UK Put Option would be \$307.7 million, as of May 31, 2009. On June 12, 2009 we purchased the remaining 49% of HSBC Merchant Services LLP from HSBC UK. Please see Note 16—Subsequent Events for further information.

We adopted the provisions of EITF Topic D-98 beginning June 1, 2009. Topic D-98 requires that redeemable minority interests be recorded at the maximum redemption amount. Pursuant to the adoption of Topic D-98, we recorded a \$379.6 million increase to the carrying amount of redeemable minority interests with a corresponding decrease to retained earnings in the consolidated balance sheets. The carrying amount of redeemable minority interests was subsequently reduced by \$307.7 million on June 12, 2009 when we purchased the remaining 49% of the LLP. Pursuant to FAS 160, the purchase of the remaining 49% of the LLP is reflected as an equity transaction and no additional value has been ascribed to the assets of the LLP. As a result, our tax basis in the LLP exceeds our book basis and we anticipate recording a deferred tax asset in the amount of \$97.6 million with a corresponding increase to retained earnings.

Off-Balance Sheet Arrangements

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

Commitments and Contractual Obligations

The following table summarizes our contractual obligations and commitments as of May 31, 2009:

	Payments Due by Future Period				
	Total	Less than 1 Year	1-3 Years (in thousands)	3-5 Years	5+ Years
Operating leases (Note 13)	\$ 39,937	\$19,703	\$ 15,457	\$ 3,416	\$ 1,361
Long-term debt including current portion (Note 6)	197,003	29,393	106,428	61,182	—
Interest on long-term debt (1)	3,886	814	2,094	978	—

(1) Interest on variable rate debt is based on rates effective as of May 31, 2009.

Note: This table excludes other obligations that we may have, such as employee benefit plan obligations, and other current and long-term liabilities reflected in our consolidated balance sheet and the minority interest put option rights described in Note 13. We do not have any material purchase commitments as of May 31, 2009.

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We believe that cash flows from operations and borrowing programs will provide adequate sources of liquidity and capital resources to meet our expected long-term needs for the operation of our business and the satisfaction of these obligations and commitments.

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. In many instances, however, we reasonably could have used different accounting estimates and, in other instances, changes in our accounting estimates could occur from period to period, with the result in each case being a material change in the financial statement presentation of our financial condition or results of operations. We refer to accounting estimates of this type as “critical accounting estimates.” The critical accounting estimates that we discuss below are those that we believe are most important to an understanding of our consolidated financial statements.

Accounting estimates necessarily require subjective determinations about future events and conditions. Therefore, the following descriptions of critical accounting estimates are forward-looking statements, and actual results could differ materially from the results anticipated by these forward-looking statements. You should read the following in conjunction with Note 1 of the notes to consolidated financial statements and the risk factors contained in “Item 1A—Risk Factors” of this annual report.

Reserve for operating losses

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

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

We account for our potential liability relating to merchant losses as guarantees. We estimate the fair value of these guarantees by adding a fair value margin to our estimate of losses. This estimate of losses is comprised of known losses and a projection of future losses based on an assumed percentage of our United States, Canadian, the United Kingdom, Asia-Pacific, and the Russian Federation direct merchant credit card and off-line debit card sales volumes processed, or processed volume. For the years ended May 31, 2009, 2008, and 2007, our processed volume was \$231.9 billion, \$134.7 billion, and \$100.1 billion, respectively. For these same periods, we recorded provisions for merchant losses of \$7.1 million, \$5.7 million, and \$3.1 million, respectively. As a percentage of processed volume, these charges were 0.0031%, 0.0043%, and 0.0031%, respectively, during the above periods. For these same years, we experienced actual losses of \$6.9 million, \$5.2 million, and \$3.3 million, respectively. Since actual losses were similar to the merchant loss provisions provided above, we believe that our estimation

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process has been materially accurate on a historical basis. A 10% increase or decrease in our provision for merchant losses as a percentage of processed volume for the year ended May 31, 2009 would have resulted in a decrease or increase in net income of \$0.2 million. Further, if our provision for merchant losses as a percentage of processed volume for our fiscal 2009 had equaled our provision for merchant losses as a percentage of processed volume of 0.0043% for the same prior year period, our net income would have decreased by \$0.9 million. As of May 31, 2009 and 2008, \$3.5 million and \$3.4 million, respectively, have been recorded for guarantees associated with merchant card processing and are included in settlement processing obligations in the accompanying consolidated balance sheets.

In our check guarantee service offering, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter's bank. We have the right to collect the full amount of the check from the checkwriter but have not historically recovered 100% of the guaranteed checks.

Our check guarantee loss reserve is also comprised of known losses and a projection of future losses based on an assumed percentage of the face value of our guaranteed checks. For the years ended May 31, 2009, 2008, and 2007, we guaranteed total check face values of \$2.5 billion, \$2.7 billion, and \$2.6 billion, respectively. For those same periods, we recorded provisions for check guarantee losses of \$17.9 million, \$23.9 million, and \$18.2 million, respectively. As a percentage of the total guaranteed check face value, these charges were 0.73%, 0.90%, and 0.70%, respectively, during the years mentioned above. For these same years, we experienced actual losses of \$17.9 million, \$23.0 million, and \$18.8 million, respectively. Since actual losses were similar to the check guarantee loss provisions provided above, we believe that our estimation process has been materially accurate on a historical basis. A 10% increase or decrease in our percentage assumption for the year ended May 31, 2009 would have resulted in a decrease or increase in net income of \$0.5 million. Further, if our guarantee loss as a percentage of guarantee volume for our fiscal 2009 had equaled our guarantee loss as a percentage of guarantee volume of 90% for the same prior year period, our net income would have decrease by \$1.2 million. As of May 31, 2009 and 2008, we had a check guarantee reserve of \$4.0 million and \$6.1 million, respectively, which is included in claims receivable, net, in the accompanying consolidated balance sheets.

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

Goodwill and long-lived asset valuations

We regularly evaluate whether events and circumstances have occurred that indicate the carrying amounts of goodwill, property and equipment, and other intangible assets may warrant revision or may not be recoverable. Goodwill and other indefinite-life intangible assets are evaluated for impairment annually by applying a fair value based test. Property and equipment and finite-lived intangible assets are evaluated for impairment when facts and circumstances indicate the carrying value of such assets may exceed their fair values. When factors indicate that these assets should be evaluated for possible impairment, we assess the potential impairment of their carrying values by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition.

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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.

At May 31, 2009 we had goodwill of \$625.1 million recorded in our consolidated balance sheet. 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 3—Impairment 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 certain trademarks have indefinite lives and they, therefore, are not being amortized.

We use the accelerated method of amortization for our customer related intangible assets. 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. During fiscal 2009, we did not adjust the amortization schedules.

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

Capitalization of Internally Developed Software

We develop software that is used in providing processing services to customers. Capitalization of internally developed software, primarily associated with operating platforms, occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The preliminary project stage consists of the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology and the final selection of alternatives. Costs incurred prior to the preliminary project stage are expensed as incurred. Currently unforeseen circumstances in software development could require us to implement alternative plans with respect to a particular effort, which could result in the

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impairment of previously capitalized software development costs. Costs capitalized during fiscal 2009, 2008 and 2007 totaled \$11.8 million, \$10.2 million and \$11.0 million, respectively. Internally developed software has an amortization period of 5 to 10 years. Internally developed software assets are placed into service when they are ready for their intended use.

Income Taxes

The determination of our provision for income taxes requires management's judgment in the use of estimates and the interpretation and application of complex tax laws. Judgment is also required in assessing the timing and amounts of deductible and taxable items. We believe our tax return positions are fully supportable; however, we establish liabilities for material tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. Issues raised by a tax authority may be finally resolved at an amount different than the related liability. When facts and circumstances change (including a resolution of an issue or statute of limitations expiration), these liabilities are adjusted through the provision for income taxes in the period of change. Judgment will be required to determine whether or not some portion or all of the deferred tax assets will not be realized. To the extent we determine that we will not realize the benefit of some or all of our deferred tax assets, then these deferred tax assets will be adjusted through our provision for income taxes in the period in which this determination is made.

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ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

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, Russian Rubles, 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 fiscal 2009, currency rate fluctuations reduced our revenues by \$88.2 million and our diluted earnings per share by \$0.23. To calculate this we converted our fiscal 2009 actual revenues at fiscal 2008 rates.

Interest Rate Risk

We are exposed to market risk 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.

We have a five year unsecured \$200.0 million term loan agreement with a syndicate of banks in the United States. The term loan bears interest, at our election, at the prime rate or LIBOR plus a margin based on our leverage position. As of May 31, 2009 the interest rate on the term loan was 1.4%.

We also have a five year, \$350 million unsecured revolving credit facility with a syndicate of banks based in the United States. The facility expires in November 2011, and borrowings bear a variable interest rate based on a market short-term floating rate plus a margin that varies according to our leverage position. As of May 31, 2009 there were no borrowings on this facility.

We have various lines of credit that we use to fund settlement in certain of our markets; the aggregate maximum borrowing capacity of which is \$142.4 million at May 31, 2009. Interest rates on these lines of credit are based on market rates and fluctuate accordingly. As of May 31, 2009 there was \$10.2 million outstanding on these lines of credit.

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

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.

A 10% proportionate increase in interest rates as of May 31, 2009 would not have had a material adverse impact on our current or future consolidated net income or cash flows. Also, see Note 6 in the notes to the consolidated financial statements concerning a variable interest rate term loan entered into subsequent to May 31, 2009.

Derivative Financial Instruments

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

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Global Payments Inc.:

We have audited the accompanying consolidated balance sheets of Global Payments Inc. and subsidiaries (the “Company”) as of May 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended May 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Global Payments Inc. and subsidiaries as of May 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as whole, presents fairly, in all material respects, the information set forth therein.

As described in Note 9 to the consolidated financial statements, the Company changed its method of accounting for uncertainty in income taxes to conform to Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on June 1, 2007.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of May 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 28, 2009 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
July 28, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Global Payments Inc.:

We have audited the internal control over financial reporting of Global Payments Inc. and subsidiaries (the “Company”) as of May 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in the accompanying Management Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at HSBC Merchant Services LLP and ZAO United Card Services, which were acquired on June 30, 2008 and April 30, 2009, respectively, and whose financial statements constitute 39% and 7% of total assets and 13% and less than 1% of revenues, respectively, of the Company’s consolidated financial statement amounts as of and for the year ended May 31, 2009. Accordingly, our audit did not include the internal control over financial reporting at HSBC Merchant Services LLP and ZAO United Card Services. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2009, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended May 31, 2009 of the Company and our report dated July 28, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia
July 28, 2009

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GLOBAL PAYMENTS INC.
CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Year Ended May 31,		
	2009	2008	2007
Revenues	\$ 1,601,524	\$ 1,274,229	\$ 1,061,523
Operating expenses:			
Cost of service	598,785	475,612	414,837
Sales, general and administrative	693,646	545,941	425,509
Impairment, restructuring and other	147,664	1,317	3,088
	<u>1,440,095</u>	<u>1,022,870</u>	<u>843,434</u>
Operating income	161,429	251,359	218,089
Other income (expense):			
Interest and other income	7,263	18,210	16,706
Interest and other expense	(7,265)	(8,166)	(8,464)
	<u>(2)</u>	<u>10,044</u>	<u>8,242</u>
Income before income taxes and minority interest	161,427	261,403	226,331
Provision for income taxes	(87,249)	(90,588)	(73,436)
Minority interest, net of tax	(36,961)	(8,061)	(9,910)
Net income	<u>\$ 37,217</u>	<u>\$ 162,754</u>	<u>\$ 142,985</u>
Basic earnings per share	<u>\$ 0.47</u>	<u>\$ 2.05</u>	<u>\$ 1.78</u>
Diluted earnings per share	<u>\$ 0.46</u>	<u>\$ 2.01</u>	<u>\$ 1.75</u>
Dividends per share	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>

See Notes to Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	May 31, 2009	May 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 426,935	\$ 456,060
Accounts receivable, net of allowances for doubtful accounts of \$553 and \$489, respectively	122,831	100,179
Claims receivable, net of allowances for losses of \$4,026 and \$6,065, respectively	607	1,354
Settlement processing assets	6,675	24,280
Inventory, net of obsolescence reserves of \$653 and \$1,028, respectively	5,914	3,821
Deferred income taxes	3,789	4,119
Prepaid expenses and other current assets	28,437	27,597
Total current assets	595,188	617,410
Goodwill	625,120	497,136
Other intangible assets	258,094	175,636
Property and equipment	176,226	141,415
Other	22,193	14,310
Total assets	<u>\$ 1,676,821</u>	<u>\$ 1,445,907</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Lines of credit	\$ 10,174	\$ 1,527
Notes payable—current portion	29,393	—
Payables to money transfer beneficiaries	12,343	9,276
Accounts payable and accrued liabilities	167,700	138,243
Settlement processing obligations	106,934	56,731
Income taxes payable	9,633	11,975
Total current liabilities	336,177	217,752
Notes payable	167,610	—
Deferred income taxes	76,405	75,001
Other long-term liabilities	19,009	11,612
Total liabilities	599,201	304,365
Commitments and contingencies (See Note 13)		
Minority interests in equity of subsidiaries (includes redeemable minority interests with a book value of \$19,792 and an estimated maximum redemption amount of \$399,402 at May 31, 2009)	30,605	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; 80,445,009 and 79,636,629 shares issued and outstanding at May 31, 2009 and May 31, 2008, respectively	—	—
Paid-in capital	405,241	380,741
Retained earnings	652,675	621,875
Accumulated other comprehensive (loss) income	(10,901)	124,202
Total shareholders' equity	1,047,015	1,126,818
Total liabilities and shareholders' equity	<u>\$ 1,676,821</u>	<u>\$ 1,445,907</u>

See Notes to Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended May 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net income	\$ 37,217	\$162,754	\$ 142,985
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	35,434	28,894	25,929
Amortization of acquired intangibles	30,854	15,140	14,436
Provision for operating losses and bad debts	25,595	30,228	21,477
Share-based compensation expense	14,570	13,826	15,154
Minority interest in earnings	36,961	8,762	9,214
Impairment, restructuring and other charges, non-cash	147,664	—	1,145
Deferred income taxes	5,457	(1,151)	(2,211)
Other, net	4,036	(4,345)	1,807
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(25,077)	(23,957)	(8,579)
Claims receivable	(17,201)	(23,073)	(19,444)
Settlement processing assets and obligations, net	60,700	38,311	(13,937)
Inventory	(1,653)	(623)	(167)
Prepaid expenses and other assets	4,438	(3,775)	(2,428)
Accounts payable and accrued liabilities	23,251	15,304	11,505
Payables to money transfer beneficiaries	3,067	2,687	228
Income taxes payable	(2,342)	13,432	(5,982)
Net cash provided by operating activities	<u>382,971</u>	<u>272,414</u>	<u>191,132</u>
Cash flows from investing activities:			
Business and intangible asset acquisitions, net of cash acquired	(525,205)	(18,247)	(81,261)
Capital expenditures	(40,940)	(44,974)	(35,374)
Proceeds from sale of investment and contractual rights, net	6,888	—	—
Net cash used in investing activities	<u>(559,257)</u>	<u>(63,221)</u>	<u>(116,635)</u>
Cash flows from financing activities:			
Net borrowings on lines of credit	8,647	1,527	—
Proceeds from notes payable	200,000	—	—
Principal payments under notes payable	(16,734)	—	—
Principal payments under capital lease arrangements	—	—	(746)
Proceeds from stock issued under employee stock plans	9,050	17,385	19,332
Repurchase of common stock	—	(87,020)	—
Tax benefit from exercise of stock options	880	7,571	7,495
Contribution from minority interest holder	358	—	—
Distributions to minority interests	(34,299)	(9,459)	(8,753)
Dividends paid	(6,417)	(6,377)	(6,442)
Net cash provided by (used in) by financing activities	<u>161,485</u>	<u>(76,373)</u>	<u>10,886</u>
Effect of exchange rate changes on cash	<u>(14,324)</u>	<u>14,368</u>	<u>5,014</u>
(Decrease) Increase in cash and cash equivalents	(29,125)	147,188	90,397
Cash and cash equivalents, beginning of year	<u>456,060</u>	<u>308,872</u>	<u>218,475</u>
Cash and cash equivalents, end of year	<u>\$ 426,935</u>	<u>\$456,060</u>	<u>\$ 308,872</u>

See Notes to Consolidated Financial Statements.

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

(in thousands, except per share data)

	Number of Shares	Paid-in Capital	Retained Earnings	Deferred Compensation	Accumulated Other Comprehensive Income/(Loss)		Total Shareholders' Equity
					Currency Translation Adjustments	Minimum Pension Liability	
Balance at May 31, 2006	79,814	\$389,366	\$329,874	\$ (1,853)	\$ 53,852	\$ (1,016)	\$ 770,223
Adjustment for the adoption of FAS 123R		(1,853)		1,853			—
Comprehensive income							
Net income			142,985				142,985
Foreign currency translation adjustment, net of tax of \$4,637					8,288		8,288
Minimum pension liability adjustment, net of tax of \$91						162	162
Adjustment for the adoption of FAS 158, net of tax of \$(52)						(93)	(93)
Total comprehensive income							151,342
Stock issued under employee stock plans	1,064	19,332					19,332
Tax benefit from exercise of stock options		8,139					8,139
Share-based compensation expense		15,182					15,182
Dividends paid (\$0.08 per share)			(6,442)				(6,442)
Balance at May 31, 2007	80,878	430,166	466,417	—	62,140	(947)	957,776
Comprehensive income							
Net income			162,754				162,754
Foreign currency translation adjustment, net of tax of \$5,570					62,533		62,533
Minimum pension liability adjustment, net of tax of \$267						476	476
Total comprehensive income							225,763
Stock issued under employee stock plans	1,058	17,385					17,385
Tax benefit from exercise of stock options		6,927					6,927
Share-based compensation expense		13,826					13,826
Adjustment for the adoption of FIN 48		(543)	(919)				(1,462)
Repurchase of common stock	(2,299)	(87,020)					(87,020)
Dividends paid (\$0.08 per share)			(6,377)				(6,377)
Balance at May 31, 2008	79,637	380,741	621,875	—	124,673	(471)	1,126,818
Comprehensive income (loss)							
Net income			37,217				37,217
Foreign currency translation adjustment, net of tax of \$2,428					(133,660)		(133,660)
Minimum pension liability adjustment, net of tax of \$(832)						(1,443)	(1,443)
Total comprehensive loss							(98,521)
Stock issued under employee stock plans	808	9,050					9,050
Tax benefit from exercise of stock options		880					880
Share-based compensation expense		14,570					14,570
Dividends paid (\$0.08 per share)			(6,417)				(6,417)
Balance at May 31, 2009	80,445	\$405,241	\$652,675	\$ —	\$ (8,987)	\$ (1,914)	\$ 1,047,015

See Notes to Consolidated Financial Statements.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business, Consolidation and Presentation— Global Payments Inc. is a high-volume processor of electronic transactions for merchants, multinational corporations, financial institutions, consumers, government agencies and other business and non-profit business enterprises to facilitate payments to purchase goods and services or further other economic goals. Our role is to serve as an intermediary in the exchange of information and funds that must occur between parties so that a transaction can be completed. We were incorporated in Georgia as Global Payments Inc. in September 2000, and we spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have provided transaction processing services since 1967. Our fiscal year ends on May 31, thus we refer to the years ended May 31, 2009, 2008 and 2007 as fiscal years 2009, 2008, and 2007, respectively.

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

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. 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.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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 that serve as collateral (“Merchant reserves”) 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 associations. As of May 31, 2009 and 2008, our cash and cash equivalents included \$163.6 million and \$131.6 million, respectively, related to Merchant reserves.

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

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 five primary financial institution sponsors in the United States, Canada, the United Kingdom, the Asia-Pacific region and the Russian Federation 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 certain of our markets, merchant funding primarily occurs after the Member receives the funds from the card issuer through the card networks creating a net settlement obligation on our balance sheet. In our other markets, 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. In such instances, we do not reflect the related settlement processing assets and obligations in our consolidated balance sheet. The Member will continue to provide these operations and services until the integration to our platforms is 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 at which point the related settlement assets and obligations will be reflected in our consolidated balance sheet.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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 generally follow a net settlement process whereby, if the incoming amount from the card networks precedes the Member's funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member, in 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 consolidated statements of income. Each participant in the transaction process receives compensation for its services.

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 receivable from the Members for transactions we have funded merchants on behalf of the Members in advance of receipt of card association funding ("Receivable from Members"), and (iii) exception items, such as customer chargeback amounts receivable from merchants ("Exception items"), all of which are reported net of (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) 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, (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. In cases in which the Member uses its own funds to satisfy a funding obligation to merchants that precedes the incoming amount from the card network, we reflect the amount of this funding as a component of "Liability to Members". As of May 31, 2009 and 2008, our settlement processing assets primarily related to our processing for direct merchants in certain Asia Pacific markets and the Russian Federation, while our settlement processing obligations primarily related to our processing for direct merchants in the United States, Canada, and other Asia-Pacific markets. 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 May 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Settlement processing assets:		
Interchange reimbursement	\$ 222	\$ 60,734
Receivable from (Liability to) Members	6,631	(19,122)
Exception items	553	717
Merchant reserves	(731)	(18,049)
Total	<u>\$ 6,675</u>	<u>\$ 24,280</u>
Settlement processing obligations:		
Interchange reimbursement	\$ 179,763	\$ 123,757
Liability to Members	(129,295)	(69,823)
Exception items	10,507	6,722
Merchant reserves	(162,870)	(113,523)
Fair value of guarantees of customer chargebacks	(3,507)	(3,375)
Reserves for sales allowances	(1,532)	(489)
Total	<u>\$(106,934)</u>	<u>\$ (56,731)</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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 (“FAS”) 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. We believe 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 May 31, 2009 and 2008, \$3.5 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 consolidated statements of income. For the years ended May 31, 2009, 2008, and 2007, we recorded such expenses in the amounts of \$7.1 million, \$5.7 million, and \$3.1 million, respectively.

In our check guarantee service offering, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter’s bank in accordance with the merchant’s agreement with us. The fair value of the check guarantee 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 May 31, 2009 and 2008, we have a check guarantee loss reserve of \$4.0 million and \$6.1 million, respectively, which is included in net claims receivable in the accompanying consolidated balance sheets. Expenses of \$17.9 million, \$23.9 million, and \$18.2 million were recorded for the years ended May 31, 2009, 2008 and 2007, respectively, for these losses and are included in cost of service in the accompanying consolidated statements of income. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the receivable valuation allowance.

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

**NOTES TO CONSOLIDATED
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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 shorter of the useful life of the asset or the term of the lease. 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 of goodwill is the impairment loss.

As a result of our annual impairment test, we recorded an impairment charge related to our Money Transfer segment during the third quarter of fiscal 2009. Please see Note 3—Impairment 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 certain trademarks have indefinite lives and, therefore, they are not being amortized.

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

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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 fiscal 2009, we determined that certain software assets were obsolete and recorded impairment charges of \$4.3 million. We also recorded an impairment charge of \$1.7 million related to certain customer relationship intangibles and non-compete agreements that were deemed impaired. These charges are included in cost of service in the accompanying consolidated statements of income. Also during the third quarter of fiscal 2009, we also recorded an impairment charge related to our money transfer business. Please see Note 3—Impairment Charges for further information.

Income taxes—Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. On June 1, 2007, we adopted the provisions of FAS Interpretation No. 48 *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109*. Under this Interpretation, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Refer to Note 9—Income Taxes for further information.

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. We estimate the fair value of our term loan was \$176.5 million at May 31, 2009. Our subsidiary in the Russian Federation has notes payable with interest rates ranging from 8.0% to 10.5% and maturity dates ranging from March 31, 2011 through December 31, 2012. At May 31, 2009, we believe the carrying amount of these notes approximates fair value.

Foreign currencies—We have significant operations in a number of foreign subsidiaries whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period. For the years ended May 31, 2009, 2008 and 2007 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.

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

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period and the impact of securities that, if exercised, would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period generally are assumed to have a dilutive effect on earnings per share. The diluted share base for the years ended May 31, 2009, 2008 and 2007 excludes incremental shares of 0.9 million, 0.6 million, and 0.6 million related to stock options, respectively. These shares were excluded since they have an anti-dilutive

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

effect because their option exercise prices are greater than the average market price of the common shares. 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 years ended May 31, 2009, 2008 and 2007:

	2009	2008	2007
	(in thousands, except per share data)		
Basic EPS:			
Net income available to common shareholders	\$ 37,217	\$ 162,754	\$ 142,985
Basic weighted average shares outstanding	79,718	79,518	80,229
Earnings per share	<u>\$ 0.47</u>	<u>\$ 2.05</u>	<u>\$ 1.78</u>
Diluted EPS:			
Net income available to common shareholders	\$ 37,217	\$ 162,754	\$ 142,985
Basic weighted average shares outstanding	79,718	79,518	80,229
Plus: dilutive effect of stock options and restricted stock awards	1,274	1,461	1,593
Diluted weighted average shares outstanding	<u>80,992</u>	<u>80,979</u>	<u>81,822</u>
Earnings per share	<u>\$ 0.46</u>	<u>\$ 2.01</u>	<u>\$ 1.75</u>

Stock awards and options—In accordance with FAS 123R *Share Based Payment* (“FAS 123R”) we expense the fair value of options over the vesting period. We use the Black-Scholes valuation model to calculate the fair value of share-based awards. Refer to Note 11 for additional discussion regarding details of our share-based employee compensation plans.

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 for 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. Upon adoption of FAS 160, minority interests that are not redeemable will be reclassified from the ‘mezzanine’ section of the consolidated balance sheet to permanent equity but separate from parent’s equity. As further described in Note 13, 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 were made 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

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

then maximum redemption amount 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. These redeemable minority interests will remain in the mezzanine section of the consolidated balance sheet. 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 maximum redemption amount of our redeemable minority interest with a corresponding adjustment to retained earnings in the consolidated balance sheet. As a result of this guidance on June 1, 2009, we recorded a \$379.6 million increase to minority interest in equity of subsidiaries with a corresponding decrease to retained earnings in the consolidated balance sheet.

NOTE 2—BUSINESS AND INTANGIBLE ASSET ACQUISITIONS

In the years ended May 31, 2009, 2008 and 2007, we acquired the following businesses:

<u>Fiscal 2009</u>	<u>Business</u>	<u>Date Acquired</u>	<u>Percentage Ownership</u>
	HSBC Merchant Services LLP	June 30, 2008	51%
	Global Payments Asia-Pacific Philippines Incorporated	September 4, 2008	56%
	ZAO United Card Service	April 30, 2009	100%
	Discover merchant portfolio	Various	100%
	Money transfer branch locations	Various	100%
<u>Fiscal 2008</u>			
	LFS Spain	April 15, 2008	100%
	Discover merchant portfolio	Various	100%
	Money transfer branch locations	Various	100%
<u>Fiscal 2007</u>			
	HSBC Asia-Pacific merchant acquiring business	July 24, 2006	56%
	Diginet d.o.o.	November 14, 2006	100%
	Money transfer branch locations	Various	100%

These acquisitions have been recorded using the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair value as of the date of acquisition. The allocations for the fiscal 2009 acquisitions are preliminary. The operating results of each acquisition are included in our consolidated statements of income from the dates of each acquisition.

Fiscal 2009**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

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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”). Please see Note 13 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):

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 years ended May 31, 2009, 2008 and 2007 as if the HSBC Merchant Services acquisition had occurred on June 1, 2007. The pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of that date. The pro forma information is also not intended to be a projection of future results expected due to the integration of the acquired business.

	Years Ended May 31,		
	2009	2008	2007
	(in thousands)		
Total revenues	\$ 1,622,469	\$ 1,510,663	\$ 1,280,216
Net income for the period	\$ 38,883	\$ 179,803	\$ 151,819
Net income per share, basic	\$ 0.49	\$ 2.26	\$ 1.89
Net income per share, diluted	\$ 0.48	\$ 2.22	\$ 1.86

On June 12, 2009 we completed the purchase of the remaining 49% of HSBC Merchant Services LLP. Please see Note 16—Subsequent Events for further information.

ZAO United Card Service

On April 30, 2009, we completed the acquisition of all 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. Under the terms of the agreement, we paid a total of \$75.0 million in cash to acquire

**NOTES TO CONSOLIDATED
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UCS. As of May 31, 2009, \$55.0 million of the purchase price was held in escrow (the “escrow account”). Prior to our acquisition of UCS, the former parent company of UCS pledged the company’s stock as collateral for a third party loan (“the loan”) that matures on September 24, 2009. Upon repayment of this loan, the stock will be released to us and \$35.0 million of the purchase price will be released to the seller. The remaining \$20.0 million will remain in escrow until January 1, 2013, to satisfy any liabilities discovered post-closing that existed at the purchase date.

The purpose of this acquisition was to establish an acquiring presence in the Russian market and a foundation for other direct acquiring opportunities in Central and Eastern Europe. The purchase price was determined by analyzing the historical and prospective financial statements and applying relevant purchase price multiples. This business acquisition was not significant to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

Upon acquisition of UCS Global Payments assumed an indirect guarantee of the loan. In the event of a default by the third-party debtor, we would be required to transfer all of the shares of UCS to the trustee or pay the amount outstanding under the loan. At May 31, 2009 the maximum potential amount of future payments under the guarantee was \$44.1 million which represents the total outstanding under the loan, consisting of \$21.8 million due and paid on June 24, 2009 and \$22.3 million due on September 24, 2009. Should the third-party debtor default on the final payment, Global Payments would pay the total amount outstanding and seek to be reimbursed for any payments made from the \$55 million held in the escrow account. We did not record an obligation for this guarantee because we determined that the fair value of the guarantee is de minimis.

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

Total current assets	\$ 10,657
Goodwill	35,431
Customer-related intangible assets	16,500
Trademark	3,100
Property and equipment	19,132
Other long-term assets	13,101
Total assets acquired	<u>97,921</u>
Current liabilities	(7,245)
Notes payable	(8,227)
Deferred income taxes and other long-term liabilities	(7,449)
Total liabilities assumed	<u>(22,921)</u>
Net assets acquired	<u>\$ 75,000</u>

All of the goodwill associated with the acquisition is non-deductible for tax purposes. The customer-related intangible assets have amortization periods of 9 to 15 years. The trademark has an amortization period of 10 years.

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, indirectly acquired Global Payments Asia-Pacific Philippines Incorporated (“GPAP Philippines”), a newly formed company into which HSBC Asia Pacific contributed its merchant acquiring business in the Philippines. We own 56% of GPAP and HSBC Asia Pacific

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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.

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

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>

All of the goodwill associated with the acquisition is non-deductible for tax purposes. The customer-related intangible assets have amortization periods of 11 years. The contract-based intangible assets have amortization periods of 7 years. The trademark has an amortization period of 5 years.

Money Transfer Branch Locations

During 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 DoIEx-branded money transfer offering. The purchase price of these acquisitions was \$787 thousand with \$739 thousand allocated to goodwill and \$48 thousand allocated to intangibles.

Pursuant to our annual impairment test in fiscal 2009, goodwill and other intangibles related to our Money Transfer business were deemed impaired. Please see Note 3—Impairment 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.

Fiscal 2008

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 for \$6.0 million. The purchase of the portfolio was structured to occur in tranches. During fiscal 2009, additional tranches were purchased for \$1.4 million. 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 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.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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 fiscal 2009. Such sale proceeds are generally collected in installments over periods ranging from three to nine months. During fiscal 2009, we collected \$4.4 million of such proceeds, which are included in the Proceeds from sale of investment and contractual rights in our consolidated statement of cash flows. We do not recognize gains on these sales of contractual rights at the time of sale. Proceeds are deferred and recognized as a reduction of the related commission expense. During fiscal 2009, we recognized \$1.2 million of such deferred sales proceeds as Other long-term liabilities.

Other 2008 Acquisitions

During fiscal 2008, we acquired a majority of the assets of Euroenvios Money Transfer, S.A. and Euroenvios Conecta, S.L., which we collectively refer to as LFS Spain. LFS Spain consisted of two privately-held corporations engaged in money transmittal and ancillary services from Spain to settlement locations primarily in Latin America. The purpose of the acquisition was to further our strategy of expanding our customer base and market share by opening additional branch locations.

During fiscal 2008, we acquired a series of money transfer branch locations in the United States. The purpose of these acquisitions was to increase the market presence of our DolEx-branded money transfer offering.

The following table summarizes the preliminary purchase price allocations of all these fiscal 2008 business acquisitions (in thousands):

	<u>Total</u>
Goodwill	\$13,536
Customer-related intangible assets	4,091
Contract-based intangible assets	1,031
Property and equipment	267
Other current assets	502
Total assets acquired	<u>19,427</u>
Current liabilities	(2,347)
Minority interest in equity of subsidiary (at historical cost)	(486)
Net assets acquired	<u>\$16,594</u>

The customer-related intangible assets have amortization periods of up to 14 years. The contract-based intangible assets have amortization periods of 3 to 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 addition, during fiscal 2008, we acquired a customer list and long-term merchant referral agreement in our Canadian merchant services channel for \$1.7 million. The value assigned to the customer list of \$0.1 million was expensed immediately. The remaining value was assigned to the merchant referral agreement and is being amortized on a straight-line basis over its useful life of 10 years.

Fiscal 2007

On July 24, 2006, we completed the purchase of a fifty-six percent ownership interest in the Asia-Pacific merchant acquiring business of The Hongkong and Shanghai Banking Corporation Limited, or HSBC Asia Pacific. This business provides card payment processing services to merchants in the Asia-Pacific region. The

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

business includes HSBC Asia Pacific's payment processing operations in the following ten countries and territories: Brunei, China, Hong Kong, India, Macau, Malaysia, Maldives, Singapore, Sri Lanka and Taiwan. Under the terms of the agreement, we initially paid HSBC Asia Pacific \$67.2 million in cash to acquire our ownership interest. We paid an additional \$1.4 million under this agreement during fiscal 2007, for a total purchase price of \$68.6 million to acquire our ownership interest. In conjunction with this acquisition, we entered into a transition services agreement with HSBC Asia Pacific that may be terminated at any time. Under this agreement, we expect HSBC Asia Pacific will continue to perform payment processing operations and related support services until we fully integrate these functions into our own operations.

The purpose of this acquisition was to establish a presence in the Asia-Pacific market. The key factors that contributed to the decision to make this acquisition include historical and prospective financial statement analysis, HSBC Asia Pacific's market share in the region, HSBC Asia Pacific's retail presence, and previous business development activity by other companies in the Asia-Pacific market. The purchase price was determined by analyzing the historical and prospective financial statements and applying relevant purchase price multiples.

On November 14, 2006, we completed the acquisition of the assets of Dignet d.o.o., an indirect payment processor for both point-of-sale and ATM transactions based in Sarajevo, Bosnia and Herzegovina. The purpose of this acquisition was to extend Global Payments Europe's presence into the Balkan region.

During fiscal 2007, we acquired a series of money transfer branch locations in the United States. The purpose of these acquisitions was to increase the market presence of our DolEx-branded money transfer offering.

The following table summarizes the purchase price allocations of these acquisitions (in thousands):

	HSBC Asia Pacific	All Other	Total
Goodwill	\$ 51,201	\$ 9,160	\$60,361
Customer-related intangible assets	15,008	2,663	17,671
Trademarks	2,016	—	2,016
Contract-based intangible assets	—	1,489	1,489
Property and equipment	666	825	1,491
Non-current deferred tax asset	1,229	—	1,229
Other current assets	—	76	76
Total assets acquired	70,120	14,213	84,333
Current liabilities	—	(1,400)	(1,400)
Long-term liabilities	—	(150)	(150)
Minority interest in equity of subsidiary	(1,522)	—	(1,522)
Net assets acquired	<u>\$ 68,598</u>	<u>\$12,663</u>	<u>\$81,261</u>

The HSBC Asia Pacific customer-related intangible assets and trademarks acquired have an amortization period of 13 years and 5 years, respectively. The customer-related intangible assets and contract-based intangible assets created from the other acquisitions have amortization periods ranging up to 15 years and 3 years, respectively.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

NOTE 3—IMPAIRMENT CHARGES

The downturn in the United States construction market, immigrant labor trends, and overall decrease in economic growth in the United States and Spain 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 therefore, goodwill was deemed to be impaired. Our DoEx trademark in our United States Money Transfer reporting unit was also deemed to be impaired. In addition, we 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 for certain of our long-lived assets.

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

	Year Ended May 31, 2009
Goodwill	\$ 136,800
Trademark	10,000
Other long-lived assets	864
Total	<u>\$ 147,664</u>

NOTE 4—PROPERTY AND EQUIPMENT

As of May 31, 2009 and 2008, property and equipment consisted of the following:

	Range of Useful Lives in Years	2009	2008
(in thousands)			
Land	N/A	\$ 2,288	\$ 2,727
Buildings	14-40	38,356	37,023
Equipment	2-5	122,200	111,834
Software	5-10	55,474	70,444
Leasehold improvements	5-15	13,731	10,913
Furniture and fixtures	5-7	6,525	8,521
Work in progress	N/A	58,841	45,924
		297,415	287,386
Less accumulated depreciation and amortization of property and equipment		121,189	145,971
		<u>\$ 176,226</u>	<u>\$ 141,415</u>

Depreciation and amortization expense of property and equipment was \$35.4 million, \$28.9 million, and \$25.9 million for fiscal 2009, 2008 and 2007, respectively.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

NOTE 5—GOODWILL AND INTANGIBLE ASSETS

As of May 31, 2009 and 2008, goodwill and intangible assets consisted of the following:

	2009	2008
	(in thousands)	
Goodwill	\$ 625,120	\$ 497,136
Customer-related intangible assets	390,232	287,317
Trademarks, indefinite life	32,944	42,944
Trademarks, finite life	8,414	3,188
Contract-based intangible assets	16,064	5,545
	<u>1,072,774</u>	<u>836,130</u>
Less accumulated amortization on:		
Customer-related intangible assets	181,908	158,935
Trademarks	2,594	1,841
Contract-based intangible assets	5,058	2,582
	<u>189,560</u>	<u>163,358</u>
	<u>\$ 883,214</u>	<u>\$ 672,772</u>

The following table discloses the changes in the carrying amount of goodwill for the years ended May 31, 2009 and 2008:

	2009	2008
	(in thousands)	
Balance at beginning of year	\$ 497,136	\$ 451,244
Goodwill acquired	343,643	13,536
Impairment charge	(136,800)	—
Effect of foreign currency translation	(78,859)	32,356
Balance at end of year	<u>\$ 625,120</u>	<u>\$ 497,136</u>

Trademarks with a finite life, customer-related intangible assets and contract-based intangible assets acquired during the year ended May 31, 2009 have weighted average amortization periods of 8.3 years, 13.2 years and 6.9 years, respectively. Customer-related intangible assets and contract-based intangible assets acquired during the year ended May 31, 2008 have weighted average amortization periods of 11.8 years and 3.4 years, respectively. We did not acquire any finite life trademarks during the year ended May 31, 2008. Amortization expense of acquired intangibles was \$30.9 million, \$15.1 million, and \$14.4 million for fiscal 2009, 2008 and 2007, respectively.

The estimated amortization expense of acquired intangibles as of May 31, 2009 for the next five fiscal years is as follows (in thousands):

2010	\$ 40,011
2011	35,294
2012	29,161
2013	25,089
2014	21,133

Estimated amortization expense for acquired intangibles denominated in currencies other than the United States dollar is based on foreign exchange rates as of May 31, 2009.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

NOTE 6—LONG-TERM DEBT AND CREDIT FACILITIES

Outstanding debt consisted of the following:

	May 31, 2009	May 31, 2008
	(in thousands)	
Lines of credit:		
U.S. Credit Facility	\$ —	\$ —
China Credit Facility	—	577
Canada Credit Facility	—	—
National Bank of Canada (“NBC”) Credit Facility	1,534	71
Macau Credit Facility	1,333	879
Sri Lanka Credit Facility	1,355	—
Philippines Credit Facility	5,244	—
Maldives Credit Facility	708	—
Notes Payable	12,003	
Term loan	185,000	—
Total debt	<u>\$ 207,177</u>	<u>\$ 1,527</u>
Current portion	39,567	1,527
Long-term debt	167,610	—
Total debt	<u>\$ 207,177</u>	<u>\$ 1,527</u>

Maturity requirements on long-term debt are as follows (in thousands):

2010	\$ 29,393
2011	43,654
2012	62,774
2013	61,032
2014	150
Total	<u>\$ 197,003</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. Our line of credit facilities consist of the following:

- U.S.—a five year, \$350 million unsecured revolving credit facility agreement with a syndicate of banks based in the United States, which we refer to as our U.S. Credit Facility. The facility expires in November 2011, and borrowings bear a variable interest rate based on a market short-term floating rate plus a margin that varies according to our leverage position. In addition, the U.S. Credit Facility allows us to expand the facility size to \$700 million by requesting additional commitments from existing or new lenders. We plan to use the U.S. Credit Facility to fund future strategic acquisitions, to provide a source of working capital, and for general corporate purposes.
- China—a revolving credit facility with the People’s Bank of China for up to \$2.6 million to provide a source of working capital. This credit facility is denominated in Chinese Renminbi and has a variable interest rate based on the lending rate stipulated by People’s Bank of China. This facility is subject to annual review up to and including June 2010.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

- Canada—a credit facility, which we refer to as our Canada Credit Facility, with the Canadian Imperial Bank of Commerce, or CIBC, as administrative agent and lender. The Canada Credit Facility is a facility which consists of a line of credit of \$25 million Canadian dollars. In addition, the Canada Credit Facility allows us to expand the size of the uncommitted facility to \$50 million Canadian dollars and does not have a fixed term. This credit facility carries no termination date, but can be terminated by CIBC with advance notice. This credit facility has a variable interest rate based on the Canadian dollar London Interbank Offered Rate plus a margin.
- NBC—a credit facility for up to \$80 million Canadian dollars and \$5 million United States dollars to provide certain Canadian merchants with same day value for their Canadian and United States dollar MasterCard credit card transactions and debit card transactions. This credit facility has a variable interest rate based on the National Bank of Canada prime rate. As of May 31, 2009 the interest rate on the facility was 3.8%.
- Macau—a revolving overdraft facility with HSBC Asia Pacific, for up to \$3.8 million to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. This is denominated in Macau Pataca and has a variable interest rate based on the lending rate stipulated by HSBC Asia Pacific, plus a margin. As of May 31, 2009 the interest rate on the facility was 2.5%. This facility is subject to annual review up to and including January 2010.
- Sri Lanka—a revolving overdraft facility with HSBC Bank, Sri Lanka, for up to \$1.8 million to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. This is denominated in Sri Lankan Rupees and has a variable interest rate based on the lending rate stipulated by HSBC Bank. As of May 31, 2009 the interest rate on the facility was 18.1%. This facility is subject to annual review up to and including June 2010.
- Philippines—a revolving overdraft facility with HSBC Bank, Philippines, for up to 350 million Pesos and \$1.5 million United States dollars to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. The facility denominated in Philippine Pesos has a variable interest rate based on the lending rate stipulated by HSBC Bank. As of May 31, 2009 the interest rate on the facility was 5.0%. This facility is subject to annual review up to and including August 2010.
- Maldives—a revolving overdraft facility with HSBC Bank, Maldives, for up to \$1.0 million to fund merchants prior to receipt of corresponding settlement funds from Visa and MasterCard. This facility is denominated in United States Dollars and has a variable interest rate based on the lending rate stipulated by HSBC Bank. As of May 31, 2009 the interest rate on the facility was 5.7%. This facility is subject to annual review up to and including June 2010.

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 (Note 2). The term loan bears interest, at our election, at the prime rate or London Interbank Offered Rate (“LIBOR”) plus a margin based on our leverage position. As of May 31, 2009 the interest rate on the term loan was 1.4%. 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 May 31, 2009, the outstanding balance of the term loan was \$185.0 million. The \$5.0 million quarterly principal payment scheduled for May 31, 2009 was paid on June 1, 2009, as the contractual payment due date fell on a weekend.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

Notes Payable

In connection with our acquisition of UCS, we assumed notes payable with a total outstanding balance of approximately \$12.0 million at May 31, 2009. These notes are used to fund the purchase of ATMs and have interest rates ranging from 8% to 10.5% with maturity dates ranging from March 31, 2011 through July 25, 2013.

Compliance with Covenants

There are certain financial and non-financial covenants contained in our U.S. Credit Facility and our NBC Credit Facility. We complied with these covenants as of May 31, 2009.

NOTE 7—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of May 31, 2009 and 2008, accounts payable and accrued liabilities consisted of the following:

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Trade accounts payable	\$ 36,858	\$ 36,347
Compensation and benefits	30,801	20,041
Third party processing expenses	10,846	7,624
Commissions to third parties	34,525	30,699
Assessment expenses	13,715	13,801
Transition services payable to HSBC UK and HSBC Asia Pacific	14,258	3,534
Other	26,697	26,197
	<u>\$ 167,700</u>	<u>\$ 138,243</u>

NOTE 8—RETIREMENT BENEFITS

Pension Plans

We have a noncontributory defined benefit pension plan covering certain of our United States employees who met the eligibility provisions at the time the plan was closed on June 1, 1998. Benefits are based on years of service and the employee's compensation during the highest five consecutive years of earnings out of the last ten years of service. Plan provisions and funding meet the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Effective May 31, 2004, we modified the pension plan to cease benefit accruals for increases in compensation levels.

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

The measurement date for the pension plans is May 31, which coincides with the plans' fiscal year. Our plan expenses for fiscal 2009, 2008 and 2007 were actuarially determined.

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The following tables provide a reconciliation of the aggregate pension plan changes in the benefit obligations and fair value of assets over the two year period ending May 31, 2009 and a statement of funded status at May 31 for each year:

Changes in benefit obligations

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Benefit obligation at beginning of year	\$9,346	\$10,058
Interest cost	630	600
Actuarial gain	(211)	(1,055)
Benefits paid	(296)	(257)
Balance at end of year	<u>\$9,469</u>	<u>\$ 9,346</u>

Changes in plan assets

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Fair value of plan assets at beginning of year	\$ 8,873	\$8,418
Actual return on plan assets	(1,793)	312
Employer contributions	200	400
Benefits paid	(296)	(257)
Fair value of plan assets at end of year	<u>\$ 6,984</u>	<u>\$8,873</u>

Amounts recognized in consolidated balance sheets

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Current assets	\$ —	\$ 149
Noncurrent liabilities	(2,485)	(622)
Total	<u>\$(2,485)</u>	<u>\$(473)</u>

Information about accumulated benefit obligation

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Projected benefit obligation	\$9,469	\$ 9,346
Accumulated benefit obligation	9,469	9,346

Components of net periodic benefit cost

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(in thousands)		
Interest cost	\$ 630	\$ 600	\$ 576
Expected return on plan assets	(707)	(678)	(571)
Amortization of prior service cost	14	14	14
Amortization of net loss	—	40	63
Net pension (income) expense	<u>\$ (63)</u>	<u>\$ (24)</u>	<u>\$ 82</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss)

	<u>2009</u>	<u>2008</u> (in thousands)	<u>2007</u>
Adjustment for the adoption of FAS 158, <i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans</i>	\$ —	\$ —	\$ 145
Net actuarial loss (gain)	2,289	(689)	(176)
Amortization of net loss	—	(40)	(63)
Amortization of prior service cost	(14)	(14)	(14)
Total recognized in other comprehensive loss (income)	<u>\$2,275</u>	<u>\$(743)</u>	<u>\$(108)</u>

The estimated net loss and prior service cost for the deferred benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are not significant.

Amounts recognized in accumulated other comprehensive income (loss)

	<u>2009</u>	<u>2008</u> (in thousands)
Net actuarial loss	\$ 2,911	\$ 622
Prior service cost	102	116
Deferred income tax benefit	(1,099)	(267)
Total	<u>\$ 1,914</u>	<u>\$ 471</u>

Weighted average assumptions used to determine benefit obligations

	<u>2009</u>	<u>2008</u>
Discount rate—Qualified Plan	7.00%	6.75%
Discount rate—SERP	7.00	6.75
Rate of increase in compensation levels	N/A	N/A

Weighted average assumptions used to determine net periodic benefit cost

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Discount rate—Qualified Plan	6.75%	6.00%	6.25%
Discount rate—SERP	6.75	6.00	5.50
Expected long-term rate of return on assets	8.00	8.00	8.00
Rate of increase in compensation levels	N/A	N/A	N/A

The expected long-term return on plan assets was derived by applying the weighted-average target allocation to the expected return by asset category shown in the table below. These assumptions and allocations were evaluated using input from a third party consultant. Overall, the expected return assumption for each asset class utilized is based on expectation of future returns.

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FINANCIAL STATEMENTS—(Continued)**

Plan assets

The pension plan weighted average asset allocations at May 31, 2009 and 2008 by asset category are as follows:

<u>Asset Category</u>	<u>2009</u>	<u>2008</u>	<u>Target 2009</u>	<u>Expected Return</u>
Equity securities	56.0%	61.1%	70.0%	9.0%
Debt securities	39.0	29.0	30.0	5.7
Real estate	1.0	2.1	0.0	0.0
Cash equivalents	4.0	7.8	0.0	0.0
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>8.0%</u>

Our investment policy and strategies for plan assets involve a balanced approach to achieve our long-term investment objectives. We selected a blended investment approach to diversify the asset pool while reducing the risk of wide swings in the market from year-to-year. The pension plan's investment goals are to generate a return in excess of 8.0% over a full market cycle. The investment portfolio contains enough diversification of investments to reduce risk and provide growth of capital and income. The securities investment guideline details the categories of investments that are not eligible for investment without specific approval. These include the following: short sales, margin transactions, commodities or other commodity contracts, unregistered securities, investment in companies that have filed a petition for bankruptcy or investments for the purpose of exercising control of management.

Contributions

We expect to contribute \$0.2 million to the noncontributory defined benefit pension plan in fiscal 2010. We do not expect to make contributions to the SERP in fiscal 2010.

Estimated future benefit payments

The following benefit payments are expected to be paid during the years ending May 31 (in thousands):

2010	\$ 292
2011	319
2012	342
2013	404
2014	427
2015-2019	3,096

Employee Retirement Savings Plan

We have a deferred compensation 401(k) Plan. The plan provides tax deferred amounts for each participant consisting of employee elective contributions and certain of our matching contributions. We contributed \$2.1 million, \$1.8 million and \$1.4 million to the 401(k) Plan in each of the years ended May 31, 2009, 2008 and 2007, respectively.

We also have defined contribution plans in the United Kingdom and Asia-Pacific. For the year ended May 31, 2009, we contributed \$1.3 million to the United Kingdom plan. We contributed \$0.6 million, \$0.5 million and \$0.2 million to the plans in the Asia-Pacific in each of the years ended May 31, 2009, 2008 and 2007, respectively.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

NOTE 9—INCOME TAXES

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

	<u>2009</u>	<u>2008</u> (in thousands)	<u>2007</u>
Current tax expense:			
Federal	\$69,061	\$73,562	\$64,579
State	5,024	4,741	3,501
Foreign	7,225	5,807	4,668
	<u>81,310</u>	<u>84,110</u>	<u>72,748</u>
Deferred tax expense (benefit):			
Federal	(739)	4,581	(179)
State	178	648	(414)
Foreign	6,500	1,249	1,281
	<u>5,939</u>	<u>6,478</u>	<u>688</u>
Provision for income taxes	<u>87,249</u>	<u>90,588</u>	<u>73,436</u>
Tax (expense) benefit allocated to minority interest in a taxable entity	<u>(1,622)</u>	<u>(700)</u>	<u>696</u>
Net income tax expense	<u>\$85,627</u>	<u>\$89,888</u>	<u>\$74,132</u>

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

	<u>2009</u>	<u>2008</u> (in thousands)	<u>2007</u>
Income before income taxes and minority interest—Domestic	\$ 88,898	\$240,101	\$202,575
Income before income taxes and minority interest—Foreign	72,529	21,302	23,756
Minority interest, net of tax	(36,961)	(8,061)	(9,910)
Tax (expense) benefit allocated to minority interest	<u>(1,622)</u>	<u>(700)</u>	<u>696</u>
Income before income taxes	<u>\$122,844</u>	<u>\$252,642</u>	<u>\$217,117</u>

Our effective tax rates, as applied to income before income taxes including the effect of minority interest, for the years ended May 31, 2009, 2008, and 2007 respectively, differ from federal statutory rates as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.8	1.4	0.9
Foreign income taxes	(5.1)	(1.1)	(1.6)
Foreign interest income not subject to tax	(3.6)	0.0	0.0
Goodwill impairment charge (see Note 3)	39.0	0.0	0.0
Tax credits and other	<u>1.6</u>	<u>0.3</u>	<u>(0.2)</u>
Effective tax rate	<u>69.7%</u>	<u>35.6%</u>	<u>34.1%</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

Deferred income taxes as of May 31, 2009 and 2008 reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. Our investments in certain foreign subsidiaries are permanently invested abroad and will not be repatriated to the United States in the foreseeable future. In accordance with Accounting Principles Board Opinion No. 23: *Accounting for Income Taxes—Special Areas*, because those earnings are considered to be indefinitely reinvested, no domestic federal or state deferred income taxes have been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, we would be subject to both domestic income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Because of the availability of United States foreign tax credits, it is not practicable to determine the domestic federal income tax liability that would be payable if such earnings were not reinvested indefinitely.

As of May 31, 2009 and 2008, principal components of deferred tax items were as follows:

	2009	2008
	(in thousands)	
Deferred tax assets:		
Equity compensation	\$ 11,681	\$ 8,571
Bad debt expense	3,298	3,541
Accrued restructuring	—	27
Foreign NOL carryforward	4,903	3,516
Tax credits	6,116	6,563
	<u>25,998</u>	<u>22,218</u>
Less: valuation allowance	(9,513)	(9,237)
Net deferred tax asset	<u>16,485</u>	<u>12,981</u>
Deferred tax liabilities:		
Accrued expenses and other	5,025	3,248
Foreign currency translation	32,813	34,198
Acquired intangibles	41,484	44,018
Prepaid expenses	4,719	1,063
Property and equipment	5,060	1,336
	<u>89,101</u>	<u>83,863</u>
Net deferred tax liability	<u>(72,616)</u>	<u>(70,882)</u>
Less: current net deferred tax asset	3,789	4,119
Net noncurrent deferred tax liability	<u><u>\$(76,405)</u></u>	<u><u>\$(75,001)</u></u>

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Changes to our valuation allowance during the fiscal year ended May 31, 2009 are summarized below (in thousands):

Valuation allowance at May 31, 2008	\$(9,237)
Allowance for net operating losses of foreign subsidiaries	(723)
Other	447
Valuation allowance at May 31, 2009	<u><u>\$(9,513)</u></u>

Net operating loss carryforwards of foreign subsidiaries totaling \$21.3 million at May 31, 2009 will expire if not utilized between May 31, 2013 and May 31, 2016. Tax credit carryforwards totaling \$6.1 million at May 31, 2009 will expire if not utilized between May 31, 2013 and May 31, 2019.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

We adopted the provisions of the Financial Accounting Standards Board issued 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 May 31, 2009, other long-term liabilities included liabilities for unrecognized income tax benefits of \$11.1 million, including accrued interest and penalties of \$0.8 million.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	<u>2009</u>	<u>2008</u>
	(in thousands)	
Balance at the beginning of the year	\$ 3,713	\$3,760
Additions based on tax positions related to the current year	7,258	93
Additions for tax positions of prior years	167	50
Foreign currency impact for tax positions	237	—
Reductions for tax positions of prior years	(1,062)	—
Settlements with taxing authorities	—	(190)
Balance at the end of the year	<u>\$10,313</u>	<u>\$3,713</u>

As of May 31, 2009, the total amount of gross unrecognized tax benefits that, if recognized, would affect the effective tax rate is \$3.1 million.

We recognize accrued interest related to unrecognized income tax benefits in interest expense and accrued penalty expense related to unrecognized tax benefits in sales, general and administrative expenses.

We anticipate the total amount of unrecognized income tax benefits will decrease by \$1.4 million net of interest and penalties from our foreign operations during fiscal 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.

NOTE 10—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 fiscal 2009. As of May 31, 2009, we had \$13.0 million remaining under our current share repurchase authorization.

NOTE 11—SHARE-BASED AWARDS AND OPTIONS

As May 31, 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.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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 May 31, 2009 are 3.4 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 (and related income tax benefit) 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.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Share-based compensation cost	\$ 14.6	\$ 13.8	\$ 15.2
Income tax benefit	5.2	4.9	4.5

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 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 fiscal year ended May 31, 2009:

	<u>Options</u> <u>(in thousands)</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Weighted</u> <u>Average</u> <u>Remaining</u> <u>Contractual</u> <u>Term</u> <u>(years)</u>	<u>Aggregate</u> <u>Intrinsic Value</u> <u>(in millions)</u>
Outstanding at May 31, 2007	5,171	\$ 25		
Granted	282	39		
Cancelled	(137)	35		
Exercised	(780)	21		
Outstanding at May 31, 2008	4,536	27	6.0	\$ 27
Granted	260	43		
Cancelled	(91)	39		
Exercised	(412)	22		
Outstanding at May 31, 2009	4,293	28	5.3	\$ 28
Options exercisable at May 31, 2008	2,891	\$ 22	5.2	\$ 22
Options exercisable at May 31, 2009	3,292	\$ 28	4.6	\$ 24

The aggregate intrinsic value of stock options exercised during the fiscal years 2009, 2008 and 2007 was \$8.1 million, \$16.9 million and \$22.3 million, respectively. As of May 31, 2009, we had \$7.4 million of total unrecognized compensation cost related to unvested options, which we expect to recognize over a weighted average period of 1.2 years.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

The weighted average grant-date fair values of each option granted in fiscal 2009, 2008, and 2007 under each plan are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
2005 Plan	\$13	\$13	\$16
Director Plan	13	15	14

The fair value of each option granted during fiscal 2009, 2008 and 2007 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:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
2005 Plan:			
Risk-free interest rates	3.15%	4.49%	4.85%
Expected volatility	28.27%	31.67%	30.11%
Dividend yields	0.19%	0.19%	0.19%
Expected lives	5 years	5 years	5 years
Director Plan:			
Risk-free interest rates	2.68%	4.21%	4.52%
Expected volatility	28.17%	31.70%	31.96%
Dividend yields	0.19%	0.19%	0.19%
Expected lives	5 years	5 years	5 years

The risk-free interest rate is based on the yield of a zero coupon United States 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, issued under 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.

Grants of restricted shares are subject to forfeiture if a grantee, among other conditions, leaves our employment prior to expiration of the restricted period. 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.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

The following table summarizes the changes in non-vested restricted stock awards for the year ended May 31, 2009 (share awards in thousands):

	<u>Share Awards</u>	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at May 31, 2007	278	\$ 37
Granted	400	38
Vested	(136)	30
Forfeited	(24)	40
Non-vested at May 31, 2008	518	39
Granted	430	43
Vested	(159)	39
Forfeited	(27)	41
Non-vested at May 31, 2009	<u>762</u>	<u>42</u>

The weighted average grant-date fair value of share awards granted in the years ended May 31, 2008 and 2007 was \$38 and \$45, respectively. The total fair value of share awards vested during the years ended May 31, 2009, 2008 and 2007 was \$6.2 million, \$4.1 million and \$1.7 million, respectively.

We recognized compensation expense for restricted stock of \$9.0 million, \$5.7 million, and \$2.7 million in the years ended May 31, 2009, 2008 and 2007. As of May 31, 2009, there was \$23.5 million of total unrecognized compensation cost related to unvested restricted stock awards that is expected to be recognized over a weighted average period of 2.9 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 May 31, 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 was \$6, \$6 and \$8 in the years ended May 31, 2009, 2008 and 2007, respectively. These values represent the fair value of the 15% discount.

NOTE 12—SEGMENT INFORMATION

General information

During fiscal 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 such reportable segments for fiscal years 2009, 2008, and 2007.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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.

Information on segments, including revenue by geographic distribution within segments, and reconciliations to consolidated revenues and consolidated operating income are as follows for the years ended May 31, 2009, 2008, and 2007:

	<u>2009</u>	<u>2008</u> (in thousands)	<u>2007</u>
Revenues:			
United States	\$ 805,557	\$ 731,215	\$ 604,899
Canada	301,294	267,249	224,570
North America merchant services	1,106,851	998,464	829,469
Europe	265,121	59,778	51,224
Asia-Pacific	90,334	72,367	48,449
International merchant services	355,455	132,145	99,673
United States	112,429	119,019	115,416
Europe	26,789	24,601	16,965
Money transfer	139,218	143,620	132,381
Consolidated revenues	<u>1,601,524</u>	<u>\$1,274,229</u>	<u>\$1,061,523</u>
Operating income for segments:			
North America merchant services	\$ 272,972	\$ 275,356	\$ 241,082
International merchant services	82,763	17,674	18,588
Money transfer	16,547	13,635	14,476
Corporate	(63,189)	(53,989)	(52,969)
Impairment, restructuring and other	(147,664)	(1,317)	(3,088)
Consolidated operating income	<u>\$ 161,429</u>	<u>\$ 251,359</u>	<u>\$ 218,089</u>
Depreciation and amortization:			
North American merchant services	\$ 23,443	\$ 26,208	\$ 25,933
International merchant services	38,074	12,176	9,235
Money transfer	4,263	5,192	4,687
Corporate	508	458	510
Consolidated depreciation and amortization	<u>\$ 66,288</u>	<u>\$ 44,034</u>	<u>\$ 40,365</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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

The following is a breakdown of long-lived assets by geographic regions as of May 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
	(in thousands)	
United States	\$ 302,048	\$ 427,895
Canada	158,978	173,767
Europe	516,093	136,409
Asia-Pacific	80,976	74,234
Latin America	1,345	1,882
	<u>\$ 1,059,440</u>	<u>\$ 814,187</u>

NOTE 13—COMMITMENTS AND CONTINGENCIES

Leases

We conduct a major part of our operations using leased facilities and equipment. Many of these leases have renewal and purchase options and provide that we pay the cost of property taxes, insurance and maintenance. Rent expense on all operating leases for fiscal 2009, 2008 and 2007 was \$30.2 million, \$30.4 million, and \$27.1 million, respectively.

Future minimum lease payments for all noncancelable leases at May 31, 2009 were as follows:

	<u>Operating Leases</u>
2010	\$ 19,703
2011	11,280
2012	4,177
2013	2,170
2014	1,246
Thereafter	1,361
Total future minimum lease payments	<u>\$ 39,937</u>

Legal

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

Taxes

We define operating taxes as those that are unrelated to income taxes, such as sales and property taxes. During the course of operations, we must interpret the meaning of various operating tax matters in the United States and in the foreign jurisdictions in which we do business. Taxing authorities in those various jurisdictions may arrive at different interpretations of applicable tax laws and regulations as they relate to such operating tax matters, which could result in the payment of additional taxes in those jurisdictions.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

During fiscal 2008, we determined that an accrued liability relating to a contingent operating tax item was no longer deemed to be probable. We made this determination as a result of consultation with outside legal counsel and further analysis of applicable legislation. As such, we released the related liability and recorded a \$7.0 million reduction to sales, general and administrative expenses during fiscal 2008 in the accompanying statements of income. This reversal was a non-cash item and has been reflected as an adjustment to reconcile net income to net cash provided by operating activities in our statement of cash flows.

As of May 31, 2009 and 2008 we did not have a liability for operating tax items. The amount of the liability is based on management's best estimate given our history with similar matters and interpretations of current laws and regulations.

BIN/ICA Agreements

In connection with our acquisition of merchant credit card operations of banks, we have also entered into sponsorship or depository and processing agreements with certain of the banks. These agreements allow us to use the banks' identification numbers, referred to as Bank Identification Number for Visa transactions and Interbank Card Association number for MasterCard transactions, to clear credit card transactions through Visa and MasterCard. Certain of such agreements contain financial covenants, and we were in compliance with all such covenants as of May 31, 2009.

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 Pacific owns the remaining 44%. The GPAP shareholders agreement includes provisions pursuant to which HSBC Asia Pacific may compel us to purchase, at the lesser of fair value or a net revenue multiple, additional GPAP shares from HSBC Asia Pacific (the "AP Put Option"). HSBC Asia Pacific 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 Pacific 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 \$91.7 million as of May 31, 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. While not redeemable until June 2013, we estimate the maximum total redemption amount of the minority interest under the UK Put Option would be \$307.7 million as of May 31, 2009. On June 12, 2009 we purchased the remaining 49% of HSBC Merchant Services LLP from HSBC UK. Please see Note 16—Subsequent Events for further information.

Disposition

During fiscal 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

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

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 fiscal 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 consolidated balance sheet as of May 31, 2009. Net proceeds of \$2.5 million from the GPCS sale in fiscal 2009 are included in the proceeds from sale of investments and contractual rights line item of our consolidated statement of cash flows.

NOTE 14—SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures and non-cash investing and financing activities for the years ended May 31, 2009, 2008 and 2007 are as follows:

	2009	2008 (in thousands)	2007
Supplemental cash flow information:			
Income taxes paid, net of refunds	\$ 87,591	\$ 72,827	\$ 75,207
Interest paid	10,425	6,339	6,686

NOTE 15—QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly results for the years ended May 31, 2009 and 2008 (in thousands, except per share data) are as follows:

	Quarter Ended			
	August 31	November 30	February 28	May 31
2009:				
Revenues	\$ 405,757	\$ 401,063	\$ 392,663	\$ 402,041
Operating income (loss) (1)	93,097	82,765	(81,878)	67,445
Net income (loss) (1)	57,527	48,907	(106,776)	37,559
Basic earnings per share (loss)	0.72	0.61	(1.34)	0.47
Diluted earnings per share (loss)	0.71	0.60	(1.34)	0.46
	August 31	November 30	February 29	May 31
2008:				
Revenues	\$ 310,980	\$ 308,776	\$ 310,641	\$ 343,832
Operating income	66,232	58,431	59,911	66,785
Net income	43,575	38,313	40,055	40,811
Basic earnings per share	0.54	0.48	0.51	0.51
Diluted earnings per share	0.53	0.48	0.50	0.50

- (1) During the third quarter of fiscal 2009 we recorded a pre-tax impairment charge of \$147.7 million in our money transfer business resulting from our annual goodwill impairment test. See Note 3—Impairment Charges for further information.

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS—(Continued)**

NOTE 16—SUBSEQUENT EVENTS

On June 12, 2009, we completed the purchase of the remaining 49% of HSBC Merchant Services LLP (the “LLP”) from HSBC Bank plc. Total consideration for such remaining interest was \$307.7 million in cash. We used existing lines of credit and available cash to complete the transaction. As described in Note 2—Business and Intangible Asset Acquisitions, we acquired the initial 51% interest in the LLP on June 30, 2008 for \$438.6 million. The LLP provides payment processing services to merchants in the United Kingdom and Internet merchants globally. In addition, HSBC will extend the current ten-year exclusive marketing alliance agreement whereby the bank provides merchant referrals and bank sponsorship to Global Payments to June 2019.

With the implementation of Topic D-98 and FAS 160 as further described in Note 1—Summary of Significant Accounting Policies, effective June 1, 2009 we adjusted the carrying amount of minority interest in the LLP to its maximum redemption amount of \$307.7 million, with a corresponding reduction of retained earnings. Pursuant to FAS 160, the purchase of the remaining 49% of the LLP is reflected as an equity transaction and no additional value has been ascribed to the assets of the LLP. As a result, our tax basis in the LLP exceeds our book basis and we anticipate recording a deferred tax asset in the amount of \$97.6 million with a corresponding increase to retained earnings.

On July 10, 2009 we entered into a new \$300.0 million term loan agreement with a syndicate of financial institutions. We used the proceeds of this term loan to pay down our existing credit facility which was used to initially fund the purchase of the remaining 49% interest in the LLP. The term loan expires in 2012 and has a variable interest rate based on LIBOR plus a margin based on our leverage position.

GLOBAL PAYMENTS INC.
SCHEDULE II
Valuation & Qualifying Accounts

<u>Column A</u> Description	<u>Column B</u> Balance at Beginning of Year	<u>Column C</u>		<u>Column D</u> Uncollectible Accounts Write-Off	<u>Column E</u> Balance at End of Year
		1 Charged to Costs and Expenses	2 Acquired Balances (in thousands)		
Allowance for doubtful accounts					
May 31, 2007	\$ 620	\$ 731	—	\$ 900	\$ 451
May 31, 2008	451	1,396	—	1,358	489
May 31, 2009	489	1,292	—	1,228	553
Reserve for operating losses—Merchant card processing (1)					
May 31, 2007	\$ 3,061	\$ 3,061	—	\$ 3,346	\$ 2,776
May 31, 2008	2,776	5,749	—	5,150	3,375
May 31, 2009	3,375	7,081	—	6,949	3,507
Reserve for sales allowances—Merchant card processing (1)					
May 31, 2007	\$ 258	\$ 3,923	—	\$ 3,853	\$ 328
May 31, 2008	328	4,248	—	4,087	489
May 31, 2009	489	5,041	—	3,998	1,532
Reserve for operating losses—Check guarantee processing					
May 31, 2007	\$ 5,776	\$ 18,160	—	\$ 18,797	\$ 5,139
May 31, 2008	5,139	23,906	—	22,980	6,065
May 31, 2009	6,065	17,948	—	19,987	4,026

(1) Included in settlement processing obligations

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

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of May 31, 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 May 31, 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.

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Management Report on Internal Control over Financial Reporting

Our management team is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of May 31, 2009. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. As of May 31, 2009, management believes that its internal control over financial reporting is effective based on those criteria. Our independent registered public accounting firm has issued an audit report on our internal control over financial reporting, which is included in this annual report.

In connection with management's evaluation, our management team excluded from its assessment of the effectiveness of our internal control over financial reporting as of May 31, 2009, the internal controls relating to two subsidiaries that we acquired during the year ended May 31, 2009 and for which financial results are included in our consolidated financial statements. On June 30, 2008, we acquired a fifty-one percent interest in HSBC Merchant Services LLP. The HSBC Merchant Services LLP acquisition represented 13% of our total consolidated fiscal 2009 revenues and 39% of total assets at May 31, 2009. On April 30, 2009 we acquired ZAO United Card Service, or UCS. UCS represented less than 1% of our total consolidated fiscal 2009 revenues and 7% of total assets at May 31, 2009. These exclusions were in accordance with Securities and Exchange Commission guidance that an assessment of a recently acquired business may be omitted in management's report on internal controls over financial reporting in the year of acquisition.

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting or in other factors that occurred during the quarter ended May 31, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B— OTHER INFORMATION

None.

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PART III

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

We incorporate by reference in this Item 10 information about our directors and our corporate governance contained under the headings “Certain Information Concerning the Nominees and Directors,” “Other Information About the Board and its Committees” and information about compliance with Section 16(a) of the Securities and Exchange Act of 1934 by our directors and executive officers under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” from our proxy statement to be delivered in connection with our 2009 Annual Meeting of Shareholders to be held on September 30, 2009.

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

<u>Name</u>	<u>Age</u>	<u>Current Position(s)</u>	<u>Position with Global Payments and Other Principal Business Affiliations</u>
Paul R. Garcia	57	Chairman of the Board of Directors and Chief Executive Officer	Chairman of the Board of Directors (since October 2002); Chief Executive Officer of Global Payments (since February 2001); Chief Executive Officer of NDC eCommerce (July 1999 – January 2001); President and Chief Executive Officer of Productivity Point International (March 1997 – September 1998); Group President of First Data Card Services (1995–1997); Chief Executive Officer of National Bancard Corporation (NaBANCO) (1989–1995).
James G. Kelly	47	President and Chief Operating Officer	President and Chief Operating Officer (since November 2008); Senior Executive Vice President (April 2004 – November 2008) and Chief Operating Officer (since October 2005) of Global Payments; Chief Financial Officer of Global Payments (February 2001–October 2005), Chief Financial Officer of NDC eCommerce (April 2000 – January 2001); Managing Director, Alvarez & Marsal (March 1996 – April 2000); Director, Alvarez & Marsal (1992–1996) and Associate, Alvarez & Marsal (1990–1992); and Manager, Ernst & Young’s mergers and acquisitions/audit groups (1989–1990).
David E. Mangum	43	Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer (since November 2008) of Global Payments; Executive Vice President of Fiserv Corp., which acquired CheckFree Corporation in December 2007, (December 2007 – August 2008); Executive Vice President and Chief Financial Officer of CheckFree Corporation (July 2000 to December 2007); Senior Vice President, Finance and Accounting of CheckFree Corporation (September 1999 – June 2000); Vice President, Finance and Administration, Managed Systems Division for Sterling Commerce, Inc. (July 1998 – September 1999)
Joseph C. Hyde	35	President – International	President – International (since November 2008); Executive Vice President and Chief Financial Officer (October 2005 – November 2008) of Global Payments; Senior Vice President of Finance of Global Payments (December 2001 – October 2005); Vice President of Finance of Global Payments (February 2001 – December 2001); Vice President of Finance of NDC eCommerce (June 2000 – January 2001); Associate, Alvarez & Marsal (1998–2000); Analyst, The Blackstone Group (1996–1998).

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<u>Name</u>	<u>Age</u>	<u>Current Position(s)</u>	<u>Position with Global Payments and Other Principal Business Affiliations</u>
Daniel C. O’Keefe	42	Senior Vice President and Chief Accounting Officer	Senior Vice President and Chief Accounting Officer (since August 2008); Vice President of Accounting Policy and External Reporting (April 2008 – August 2008); Chief Accounting Officer of Ocwen Financial Corporation (November 2006 – April 2008); Vice President, Business Management of RBS Llynk (February 2005 – October 2006); Assistant Controller of Beazer Homes, USA Inc. (November 2002 – November 2005)
Morgan M. Schuessler	39	Executive Vice President and Chief Administrative Officer	Executive Vice President and Chief Administrative Officer (since November 2008); Executive Vice President, Human Resources and Corporate Communications of Global Payments (June 2007 - November 2008); Senior Vice President, Human Resources and Corporate Communications of Global Payments (June 2006 – June 2007); Senior Vice President, Marketing and Corporate Communications of Global Payments (October 2005 – June 2006); Vice President, Global Purchasing Solutions of American Express Company (February 2002 – February 2005).
Suelyn P. Tornay	48	Executive Vice President and General Counsel	Executive Vice President (since June 2004) and General Counsel for Global Payments Inc. (since February 2001); Interim General Counsel for NDCHealth (1999–2001); Group General Counsel, eCommerce Division of NDCHealth (1996–1999); Senior Attorney, eCommerce Division of NDCHealth (1987–1995); Associate, Powell, Goldstein, Frazer, & Murphy (1985–1987).
Carl J. Williams	57	Advisor – Business Development and International Operations	Advisor – Business Development and International Operations (since November 2008); President–World-Wide Payment Processing of Global Payments (March 2004 – November 2008); President and CEO of Baikal Group, LLC (March 2002 – February 2004); President of Spherion Assessment Group, a business unit of Spherion Inc. (NYSE: SFN) (May 1996–February 2002); Chairman and CEO of HR Easy, Inc., (acquired by Spherion Inc.) (1996–1998); Executive Vice President–National Processing Corporation, President of the Merchant Services Division (1992–1996); President & CEO of JBS, Inc. (1981–1992) (acquired by National Processing Corporation).

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

ITEM 11—EXECUTIVE COMPENSATION

We incorporate by reference in this Item 11 the information relating to executive and director compensation contained under the headings “Other Information about the Board and its Committees,” “Compensation and Other Benefits” and “Report of the Compensation Committee” from our proxy statement to be delivered in connection with our 2009 Annual Meeting of Shareholders to be held on September 30, 2009.

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

We incorporate by reference in this Item 12 the information relating to ownership of our common stock by certain persons contained under the headings “Common Stock Ownership of Management” and “Common Stock Ownership by Certain Other Persons” from our proxy statement to be delivered in connection with our 2009 Annual Meeting of Shareholders to be held on September 30, 2009.

We have four compensation plans under which our equity securities are authorized for issuance. The Global Payments Inc. Amended and Restated 2000 Long-Term Incentive Plan, Global Payments Inc. Amended and Restated 2005 Incentive Plan, the Non-Employee Director Stock Option Plan, and Employee Stock Purchase Plan have been approved by security holders. The information in the table below is as of May 31, 2009. For more information on these plans, see Note 11 to notes to consolidated financial statements.

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights (b)</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</u>
Equity compensation plans approved by security holders:	4,292,668	\$ 28	6,570,132 (1)
Equity compensation plans not approved by security holders:	—	—	—
Total	4,292,668	\$ 28	6,570,132 (1)

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

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We incorporate by reference in this Item 13 the information regarding certain relationships and related transactions between us and some of our affiliates and the independence of our Board of Directors contained under the headings “Certain Relationships and Related Transactions” and “Other Information about the Board and its Committees—Director Independence” from our proxy statement to be delivered in connection with our 2009 Annual Meeting of Shareholders to be held on September 30, 2009.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

We incorporate by reference in this Item 14 the information regarding principal accounting fees and services contained under the heading “Auditor Information” from our proxy statement to be delivered in connection with our 2009 Annual Meeting of Shareholders to be held on September 30, 2009.

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PART IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) 1. Consolidated Financial Statements

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

	<u>Page Number</u>
Reports of Independent Registered Public Accounting Firm	48
Consolidated Statements of Income for the years ended May 31, 2009, 2008 and 2007	49
Consolidated Balance Sheets as of May 31, 2009 and 2008	50
Consolidated Statements of Cash Flows for the years ended May 31, 2009, 2008 and 2007	51
Consolidated Statements of Changes in Shareholders’ Equity for the years ended May 31, 2009, 2008, and 2007	52
Notes to Consolidated Financial Statements	53

(a) 2. Financial Statement Schedules

Schedule II, Valuation and Qualifying Accounts	85
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All other schedules to our consolidated financial statements have been omitted because they are not required under the related instruction or are inapplicable, or because we have included the required information in our consolidated financial statements or related notes.

(a) 3. Exhibits

The following exhibits either (i) are filed with this report or (ii) have previously been filed with the SEC and are incorporated in this Item 15 by reference to those prior filings.

2.1	Distribution Agreement, Plan of Reorganization and Distribution dated January 31, 2001 by and between National Data Corporation and Global Payments Inc., filed as Exhibit 2.1 to the Registrant’s Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
3.1	Amended and Restated Articles of Incorporation of Global Payments Inc., filed as Exhibit 3.1 to the Registrant’s Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
3.2	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.
4.1	Shareholder Protection Rights Agreement dated January 26, 2001 between Global Payments Inc. and SunTrust Bank, filed as Exhibit 99.1 to the Registrant’s Current Report on Form 8-K dated February 1, 2001, File No. 001-16111, and incorporated herein by reference.
4.2	Form of certificate representing Global Payments Inc. common stock as amended, filed as Exhibit 4.4 to the Registrant’s Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.1	Agreement and Plan of Merger between Latin America Money Services, LLC, Global Payments Inc., GP Ventures (Texas), Inc., Advent International Corporation (as Shareholder Representative), the shareholders of Latin America Money Services, LLC, and certain Shareholders of DoIEx Dollar Express, Inc. dated August 11, 2003, filed as Exhibit 10 to the Registrant’s Current Report on Form 8-K dated August 12, 2003, File No. 001-16111 and incorporated herein by reference.

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10.2	Asset Purchase Agreement with Canadian Imperial Bank of Commerce, as amended, filed as Exhibit 10.19 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.3	Form of Marketing Alliance Agreement with Canadian Imperial Bank of Commerce as amended, filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated March 20, 2001, File No. 001-16111, and incorporated herein by reference.
10.4*	Employment Agreement for Paul R. Garcia, as amended, filed as Exhibit 10.13 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.5*	Amendment to Employment Agreement for Paul R. Garcia, filed as Exhibit 10.3 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference.
10.6*	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.
10.7*	Amendment to Employment Agreement for James G. Kelly, filed as Exhibit 10.4 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference.
10.8*	Amended and Restated 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.
10.9*	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.
10.10*	Amendment to Employment Agreement for Carl J. Williams dated March 15, 2004, filed as Exhibit 10.7 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference.
10.11*	Employment Agreement for Suellyn P. Tornay dated June 1, 2001, filed as Exhibit 10.23 to the Registrant's Annual Report on Form 10-K dated May 31, 2004, File No. 001-16111, and incorporated herein by reference.
10.12*	Amendment to Employment Agreement for Suellyn P. Tornay dated June 1, 2001, filed as Exhibit 10.5 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference.
10.13*	Amended and Restated 2000 Long-Term Incentive Plan, filed as Exhibit 10.9 to the Registrant's Annual Report on Form 10-K dated May 31, 2003, File No. 001-16111, and incorporated herein by reference.
10.14*	First Amendment to Amended and Restated 2000 Long-Term Incentive Plan, dated March 28, 2007, filed as Exhibit 10.17 to the Registrant's Annual Report on Form 10-K dated May 31, 2007, File No. 001-16111, and incorporated herein by reference.
10.15*	Second Amendment to Amended and Restated 2000 Long-Term Incentive Plan, dated December 15, 2008 filed as Exhibit 10.1 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference.
10.16*	Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, dated June 1, 2004, filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K dated May 31, 2007, File No. 001-16111, and incorporated herein by reference.
10.17*	Amendment to the Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, dated March 28, 2007 filed as Exhibit 10.21 to the Registrant's Annual Report on Form 10-K dated May 31, 2007, File No. 001-16111, and incorporated herein by reference.
10.18*	Amended and Restated 2000 Employee Stock Purchase Plan filed as Exhibit 99.2 to the Registrant's Registration Statement on Form S-8 dated January 16, 2001, File No. 001-16111, and incorporated herein by reference.

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10.19*	Form of Global Payments Inc. Supplemental Executive Retirement Plan as amended, filed as Exhibit 10.12 to the Registrant's Registration Statement on Form 10 dated December 28, 2000, File No. 001-16111, and incorporated herein by reference.
10.20*	Second Amended and Restated Global Payments Inc. 2005 Incentive Plan, dated March 28, 2007 filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K dated May 31, 2007, File No. 001-16111, and incorporated herein by reference.
10.21*	Third Amended and Restated Global Payments Inc. 2005 Incentive Plan, dated December 31, 2008 filed as Exhibit 10.2 to the Registrant's Form 10-Q dated February 28, 2009, File No. 001-16111, and incorporated herein by reference.
10.22*	Form of Performance Unit Award (U.S. Officers) pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference.
10.23*	Form of Performance Unit Award (Non-U.S. Officers) pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference.
10.24*	Form of Non-Statutory Stock Option Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference.
10.25*	Form of Non-Statutory Stock Option Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan (Hong Kong employees) filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference.
10.26*	Form of Non-Statutory Stock Option Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan (certain Asia-Pacific employees) filed as Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference.
10.27*	Form of Restricted Stock Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference.
10.28*	Form of Stock-Settled Restricted Stock Unit Award pursuant to the Global Payments Inc. Amended and Restated 2005 Incentive Plan filed as Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q, dated November 30, 2006, File No. 001-16111 and incorporated herein by reference.
10.29	Amended and Restated Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce, and lenders named therein, dated November 19, 2004, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated November 23, 2004, File No. 001-16111 and incorporated herein by reference.
10.30	Amendment No. 1 dated November 18, 2005, to the Amended and Restated Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce, and lenders named therein, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated November 18, 2005, File No. 001-16111 and incorporated herein by reference.
10.31	Amendment No. 2 dated November 16, 2006, to the Amended and Restated Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce, and lenders named therein, filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K, dated November 17, 2006, File No. 001-16111 and incorporated herein by reference.
10.32**	Amendment No. 3 dated July 21, 2009, to the Amended and Restated Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce, and lenders named therein.
10.33	Credit Agreement dated as of November 16, 2006, among Global Payments Inc., JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A. and lenders named therein, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, dated November 17, 2006, File No. 001-16111 and incorporated herein by reference.

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10.34	Amendment No. 1 dated as of May 23, 2008, to the Credit Agreement dated as of November 16, 2006, among Global Payments Inc., JPMorgan Chase Bank, N.A., Wells Fargo Bank, N.A. and lenders named therein.
10.35	Asset Purchase Agreement with HSBC Bank plc dated June 17, 2008 filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K dated May 31, 2008, File No. 001-16111, and incorporated herein by reference..
10.36**	First Amendment to Asset Purchase Agreement with HSBC Bank plc, dated June 12, 2009.
10.37	Term Loan Credit Agreement dated as of June 23, 2008, among Global Payments Inc., JPMorgan Chase, N.A., Wells Fargo Bank, N.A., Bank of America, N.A., Regions Bank and lenders named therein, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, Term Loan Credit Agreement dated as of June 23, 2008, File No. 001-16111 and incorporated herein by reference.
10.38	Form of Marketing Alliance Agreement with HSBC Bank plc dated June 30, 2008 filed as Exhibit 10.30 to the Registrant's Annual Report on Form 10-K dated May 31, 2008, File No. 001-16111, and incorporated herein by reference.
10.39**	First Amended and Restated Marketing Alliance Agreement with HSBC Bank plc, dated June 12, 2009.
10.40	Term Loan Credit Agreement dated as of July 10,2009, among Bank of America, N.A., Banc of America Securities LLC, Compass Bank, Toronto Dominion (New York) LLC, Bank of Tokyo-Mitsubishi UFJ Trust Company, SunTrust Bank, and U.S. Bank, N/A., and lenders named therein, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, Term Loan Credit Agreement dated as of June 23, 2008, File No. 001-16111 and incorporated herein by reference.
10.41**	Instrument of Transfer with HSBC Bank plc dated June 12, 2009.
10.42**	Revised Employment Agreement for Carl J. Williams dated July 23, 2009, replacement of 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.
14	Code of Ethics for Senior Financial Officers, filed as Exhibit 14 to the Registrant's Annual Report on Form 10-K dated May 31, 2004, File No. 001-16111 and incorporated herein by reference.
18	Preferability Letter from Independent Registered Public Accounting Firm filed as Exhibit 18 to the Registrant's Quarterly Report on Form 10-Q dated February 28, 2006, File No. 001-16111 and incorporated herein by reference.
21**	List of Subsidiaries
23.1**	Consent of Independent Registered Public Accounting Firm
31.1**	Rule 13a-14(a)/15d-14(a) Certification of CEO
31.2**	Rule 13a-14(a)/15d-14(a) Certification of CFO
32**	CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

* Compensatory management agreement

** Filed with this report

(b) Exhibits

See the "Index to Exhibits" on page 88.

(c) Financial Statement Schedules

See Item 15(a) (2) above.

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

<u>Exhibit Numbers</u>	<u>Description</u>
10.32	Amendment No. 3 dated July 21, 2009, to the Amended and Restated Credit Agreement among Global Payments Direct, Inc., Canadian Imperial Bank of Commerce, and lenders named therein.
10.36	First Amendment to Asset Purchase Agreement with HSBC Bank plc, dated June 12, 2009.
10.39	First Amended and Restated Marketing Alliance Agreement with HSBC Bank plc, dated June 12, 2009.
10.41	Instrument of Transfer with HSBC Bank plc dated June 12, 2009.
10.42	Revised Employment Agreement for Carl J. Williams, dated July 23, 2009, replacement of 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.
21	List of Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO
32	CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

AMENDMENT NO. 3

AMENDMENT NO. 3 (this "Amendment"), dated as of June 21, 2009, to the Amended and Restated Credit Agreement, dated as of November 19, 2004 (as amended from time to time, the "Credit Agreement"; capitalized terms used but not defined herein shall have the respective meanings specified in the Credit Agreement), among Global Payments Direct, Inc. (the "Borrower"), the several banks and other financial institutions or entities from time to time parties thereto (the "Lenders") and Canadian Imperial Bank of Commerce, as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H :

WHEREAS, the Borrower, the Administrative Agent and the Lenders have agreed to amend certain provisions of the Credit Agreement on the terms and conditions contained herein.

NOW THEREFORE, the parties hereto hereby agree as follows:

1. Amendment to Section 1.1 (Defined Terms). Section 1.1 of the Credit Agreement is hereby amended as follows:

(a) by deleting the following existing defined terms in their entirety and inserting in lieu thereof the following new defined terms

"Applicable Margin": with respect to (a) any LIBOR Loans, 1.75%, (b) any CIBC Offered Rate Loans, 1.75% and (c) any Prime Rate Loans, 0.75%.

2. Effectiveness. This Amendment shall become effective on the date on which the Administrative Agent shall have received the duly executed counterparts to this Amendment from the Borrower, the Administrative Agent and each Lender.

3. Representations and Warranties.

(a) On and as of the date hereof, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 3 of the Credit Agreement mutatis mutandis, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date; and

(b) Since May 31, 2009, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

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

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

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

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

[signature pages follow]

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

GLOBAL PAYMENTS DIRECT, INC.

By: /s/ Suellen P. Tornay

Name: Suellen P. Tornay

Title: Corporate Secretary

CANADIAN IMPERIAL BANK OF COMMERCE, as
Administrative Agent

By: /s/ David C. Lee

Name: David C. Lee

Title: Managing Director

By: /s/ Raj Khanna

Name: Raj Khanna

Title: Director

CIBC INC., as a Lender

By: /s/ Dominic J. Sorresso

Name: Dominic J. Sorresso

Title: Executive Director

CIBC World Markets Corp.
Authorized Signatory

Dated 2009

(1) HSBC Bank plc

(2) Global Payments U.K. Limited

FIRST AMENDMENT
TO LLP INTEREST PURCHASE AGREEMENT

ADDLESHAW GODDARD

Between

- (1) **HSBC Bank plc**, a company incorporated in England and Wales with company number 14259 whose registered office is at 8 Canada Square, London E14 5HQ **Bank**);
and
- (2) **Global Payments U.K. Limited**, a company incorporated in England and Wales with company number 6588689 whose registered office is at 51 De Montfort Street, Leicester, LE1 7BB (**GPUK**).

Whereas

- (A) This deed is supplemental to the LLP Interest Purchase Agreement made between (1) HSBC and (2) GPUK dated 17 June 2008 (**Principal Agreement**).
- (B) The parties have agreed to modify the Principal Agreement in the manner set out below.

In consideration of the matters set out in this Deed, the parties hereby **Covenant and Agree** as follows:

1 Definitions and Interpretation

- 1.1 Words and expressions defined in the Principal Agreement shall, unless the context otherwise requires, have the same meanings where used in this Deed.
- 1.2 The following expressions shall have the following meanings:

First Variation Effective Date means the date of the Deed of Agreement and Variation

2 Variation

The parties agree that the Principal Agreement shall, with effect from the First Variation Effective Date, be modified as follows (and references in this clause to Sections and Schedules are to Section and Schedules in the Purchase Agreement):

- 2.1 Section 7.1 is deleted in its entirety and the following is inserted in its place:
“[Intentionally Blank]”;
- 2.2 Section 7.2(a) is deleted in its entirety and the following is inserted in its place:
“Subject to the limitations contained in Article 12 and without prejudice to the Purchaser’s right to claim for breach of the Warranties, the Seller agrees to indemnify and hold harmless the Joint Venture from and against all Joint Venture Liabilities”
- 2.3 Part 1 of schedule 1.1 is varied in accordance with the provisions of the schedule to this Deed.

3 Continuing effect of the Principal Agreement

Save as hereby amended by this Deed, the Principal Agreement shall continue and remain in full force and effect.

4 Counterparts

This Deed may be entered into in the form of four counterparts, when taken together will constitute one instrument.

5 Governing law

- 5.1 This Deed shall be governed by and construed in accordance with English Law.
- 5.2 Any dispute, controversy or claim arising out of or in connection with this Deed, including any question regarding its existence, validity or termination (a Dispute) that is not amicably settled by the Parties shall at the request of any Party be referred to and finally resolved by arbitration under the LCIA Rules, which Rules are deemed to be incorporated by reference into this clause.
- 5.3 The number of arbitrators shall be three. Subject to Article 8 of the LCIA Rules, the Claimant and the Respondent shall each nominate an arbitrator. The LCIA Court shall select and appoint the third arbitrator.
- 5.4 The seat and legal place of arbitration shall be London, England.
- 5.5 The language to be used in the arbitral proceedings shall be English.
- 5.6 If any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration or a dispute under one of the other Operative Documents which has already been referred to arbitration (in either case an "Existing Dispute"), or arises out of substantially the same facts as are the subject of an Existing Dispute (in either case, a "Related Dispute"), and whether such Existing Dispute involves only the Parties to this Instrument or parties to the other Operative Documents ("Related Parties"), subject to the prior agreement in each case of the Parties involved in the Related Dispute, the Arbitral Tribunal appointed or to be appointed in respect of such Existing Dispute shall also be appointed as the Arbitral Tribunal in respect of the Related Dispute. In such case, the Arbitral Tribunal may, subject to the prior agreement of all Parties and other parties involved in the Existing Dispute and the Related Dispute, having regard to the stage of the proceedings of the Existing Dispute and other relevant circumstances, consolidate the proceedings arising out of the Existing Dispute and the Related Dispute. Where one or more members of the Arbitral Tribunal appointed in relation to the Existing Dispute declines appointment in relation to the Related Dispute, replacement arbitrator(s) shall be selected and appointed by the LCIA Court.
- 5.7 The Arbitral Tribunal, once constituted, may, having regard to the stage of the proceedings and other relevant circumstances, upon the application of any Party join any one or more of the Related Parties to arbitration proceedings commenced under this Clause, subject to the agreement of such Related Party or Parties. The Arbitral Tribunal may, upon the request of any Related Party so joined to arbitration proceedings commenced under this Clause, join any one or more of the remaining Related Parties to such arbitration proceedings, subject to the agreement of such Related Party or Parties.

Executed and delivered as a deed by the parties or their duly authorised representatives on the date of this Deed.

Signed as a deed by _____ as attorney)
for and on behalf of **HSBC Bank plc**)
in the presence of a witness:)
)

/s/ Mark Robinson
Attorney

Signature of witness

Name _____

Address _____

Executed and delivered as a deed by)
Global Payments U.K. Ltd)
acting by a director in the presence of a)
witness:)

/s/ Darren Wilson
Director

Signature of witness

Name _____

Address _____

**FIRST AMENDED AND RESTATED
MARKETING ALLIANCE AGREEMENT
HSBC BANK PLC
GLOBAL PAYMENTS INC.
AND
HSBC MERCHANT SERVICES LLP**

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FIRST AMENDED AND RESTATED
MARKETING ALLIANCE AGREEMENT

This **FIRST AMENDED AND RESTATED MARKETING ALLIANCE AGREEMENT** (“Agreement”) is made on June 2009, by and among **HSBC Bank PLC**, a company incorporated under the laws of England and Wales (registered number 14259) with its registered office at 8 Canada Square, London E14 5HQ, **GLOBAL PAYMENTS INC.**, a corporation organized under the Laws of the State of Georgia U.S.A with its registered address at 10 Glenlake Parkway, North Tower, Atlanta, Georgia, 30328, and **HSBC Merchant Services LLP** (No. 0C337146) a limited liability partnership incorporated under the laws of England and Wales whose registered office at 51 De Montfort Street, Leicester, LE1 7BB.

WHEREAS, on 17 June 2008 the Bank and GPUK entered into the Purchase Agreement pursuant to which the Bank agreed to sell and GPUK agreed to purchase a 51% interest in the Joint Venture; and

WHEREAS, the Parties entered into a Marketing Alliance Agreement dated 30 June 2008 (the ‘**Original Marketing Alliance Agreement**’) which sets out certain activities which the Parties have agreed to undertake or cause to be undertaken with respect to the Merchant Acquiring Business; and

WHEREAS, the Bank has agreed to sell and Global Payments U.K. Limited agreed to purchase the Bank’s 49% interest in the Joint Venture; and

WHEREAS, the Parties have agreed to amend and restate the Original Marketing Alliance Agreement as set forth herein; and

WHEREAS, the execution and delivery of this Agreement by the Bank, GPN and the Joint Venture is one of the deliveries to be made at closing of the Instrument of Transfer; and

NOW, THEREFORE, in consideration of the closing of the transactions contemplated by the Instrument of Transfer, of the foregoing and of the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the Bank, GPN and the Joint Venture hereby agree as follows:

SECTION 1. DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation. Capitalised terms used but not defined in this Agreement shall bear the same meanings as in part 1 of Schedule 1.1 to the Purchase Agreement (the “**Definition and Interpretation Schedule**”) and the provisions of part 2 of the Definition and Interpretation Schedule shall apply as if they appeared in this Section. Other expressions which are defined in this Agreement shall bear the meanings so assigned to them where used elsewhere in this Agreement.

SECTION 2. MERCHANT AGREEMENTS; SPECIAL ACCOUNTS

SECTION 2.1 Merchant Agreements. Except as expressly provided for in this Agreement, the Bank shall remain a party to all Existing Merchant Agreements and take such other actions as may be necessary in consultation with the Joint Venture in order to comply with the applicable Association Rules as they relate to the Bank Services.

SECTION 2.2 Rights under Merchant Agreements.

- (a) The rights and obligations of the Joint Venture and the Bank in relation to the Existing Merchant Agreements and New Merchant Agreements entered into between the Effective Time and the New Form Merchant Agreement Issue Date are as set out in the Hive Down Agreement. Except as expressly set out herein the Joint Venture shall, after the Effective Time, be entitled to receive all of the rights under all Existing Merchant Agreements and New Merchant Agreements and shall be responsible for all liabilities arising from or relating to all Existing Merchant Agreements and New Merchant Agreements.
- (b) Save as expressly provided below in Section 2.2(c), the Joint Venture shall not, prior to the later of the Migration Completion Date or the expiry or termination of the HSBC Trade Mark Licence Agreement (“**Relevant Date**”), assign or transfer the benefits or obligations under any Merchant Agreement (other than an assignment of any right of the Joint Venture to revenue) without the prior written Consent of the Bank (not to be unreasonably withheld or delayed). The Bank’s refusal to grant Consent to any such assignment or transfer to a Restricted Entity shall not be considered “unreasonably withheld” by the Bank. For greater certainty, a Change of Control of HMS or of any of HMS’ parent or affiliates shall not constitute an assignment as contemplated by this Section 2.2(b).
- (c) The Joint Venture shall be permitted to assign to any Person:
 - (i) at any time after the First Variation Effective Date, its rights to revenue in respect of any Merchant Agreement;
 - (ii) at any time after the Relevant Date, any of its rights and obligations in respect of any Merchant Agreements;
 - (iii) at any time after the Relevant Date, all of its rights and obligations in respect of any Merchant Agreements where such assignment or delegation is part of a transfer of all of the rights of the Joint Venture under this Agreement to the same Person to whom such Merchant Agreements are assigned;
 - (iv) at any time after the Relevant Date, any of its rights and obligations in respect of any Merchant Agreements in relation to any assignment or delegation of any of the Joint Venture’s rights, privileges, duties and obligations hereunder to an Affiliate of the Joint Venture in accordance with, and subject to, Section 22.5 (Assignment);
 - (v) at any time after the Relevant Date, in conjunction with a Change of Control, all Merchant Agreements, where all or substantially all of the rights or obligations under such Merchant Agreements are

assigned or transferred by the Joint Venture to the Person to whom such control is transferred and who is not an Affiliate of the Joint Venture; and/or

- (vi) at any time after the Relevant Date, any of its rights, privileges, duties and obligations hereunder to any Person into or with which the assigning or delegating Party shall merge or consolidate or to which the assigning or delegating Party shall sell all or substantially all its assets in accordance with Section 22.5.
- (d) In relation to any assignment of Merchant Agreements pursuant to Section 2.2(c) above the Joint Venture shall be entitled to request that the Bank assign to the assignee: (i) any remaining rights and obligations it may have by virtue of remaining a party to the Merchant Agreements; and/or (ii) any BIN/ICA's which relate to the Merchant Agreements that are to be assigned and which the Bank is permitted to assign pursuant to applicable Laws and Association Rules; and, subject to the Bank being indemnified (in a form reasonably acceptable to the Bank) by the Joint Venture and the relevant assignee against any claims and liability in relation to such Merchant Agreements and BIN/ICAs relating to transactions processed after the effective date of the Bank's assignment referred to in this Section 2.2(d), the Bank shall assign such Merchant Agreements and/or BIN/ICAs in accordance with such request.
- (e) Save in relation to an assignment under Section 2.2(c)(i), (iii), (iv), (v) and (vi) or any assignment under Section 2.2(c)(ii) where the Joint Venture continues notwithstanding such assignment to carry out (and retains all rights and obligations in relation to carrying out) settlement with the relevant Merchant, following any assignment under Section 2.2(c)(ii) of any Merchant Agreement by the Joint Venture, the Bank shall immediately following the perfection of such assignment (by way of migration, conversion and transfer of the Merchant Agreement and BIN/ICAs to the assignee, as the case may be) have no further obligation or liability to the Joint Venture or any assignee under this Agreement (with respect to the assigned Merchant Agreements), under the assigned Merchant Agreement or otherwise in relation to the assigned Merchant; provided that, the Bank's obligations under any assigned Merchant Agreements, under this Agreement and in relation to the assigned Merchant will continue as to all liabilities which arose or Credit Card Transactions which were handled prior to the perfection of such assignment from the Bank to the applicable assignee.
- (f) The Parties agree that:
 - (i) they will work together in good faith and use their commercially reasonable endeavours to cause an orderly transition of any assigned Merchant Agreements to the relevant assignee or transferee within a transition period reasonably requested by the Joint Venture (and the Joint Venture will pay the Bank's reasonable costs and expenses in relation to any such transition assistance provided by the Bank pursuant to this Section); and

- (ii) the Joint Venture shall, notwithstanding any assignment of any Merchant Agreement, continue to be liable to the Bank under this Agreement in relation to all obligations and liabilities it has to the Bank in relation to such Merchant Agreement.

SECTION 2.3 Modifications to and terminations of Merchant Agreements.

- (a) The Joint Venture shall not modify any Merchant Agreement in a way which increases the Bank's liabilities to the Card Associations or under any Merchant Agreement or under this Agreement or any other Operative Document without the Bank's prior written Consent. Except as set forth in the preceding sentence, Section 2.4 (Modification of Existing Merchant Agreements), Section 2.7 (Key Accounts) and Section 6.1(q) (Exclusivity and Marketing), the Joint Venture shall have the right to modify any Merchant Agreement at any time.
- (b) Subject to the provisions of Section 2.7(c) regarding Key Accounts, the Joint Venture shall have the right to terminate any Merchant Agreement at any time. Unless otherwise expressly provided for in this Agreement, the Bank shall not terminate any Existing Merchant Agreement or New Merchant Agreement without the prior Consent of the Joint Venture such Consent not to be unreasonably withheld.

SECTION 2.4 Modification of Existing Merchant Agreements. Without prejudice to Section 2.3, the Joint Venture shall not effect modifications to Existing Merchant Agreements prior to 1 January 2009 (i) except to the extent it deems reasonably necessary to protect itself against a Loss; or (ii) except in relation to Key Accounts to which Section 2.7 applies, to (on notice to a Merchant in accordance with the terms of the relevant Existing Merchant Agreement), increase the fees charged to that Merchant where:

- (a) such increase is equivalent to a fully absorbed cost increase (including an increase in Interchange Fees) received from a Card Association or Network Organisation;
- (b) the Merchant is priced below Interchange Fees plus Assessments provided that the increase does not result in charges which exceed the Standard Rate; or
- (c) as otherwise agreed with the Bank (including where incorporated in an amended or replaced form of agreement approved by the Bank).

SECTION 2.5 New Merchant Agreements. The Bank and the Joint Venture shall cooperate in good faith to agree a new form of Merchant Agreement as soon as practicable following the Completion Date and, in any event, prior to the date 75 days from the Completion Date (the "**New Form Merchant Agreement Target Date**"). If the Bank and the Joint Venture have not agreed a new form of Merchant Agreement by the New Form Merchant Agreement Target Date, the Bank and the Joint Venture shall be deemed to have agreed to the

latest draft form of Merchant Agreement as proposed by the Joint Venture on such date, provided that such draft form of Merchant Agreement shall comply with applicable Laws, Association Rules and Clearing System Rules. The form of Merchant Agreement deemed to be agreed under the preceding sentence or as agreed between the Bank and the Joint Venture prior to the New Form Merchant Agreement Target Date shall be the “**New Form Merchant Agreement**”. From the Effective Time until the date the New Form Merchant Agreement has been printed and is ready for issue (which shall be no later than the date 60 days following the New Form Merchant Agreement Target Date) (or any later date agreed between the Joint Venture and the Bank) (the “**New Form Merchant Agreement Issue Date**”), except as otherwise provided herein, all Merchant Agreements executed by the Joint Venture shall be substantially in the form set out in Schedule 2.5 (Existing Form of New Merchant Agreement). From the New Form Merchant Agreement Issue Date (or any later date agreed between the Joint Venture and the Bank), except as otherwise provided herein, all Merchant Agreements executed by the Joint Venture shall be substantially in the form of the New Form Merchant Agreement, which form may be amended from time to time by the Joint Venture with the prior written Consent of the Bank, (the form in Schedule 2.5 together with the New Form Merchant Agreement and any subsequently agreed amended forms each being an “**Agreed Form New Merchant Agreement**”). Notwithstanding the foregoing, if the Bank and the Joint Venture provide a joint response to a request for proposal (“**RFP**”) which relates to Merchant Acquiring Services, the Joint Venture shall have the limited authority to sign, on behalf of the Bank, a New Merchant Agreement which is substantially in the form presented in the joint RFP response even if the form materially differs from the Agreed Form Merchant Agreement, provided that the obligations of the Bank in such agreement do not differ materially from the obligations of the Bank under the Agreed Form Merchant Agreement. Except as set forth above, the Bank’s Consent shall be required prior to the execution of any New Merchant Agreement negotiated between the Joint Venture and a Merchant pursuant to any other RFP. Where in this Section 2 the Bank’s Consent is required in relation to a modification to a Merchant Agreement, or to the terms of a New Merchant Agreement, or to the terms of a new Agreed Form New Merchant Agreement, the Bank’s Consent shall not be unreasonably withheld or delayed and shall be assumed to have been given unless the Bank advises the Joint Venture that it does not Consent within 7 days of a written request for Consent being received by the Bank.

SECTION 2.6 Authorised Agent. The Bank hereby grants to the Joint Venture the limited authority to sign any New Merchant Agreements from time to time on behalf of the Bank in accordance with the terms of this Agreement, provided that such New Merchant Agreements do not differ substantially from the Agreed Form New Merchant Agreement.

SECTION 2.7 Key Accounts.

- (a) Attached hereto as Schedule 2.7 (List of Key Accounts) is a list of Merchants that the Parties acknowledge are significant relationship customers of the Bank (the “**Key Accounts**”). Notwithstanding any provision to the contrary in this Agreement, the Bank may add any Merchant or otherwise revise the list of Merchants set out in Schedule 2.7 (List of Key Accounts) at any time and from time to time as the Bank may reasonably consider appropriate by giving at least 30 days notice to the Joint Venture provided that at no time will Schedule 2.7 (List of Key Accounts) contain more than 250 Merchants.

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- (b) Notwithstanding Section 2.7(c), the Joint Venture may, with 7 days prior written notice to the Bank, amend the pricing relating to a Key Account where the Key Account is currently priced below the Standard Rate applicable to Merchants having characteristics in the market place (including volume levels) materially the same as those of the relevant Key Account (“**Relevant Standard Rate**”), provided that the increased price charged shall not be greater than the Relevant Standard Rate.
- (c) Except as permitted in Section 2.7 (b), if the Joint Venture desires to cause a Merchant Agreement that relates to a Key Account to be terminated or modified in respect of any material commercial terms (including discount fees and other fees and expenses payable by the Key Account) or to commence or threaten legal action against a Key Account in connection with the applicable Merchant Agreement, the Joint Venture shall first give notice to the Bank’s Joint Venture Representative of its intention to do so (a “**Key Account Notice**”), which notice shall include a description of the Joint Venture’s proposed course of action and the reasons therefore. A Key Account Notice indicating that the Joint Venture desires either to terminate a Merchant Agreement that relates to a Key Account because it reasonably believes that a continuation of the Merchant Agreement with the Key Account may result in Losses to the Joint Venture (including Losses arising from or in connection with the potential bankruptcy or insolvency of the Key Account or the risk profile of the Key Account or the potential sale, assignment, transfer or disposal of the Key Account), or to seek injunctive or other equitable relief against the Key Account, shall be considered an “**Emergency**”. The Bank must respond to an Emergency within two Business Days after the Key Account Notice is received by the Bank. If the Key Account Notice does not relate to an Emergency, the Bank shall respond within five Business Days after receipt of the Key Account Notice. If the Bank responds to the Joint Venture within the applicable response time that it wishes to become involved in the proposed action involving a Key Account with a view to avoiding or preventing the proposed termination, modification or legal or other proceeding or action or otherwise addressing the issues set forth in the Key Account Notice, the Bank and the Joint Venture shall negotiate in good faith to ensure that a mutually agreeable solution is reached as soon as reasonably possible. In the event that (i) the Bank does not respond to the Key Account Notice within the applicable response time, or (ii) the Bank responds but the Bank and the Joint Venture do not reach a mutually agreeable solution including where the Bank does not agree to subsidise or otherwise contribute or provide rights of indemnity (to the satisfaction of the Joint Venture) with respect to Losses arising from or in connection with such Key Account or the Merchant Agreement relating to such Key Account (A) in the case of an Emergency, at the end of the second Business Day, or (B) in any other case, at the end of the 10th Business Day after the Bank has responded, or failed to respond within the applicable response time, to the Key Account Notice, the Joint Venture shall be permitted to proceed with the course of action proposed in the Key Account Notice without any further notice to or Consent from the Bank.

- (d) The Bank may, from time to time, request the Joint Venture to offer Merchant Acquiring Services for specified fixed periods to certain Key Accounts on the basis of Interchange Fees and Assessments plus an agreed margin which margin (“**Discounted Margin**”) is lower than the margin element of the Standard Rate applicable to Merchants having characteristics in the market place (including volume levels) materially the same as those of the relevant Key Account (“**Standard Margin**”). The Joint Venture and the Bank shall negotiate in good faith taking into account prevailing market conditions and competitive pricing and agree on a reduction of the Standard Margin for such Key Accounts, failing which the Joint Venture shall honour the Discounted Margin request as long as the Bank agrees to pay to the Joint Venture the difference between the Discounted Margin and the Standard Margin (the “**Reimbursement Amount**”). The Joint Venture shall invoice the Bank monthly for any Reimbursement Amount owed by the Bank under this Agreement and such invoices shall be due and payable within 30 days after receipt by the Bank.
- (e) If the Bank desires to terminate any arrangement described in Section 2.7(d) with respect to a particular Key Account, it shall have the right to do so by providing the Joint Venture with written notice in advance of such termination specifying the effective date of termination; provided, however, that such notice period must be at least as long as the notice period required under the terms of the applicable Merchant Agreement for the Joint Venture to terminate or if appropriate amend, as applicable, the applicable Merchant Agreement plus an additional 30 days.

SECTION 2.8 Bank Affiliate Transactions and “on us” transactions.

- (a) The Bank acknowledges that there are certain Credit Card Transactions (collectively, “**Bank Affiliate Transactions**”) of the Bank and certain of its Affiliates and other Persons in which the Bank has an ownership interest (e.g., insurance and brokerage subsidiaries) (collectively, for the purposes of this Section only, “**Bank Affiliates**”). The Bank agrees that it shall use commercially reasonable endeavours to ensure that all Bank Affiliates who utilise the Merchant Acquiring Services or services similar to the Merchant Acquiring Services (i) process Bank Affiliate Transactions exclusively through the Joint Venture; and (ii) execute a New Merchant Agreement with the Joint Venture in the same form as the Agreed Form Merchant Agreement not later than 6 months after the Effective Time. Where a Bank Affiliate Transaction is processed in the absence of a Merchant Agreement being in place with the relevant Bank Affiliate the Bank shall charge the Bank Affiliate at a rate equivalent to that charged by the Joint Venture in the Ordinary Course for such processing and shall reimburse the Joint Venture all sums received from the Bank Affiliate.
- (b) The Bank acknowledges that certain Credit Card Transactions are processed as “on us” transactions by the Bank rather than being processed through the Credit Card Interchange System, including, but not limited to, Bank Affiliate Transactions referred to above. Between the Effective Time and

the date that all transactions are processed through the Credit Card Interchange System, the issuing side of the Bank shall receive “on-us” rates for all “on-us” transactions which rates shall not exceed the Interchange Fees that the relevant Bank Affiliate Transaction would have otherwise attracted. The Bank agrees that following the Transition Period, all such transactions shall be processed through the Credit Card Interchange System, unless otherwise agreed or required by Laws or Association Rules.

SECTION 3. SERVICES

SECTION 3.1 Joint Venture Services: Processor Exclusivity.

- (a) During the Term, the Joint Venture shall provide the Joint Venture Services in respect of all Merchant Agreements in accordance with this Agreement (either through itself or through the Transition Agreement or the Processing Agreement). For the avoidance of doubt, if any of the Bank’s benefits or obligations under any Merchant Agreements which are intended to be transferred or assigned to the Joint Venture are not effectively transferred or assigned for any reason, the Joint Venture shall perform the Joint Venture Services (including such obligations) in respect of such Existing Merchant Agreements in accordance with this Agreement notwithstanding that the Bank may remain bound by such Merchant Agreements in respect of such obligations and the Joint Venture shall be entitled to all of the benefits thereunder.
- (b) Without prejudice to the generality of this Section 3.1, the Joint Venture shall ensure that the Joint Venture Services shall not give rise to any material deterioration in terms of the types, quality or standard of the services, products and functionalities provided or supported by the Bank under the Merchant Acquiring Business as a whole immediately prior to the Completion Date. The Joint Venture shall provide the Joint Venture Services in accordance with the service levels described in Schedule 3.1(b) (Joint Venture Service Levels). Notwithstanding the foregoing, during the period from the Completion Date to a date 30 days after the Back End Migration Completion Date or the Front End Migration Completion Date (as applicable) if and to the extent that the Required Information delivered by the Bank under the Transition Agreement does not include the information described in Part 1 (in relation to Back End Migration) or Part 2 (in relation to Front End Migration) of Schedule 6 of the Transition Agreement or such information is inaccurate then the Joint Venture shall not be in breach of its obligations under this Agreement to meet a Joint Venture Service Level if the breach is caused by such omission or inaccuracy of information and provided always that the Joint Venture shall use commercially reasonable endeavours to achieve the relevant Joint Venture Service Levels and to cure any failure to do so. Notwithstanding anything in this Agreement to the contrary, except for a breach of the Joint Venture Critical Service Levels which are set forth in Section 15.4 (c) below, no breach of a Joint Venture Service Level shall constitute a Joint Venture Default.

- (c) As the Joint Venture's and the GPN Processor's technological infrastructure becomes operational and, in no event later than the end of the Transition Period, the Joint Venture Services shall include products and services that, considered as a whole from the vantage point of customers, are reasonably competitive in comparison to leading acquirers in the United Kingdom. For greater certainty, the Joint Venture shall not be required to offer every product or service offered by leading acquirers in the United Kingdom and shall not be required to be the lowest cost acquirer.
- (d) The Joint Venture Services shall also include merchant reporting tools and other back-end product features which are necessary for the growth of the Merchant Acquiring Business.
- (e) The Joint Venture has appointed GPN as the GPN Processor with effect from the Effective Time under the terms of the Processing Agreement attached at Schedule 3.1 (e) (Processing Agreement). Whilst the Bank is represented on the Board, the Joint Venture shall not agree to any amendment to the Processing Agreement which could reasonably be expected to have a material adverse effect on the Joint Venture or the Bank or to terminate the Processing Agreement without the Board's Consent. If the Bank is not represented on the Board, the Joint Venture shall (i) not make any material amendment to the terms of the following provisions within the Processing Agreement: Sections 7 (Joint Venture Data, Bank Data), 8 (Data Processing), 9 (Audits, Regulatory Examinations and Compliance) and 10.13 (Confidentiality); and (ii) procure that the GPN Processor complies with Section 2.4(c) of the Processing Agreement (Use of Subcontractors); and (iii) not enter into any replacement Processing Agreement that does not include provisions offering substantially the same protections to the Bank as those contained in the Sections described above, in each case, without the Bank's Consent. In the event that the Joint Venture receives a notice of termination of the Processing Agreement from the GPN Processor, at any time, the Joint Venture shall promptly notify the Bank.

SECTION 3.2 Bank Services. During the Term the Bank shall provide the Bank Services as set out in Schedule 3.2.1 (Bank Services and Fees) unless otherwise agreed with the Joint Venture or provided for in this Agreement. The Bank shall ensure that the Bank Services shall not (i) give rise to any material deterioration in the services and functionalities provided or supported by the Bank prior to the Effective Time which are equivalent to the Bank Services; and (ii) cause any breach of the Merchant Agreements. The Bank shall provide the Bank Services in accordance with the standards applied before the Completion Date and in accordance with the service levels described in Schedule 3.2.2 (Bank Service Levels). Except for a breach of a Bank Critical Service Level which is set forth in Section 15.3 (c), no breach of a Bank Service Level hereunder shall constitute a Bank Default.

SECTION 3.3 Authorisations and Consents. The Joint Venture shall be solely and fully responsible for ensuring compliance by the Joint Venture with all applicable Laws, Association Rules and Clearing System Rules, including any service levels established thereunder, and obtaining and complying with the terms and conditions of all Authorisations and Consents required by applicable Laws, Association Rules and Clearing System Rules, in each case, with

respect to the Joint Venture Services to be performed by the Joint Venture or by other Persons (other than the Bank) on its behalf, and shall pay all related Merchant acquiring fees, costs and expenses and assume all other obligations associated therewith. The Joint Venture shall be solely and fully responsible for and shall pay all fines and penalties arising from or in connection with any non-compliance by the Joint Venture or any Person (other than the Bank) on its behalf with any Merchant Agreement, applicable Laws, Association Rules or Clearing System Rules or other applicable requirements in respect of its delivery of the Joint Venture Services. As between the Bank and the Joint Venture, the Joint Venture shall collect from and be responsible for any fines and penalties arising from the non-compliance by a Merchant with any Association Rules or Clearing System Rules. Other than the Merchant acquiring fees, costs and expenses described above the Joint Venture shall not be responsible for any Authorisations, Consents, memberships or sponsorships required to be obtained and/or maintained by the Bank or any Person on its behalf or for any related fees, costs and expenses required or incurred in connection with the performance by the Bank or any Person on its behalf of the Bank Services. The Bank shall be solely and fully responsible for ensuring compliance with all applicable Laws, Association Rules and Clearing System Rules, including any service levels established thereunder, and obtaining and complying with the terms and conditions of all Authorisations and Consents required by applicable Laws, Association Rules and Clearing System Rules, in each case, with respect to the Bank Services to be performed by it or by other Persons on its behalf and, subject to the Bank's right to reimbursement as set out in this Agreement, shall pay related fees, costs and expenses and assume all other obligations associated therewith. For the avoidance of doubt, the Bank shall pay all membership fees, costs and expenses of the applicable Card Associations and Network Organisations which arise solely and directly from the Bank's status as an issuer of Cards (and no right of reimbursement shall apply to such fees, costs and expenses). The Bank shall be responsible for and shall pay all fines and penalties arising from or in connection with non-compliance by the Bank or any Person on its behalf with any applicable Laws, Association Rules or Clearing System Rules or other applicable requirements, in respect of its delivery of the Bank Services (and no right of reimbursement shall apply to such fees, costs and expenses and, for the avoidance of doubt, Section 19.2(d) is not intended to limit or exclude the Bank's liability to the Card Associations in respect of such fines and penalties). Notwithstanding anything to the contrary contained in this Agreement, the Bank shall not be responsible for any Authorisations and Consents required to be obtained and/or maintained by the Joint Venture or any Person on its behalf or for any related fees, costs and expenses required or incurred in connection with the performance by the Joint Venture or any Person on its behalf of the Joint Venture Services. In the event that the Bank receives a notice of a violation by the Joint Venture of a Merchant Agreement or an applicable Law, Association Rule or Clearing System Rule, the Bank shall as soon as reasonably practicable notify (but in no event more than two Business Days following receipt of such notice) the Joint Venture of the occurrence and details of such event.

SECTION 3.4 Fees for Bank Services: Invoices.

- (a) Except as provided for in Section 8.5, the Bank shall charge the Joint Venture in providing the Bank Services the fees described in Schedule 3.2.1 (Bank Services and Fees) and: (i) for any Bank Service that is provided during the period from the Effective Time to the First Variation Effective Date which continues to be provided following the First Variation Effective Date and which is not covered by Schedule 3.2.1, an amount equal to the Direct Costs incurred by the Bank or any of its Affiliates in the provision of

the Bank Services not covered by Schedule 3.2.1; and (ii) for any New Bank Service, such fees, charges and/or costs as may be agreed between the Bank and the Joint Venture (and the Bank shall not be required to provide any New Bank Service, and the Joint Venture will not be obligated to purchase any New Bank Service from the Bank, unless and until such fees, charges and/or costs have been agreed), in each case subject to any adjustment pursuant to Section 22.18(k) (Withholding Tax; Applicable Sales Taxes; Transfer Pricing) (provided that, for the avoidance of doubt, the Bank may not charge for the same services under both this Agreement and the Transition Agreement). The Bank shall invoice the Joint Venture by the 15th day of each month for the Bank Services provided during the immediately preceding month. The Joint Venture shall pay any undisputed amounts set forth in the Bank invoices within 30 days after receipt. All payments shall be made in pounds sterling. Except as otherwise specifically set out in this Agreement, the charges set forth in Schedule 3.2.1 are the sole and exclusive charges for the Bank Services. For greater certainty, any Bank Service covered by Section 9.1(b) (Payment of Scheme Fees and Interchange Fees) shall be reimbursed in accordance with that Section 9.1(b) and not this Section.

- (b) The Joint Venture shall notify the Bank of any disputed amounts contained in any invoice submitted under this Section in the manner specified in, and the dispute shall be resolved in accordance with, Section 3.4(e).
- (c) GPN and the Joint Venture shall have the right to audit the Books and Records of the Bank applicable only to the Bank's billing for the provision of the Bank Services hereunder; provided that such inspection shall be conducted not more often than at reasonable intervals, shall be at mutually agreeable times upon prior appointment and subject to the Bank's Security and Privacy Policies and Procedures.
- (d) [Intentionally blank]
- (e) Any dispute arising from any invoice issued pursuant to this Section 3.4 shall be resolved in the following manner:
 - (i) within 180 days after receiving the invoice, the Joint Venture shall serve written notice on the Bank stating the nature and amount of its dispute;
 - (ii) the Joint Venture and the Bank shall each appoint an appropriate officer with authority to resolve the dispute on its behalf within 10 days after the Bank has received the notice of dispute from the Joint Venture;
 - (iii) the officers respectively appointed by the Joint Venture and the Bank shall act in good faith and use all reasonable endeavours to resolve the dispute;

- (iv) if the dispute is not resolved within 30 days after the Bank receives the notice of dispute from the Joint Venture, the dispute shall be handled in accordance with Section 21 (Dispute Resolution);
 - (v) the Bank shall not be entitled to serve notice under Section 15.4(a) in respect of any disputed amount for as long as such dispute is continuing;
 - (vi) the Joint Venture shall pay the Bank all undisputed amounts of any invoice on or before the due date whilst the dispute is being resolved in accordance with the provisions of this Agreement. If it is later agreed by the Joint Venture and the Bank or it is ordered by an arbitrator or court that the whole or any part of the disputed amount of the invoice should be paid by the Joint Venture, the Joint Venture shall pay to the Bank the disputed amount together with interest on that amount at the rate of 10% per annum for the period from the due date on the applicable invoice until the date on which payment is actually received by the Bank.
- (f) The Joint Venture shall not be obligated to pay any fees or expenses to the Bank under this Agreement unless the Bank delivers an invoice to the Joint Venture for such fees or expenses within six months after the last day of the month in which such fees or expenses are incurred. All invoices issued to the Joint Venture shall be in a form which complies with any applicable Laws.

SECTION 3.5 GPN obligation in relation to Transition Agreement. GPN shall pay to the Bank the sums described in Sections 5.5(b) (Delayed Back-End Migration Completion) and 5.7(b) (Delayed Front-End Migration Completion) of the Transition Agreement on behalf of the GPN Processor.

SECTION 4. DEPOSIT AND SETTLEMENT PROCEDURES

SECTION 4.1 Acceptance, Delivery, and Settlement of Credit Card Transaction Records and Debit Card Transaction Records.

- (a) On and after the Effective Time, the Joint Venture shall accept Credit Card Transaction Records and Debit Card Transaction Records from Merchants in documentary or electronic (including telephonic) form and shall transmit such information as is reasonably required by the Bank to settle with Merchants in the Ordinary Course of the Joint Venture's business in accordance with the provisions of this Agreement and the applicable Merchant Agreement.
- (b) The Bank or its Affiliates (as applicable) shall, on the instructions of the Joint Venture and subject to the receipt of the information described in Section 4.1(a), transfer funds from the applicable Settlement Account to the Merchant Depository Accounts (whether maintained by Merchants with it or with financial institutions other than the Bank or any of its Affiliates) in

the Ordinary Course of the Bank's business for settling transactions effected by the Merchants. In the case of Merchants that are settled on a net basis, such settlement amounts shall be net of certain Account Fees depending on the Joint Venture's arrangement with the Merchant.

- (c) The Bank or its Affiliates, as applicable, shall debit funds from the applicable Settlement Account to effect transfers in accordance with Section 4.1(b). In the event that the Daily Aggregate Balance of the Settlement Accounts is negative at the end of a day, the Joint Venture shall pay the Bank a service fee in accordance with Section 4.3. Unless otherwise agreed by the Joint Venture and the Bank, the Bank and its Affiliates shall be prohibited from backdating any settlement deposits into a Merchant Depository Account (e.g., giving a Merchant credit for funds availability in its Merchant Depository Account before the funds are actually deposited). The Joint Venture shall also be prohibited from requesting the transfer of funds to either a Merchant Depository Account or a Joint Venture Bank Account prior to the requests for settlement being sent to the respective Card Association or Network Association.
- (d) The Parties agree that any over-the-counter cash advances shall be processed (authorized and settled) through the Credit Card Interchange System from the Effective Time. The Joint Venture shall be entitled to all processing revenues (including but not limited to the reverse interchange) arising from over-the-counter cash advances whether or not Bank Affiliates have entered into a Merchant Agreement pursuant to Section 2.8 (a) (Bank Affiliate Transactions and "on us" transactions). The Bank shall be liable for any valid Chargeback arising from such transactions.

SECTION 4.2 Amendments. The Parties acknowledge and agree that the procedures set forth in this Section 4 may be amended by agreement between the Joint Venture and the Bank from time to time provided that such amended procedures are in accordance with applicable Laws, Association Rules, Clearing System Rules and provided further that there is no material adverse impact on the Bank.

SECTION 4.3 Funding Costs for Merchant Settlement.

- (a) In the event the Daily Aggregate Balance of all of the Settlement Accounts at midnight (local time in the UK) on any day is negative, the Joint Venture shall owe the Bank a service fee equal to the negative amount of such Daily Aggregate Balance multiplied by the Bank's then applicable daily lending rate which shall be equal to the best rate then available from the Bank for a similar secured lending facility. The Bank shall provide the Joint Venture with a reconciliation of the debit balances and credit balances in all of the Settlement Accounts which have been used to calculate each Daily Aggregate Balance within thirty days after the end of the applicable month and the Joint Venture shall pay any service fee owing to the Bank within 30 days after the Joint Venture's receipt of the applicable invoice from the Bank. The reconciliation provided by the Bank shall include a description of the daily debit or credit balance in each Settlement Account, together with the applicable lending rate.

- (b) Upon receiving cleared funds from the applicable Card Association or other settlement system for settlement of Credit Card Transactions, the Bank shall apply such funds towards satisfaction of any debit balance in the relevant Settlement Account on a same day basis.
- (c) The Daily Aggregate Balance shall not include any debit balance in any Settlement Account to the extent that the applicable amount of debit balance is satisfied in full through the receipt of cleared funds from the applicable Card Association or other settlement system on or before midnight (local time in the UK) on the same day that such amount of debit balance was incurred.
- (d) Notwithstanding anything to the contrary contained in this Agreement, the Bank shall not charge the Joint Venture any service fee described in Section 4.3(a) on any Card Transactions involving Cards issued by the Bank which are “on us” transactions.

SECTION 5. PAYMENTS AND ACCOUNTS; CLEARING ARRANGEMENTS

SECTION 5.1 General

- (a) The Bank shall maintain one or more internal, segregated settlement accounts (the “**Settlement Accounts**”), the sole purpose of which shall be for the Bank to receive funds from the Card Associations and Network Organizations, as the case may be, in connection with the Merchant Acquiring Business.
- (b) The Bank shall provide the Joint Venture electronically with details of settlement activities (in the manner, format and content agreed to by the Joint Venture and the Bank) on a daily and monthly basis. The Bank’s obligation under this Section is satisfied by providing the Joint Venture with unlimited electronic view access to the Settlement Accounts.
- (c) The Bank shall provide the Joint Venture the ability to instruct the Bank to make transfers from the Settlement Account to Merchant Depository Accounts or from the Settlement Accounts or from the Merchant Depository Accounts to the Joint Venture bank accounts consistent with funding rights provided for in the Merchant Agreements and in accordance with Association Rules. These transfers will reflect settlement activities and shall include, but not be limited to, Account Fees, merchant fees, establishment of Reserve Accounts, Chargeback and Credit Losses, merchant funding exceptions (i.e., returns and miscellaneous Merchant fund transfers), Card Association fees and exceptions (i.e., rejects).
- (d) In any event where the Merchant Acquiring Business receives settlement proceeds from the Credit Card Associations in one currency and pays a Merchant in another currency, the Bank agrees to make any such currency conversion requested by the Joint Venture. The Bank shall charge the Joint Venture for such foreign exchange activities as provided for in Schedule 3.2.1 (Bank Services and Fees).

SECTION 5.2 Withdrawal of Account Fees and Unreimbursed Chargebacks from Merchant Depository Accounts. The Bank shall take the actions set forth in this Section 5.2 unless otherwise prohibited by the Merchant Agreement. On a monthly basis, or more frequently if requested by the Joint Venture, for all Merchants which do not have their Account Fees debited from their net settlement amounts on a daily basis, (a) the Joint Venture shall direct the Bank to withdraw the Account Fees from each Merchant Depository Account maintained with the Bank or any of its Affiliates, and (b) for each Merchant whose Merchant Depository Account is maintained with a financial institution other than the Bank, collect such Account Fees from the Merchant in the Ordinary Course of the Bank's business. Except as otherwise stated in Sections 2.4 (Modification of Existing Merchant Agreements), 2.7 (Key Accounts) and 6.1(q) (Exclusivity and Marketing), the Joint Venture shall have the right to change the manner in which Account Fees are calculated and the Bank shall be obligated to use commercially reasonable endeavours to accommodate such changes, so long as changes are consistent with the applicable Merchant Agreements, Law and/or Association Rules. On each Business Day for any Merchant whose unreimbursed Chargebacks and Credit Losses are not already offset from its daily settlement amounts, the Joint Venture shall direct the Bank to (i) withdraw any unreimbursed Chargebacks and Credit Losses from each Merchant Depository Account maintained with the Bank or any of its Affiliates, and (ii) for each Merchant whose Merchant Depository Account is maintained with a financial institution other than the Bank or any of its Affiliates, collect such Chargebacks and Credit Losses from the Merchant in the Ordinary Course of the Bank's business. The Bank shall cause the Account Fees and amounts related to unreimbursed Chargebacks, Credit Losses and Merchant settlement adjustments, if any, to be deposited into a Joint Venture Bank Account. For the avoidance of doubt, the Bank is not required to take any collection or enforcement steps or action other than debiting or collecting the relevant amounts in accordance with this Agreement.

SECTION 5.3 Ownership of Settlement Accounts. The Parties agree that the Settlement Accounts shall be held in the name of the Bank or its Affiliates in order to comply with applicable Association Rules concerning the use by the Joint Venture of the Bank's BIN/ICAs. The Parties agree that the funds which are held in the Settlement Accounts at any given time are held for the benefit of the applicable Merchants and the Joint Venture according to the terms of the relevant Merchant Agreement and this Agreement as their respective rights and interests to those funds are set forth therein and the Bank shall not exercise any right over such funds except as otherwise set forth in this Agreement.

SECTION 6. EXCLUSIVITY AND MARKETING

SECTION 6.1 Referral of Potential Merchants; Covenant Not to Compete; Exclusivity; Indemnification for Indemnified Merchants.

- (a) For the purposes of this Section 6, "**Restriction Period**" means the period of time commencing on the Completion Date and ending on the start of the Run-Off Period.
- (b) Subject to Section 6.1 (c), during the Restriction Period, neither the Bank nor any of its Affiliates shall provide access to a BIN/ICA number owned by the Bank or an Affiliate of the Bank to any Person for the purposes of a Competing Business in the United Kingdom. This Section 6.1 (b) shall not restrict the Bank or any of its Affiliates from providing access to an Affiliate

of the Bank (whose primary business is outside the United Kingdom) to a BIN/ICA number owned by the Bank or a Bank Affiliate in relation to the provision of services similar to Merchant Acquiring Services that are Pan-European or International Acquiring Services to a merchant of such Affiliate (whose primary business is outside the United Kingdom) in respect of which an expression of interest is received by the Bank or an Affiliate of the Bank from outside the United Kingdom.

- (c) During the Restriction Period, neither the Bank nor any of its Affiliates shall directly or indirectly solicit or accept on its own behalf or on behalf of any Person (other than the Joint Venture) any Merchants or Prospective Merchants in relation to a Competing Business in the United Kingdom.
 - (i) The Bank further agrees that where GPUK (or any Affiliate of GPUK) owns 100% of the Membership Units in the Joint Venture neither the Bank nor its Affiliates shall:
 - (A) for six months following the Restriction Period solicit or accept Merchants or Prospective Merchants on its own behalf or on behalf of any Person (other than the Joint Venture); or
 - (B) for eighteen months following the later of (i) the end of the Restriction Period, and (ii) completion of the Transfer resulting in GPUK (or any Affiliate of GPUK) owning 100% of the Membership Units in the Joint Venture, solicit Merchants on its own behalf or on behalf of any Person (other than the Joint Venture),in each case in relation to a Competing Business in the United Kingdom.
 - (ii) GPN further agrees that where the Bank owns 100% of the Membership Units in the Joint Venture neither GPN nor its Affiliates shall, for eighteen months following the later of (i) the end of the Restriction Period, and (ii) completion of the Transfer resulting in the Bank owning 100% of the Membership Units in the Joint Venture, solicit Merchants on its own behalf or on behalf of any Person (other than the Joint Venture) in relation to a Competing Business in the United Kingdom, except as permitted by Section 6.1(k).
- (d) During the Restriction Period neither the Bank nor any of its Affiliates shall participate, directly or indirectly, in a Competing Business in the United Kingdom (unless such Competing Business is entered into through the Joint Venture).
- (e) Subject to Section 6.1(g), during the Restriction Period, the Bank shall refer only to the Joint Venture any Person (a **Prospective Merchant**) who expresses an interest in obtaining any of the following:
 - (i) Merchant Acquiring Services in the United Kingdom;

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- (ii) Merchant Acquiring Services that are Pan-European; or
 - (iii) International Acquiring Services,
- in each case where the relevant referral is made by or through the Bank based in the United Kingdom.
- (f) Notwithstanding anything to the contrary contained in this Agreement, in the event of a Change of Control of the Bank, the foregoing shall continue to apply to the Bank and its successors notwithstanding such Change of Control. In the case of a Change of Control of the Bank involving a Merger Transaction where the Bank is not the Surviving Person immediately following the completion of such Merger Transaction, then the obligations contained in this Section shall apply to (i) all of the branches (and the existing and potential merchants with accounts at such branches) of the Bank in existence on the date immediately prior to the Change of Control even if the name of such branches is changed or the control of such branches is changed as a result of such Change of Control, and (ii) to any other branches which bear the HSBC name (or derivation thereof) provided that there shall be no obligation on the Surviving Person to comply with this Section where to do so would put the Surviving Person in breach of a written obligation of the Surviving Person pre-dating the Merger Transaction. The foregoing exception shall relieve the Bank or the Surviving Person of its obligations hereunder only to the extent prohibited by the express terms of the agreement and for only so long as the written agreement referred to in the foregoing sentence remains in effect and the Bank and/or the Surviving Person shall terminate such obligation at the earliest possible time allowed by such agreement (pursuant to a right to terminate for convenience or at the end of the term) and shall not seek to extend the term of such obligation. If, following a Change of Control of the Bank, there is a material, sustained reduction in the number of referrals being made by the Bank to the Joint Venture and such reduction is not justified by normal market fluctuations or circumstances other than the Change of Control of the Bank, then, at GPN's option, the Bank's referral obligations shall cease and the Bank shall pay GPN (on behalf of GPUK) an amount as set forth in Schedule 6.1 (f) (Refund of Referral Fee Purchase Amount) (the "**Referral Fee Purchase Amount**").
 - (g) Section 6.1 (e) shall not apply where the Joint Venture determines that Joint Venture Services or functionalities required by any Prospective Merchant are not currently made available by the Joint Venture and cannot be made available by the Joint Venture within a reasonable period of time.
 - (h) The Parties acknowledge that, in addition to the Merchant Acquiring Business that is the subject of this transaction, as at the Completion Date the Bank and/or its Affiliates operate businesses similar to the Merchant Acquiring Business in other regions of Europe (each an "**Affiliated Business**"). If, prior to the start of the Run-Off Period, the Bank or its Affiliate desires to transfer an Affiliated Business to another Person (other

than an Affiliate of the Bank), the Bank must, subject to the grant of any regulatory approvals that may be required and to the remainder of this Section 6.1(h), first provide to the Joint Venture the opportunity to review information relevant to transferring that Affiliated Business and to allow the Joint Venture, within a period of 30 days following receipt of all information reasonably requested by the Joint Venture, to make an offer to acquire such Affiliated Business and to accept such offer provided that it is on terms (including material non-monetary terms) substantially equal to or better than those offered by the relevant other Person (and in the case of a transfer relating to an Affiliated Business operated by HSBC Bank Malta, the terms are deemed by HSBC Bank Malta to be an acceptable offer) and unless the Bank or the relevant Affiliate decides not to proceed with the transfer of the Affiliated Business. If GPN (or one of its Affiliates) has already entered into another merchant acquiring joint venture with another major financial institution in the primary country in which such Affiliated Business operates which is a competitor of the Bank, which relationship the Bank reasonably deems unacceptable, and which cannot be terminated or which cannot be modified to the Bank's reasonable satisfaction within a reasonable period of time, the Joint Venture shall have no right of first refusal under this Section 6.1(h) as to such Affiliated Business at that time but no other rights hereunder shall be affected.

- (i) If prior to the start of the Run-Off Period the Bank or any of its Affiliates (each, a **"Controlled Person"**) directly or indirectly acquires a business similar to the Merchant Acquiring Business in the United Kingdom (an **"Acquired Affiliated Business"**), such Controlled Person shall be required, subject to the grant of any regulatory approvals that may be required, to offer such business to the Joint Venture at fair market value (determined in accordance with the procedures set forth in the Partnership Agreement (in effect immediately prior to the First Variation Effective Date)) (other than in relation to an Affiliated Business operated by HSBC Bank Malta in respect of which the value shall be as agreed between the Joint Venture and HSBC Bank Malta) within 180 days of such acquisition in accordance with the provisions of this Section unless such a transfer (A) would result in a breach of any pre-existing obligation of such Acquired Affiliated Business that is assumed by the Bank in connection with the acquisition of such Acquired Affiliated Business or of an obligation of the Bank or any of its Affiliates which exists as at the Completion Date, or (B) is otherwise prohibited by Laws, or (C) would cause the Bank to incur a material termination fee (unless the Joint Venture agrees to fund such termination fee). The foregoing exception shall only relieve the Bank of its obligations hereunder for so long as the obligation, restriction, or cause, as applicable, referred to in the foregoing sentence remains in effect and the Bank shall terminate such obligation at the earliest possible time allowed by such agreement (under a right of termination for convenience or as allowed at the end of the term only) and shall not seek to extend the term of such obligation. Except in relation to a transfer relating to an Affiliated Business operated by HSBC Bank Malta, the Joint Venture has a period of 30 days following receipt of the determination of fair market value from the Appraisers which shall

constitute the offer from the Bank in which to accept such offer. The parties agree that, if (i) an exception to the Bank's obligation to offer the Acquired Affiliated Business to the Joint Venture as described in this Section 6.1(i) applies, or (ii) the Joint Venture does not accept the offer to acquire the Acquired Business within this 30 day period, the Bank's obligations set out in this Section 6.1(i) shall not apply in relation to the Acquired Affiliated Business at that time, but any other rights hereunder shall not be affected. In the event that an offer by the Joint Venture is accepted pursuant to the terms of this Agreement, the Joint Venture and the Bank shall use commercially reasonable endeavours to complete such sale as soon as practicable. In relation to an Acquired Affiliated Business operated by HSBC Bank Malta, should the Controlled Person be required to offer such business to the Joint Venture then the Controlled Person shall provide to the Joint Venture the opportunity to review information relevant to transferring that Acquired Affiliated Business and to allow the Joint Venture, within a period of 30 days following receipt of all information reasonably requested, to make an offer to acquire such Acquired Affiliated Business and to accept such offer provided that it is on terms (including material non-monetary terms) that are deemed by HSBC Bank Malta to be an acceptable offer.

- (j) [Intentionally blank]
- (k) The BIN/ICA numbers owned by the Bank or any of its Affiliates and utilised by the Joint Venture pursuant to this Agreement shall not be used for any business of GPN or the Joint Venture other than the Merchant Acquiring Business and shall not, without the prior express written consent of the Bank, be used for the purposes of providing Merchant Acquiring Services (or any other services) to any Person other than those Merchants who have a Merchant Agreement in effect as at the First Variation Effective Date and any new Merchants who enter into a Merchant Agreement as a consequence of Organic Growth or who become Merchants as a consequence of the acquisition by the Joint Venture of a merchant acquiring portfolio from the Bank or any of its Affiliates.
- (l) During the Restriction Period the Joint Venture shall not form an alliance with any Restricted Entities in the United Kingdom. Notwithstanding the foregoing the Bank acknowledges that a parent of the Joint Venture could be acquired by a bank or by a Restricted Entity and nothing herein shall be construed as attempting to prevent or restrict such acquisition and such acquisition shall not put either the Joint Venture or the acquiring party in breach of this Section as a result of such acquisition.
- (m) The Joint Venture may solicit:
 - (i) Merchant Acquiring Services within the United Kingdom;
 - (ii) International Acquiring Services anywhere in the world;

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- (iii) Merchant Acquiring Services, both domestic and Pan-European, in regions of Europe where the Bank or any of its Affiliates as of the Completion Date:
- (A) do not operate a business similar to the Merchant Acquiring Business; or
 - (B) operate a business similar to the Merchant Acquiring Business but subsequently ceased operating such business, (“**Non-Operating Region**”).
- (n) Notwithstanding Section 6.1(m) the Joint Venture can provide Merchant Acquiring Services in any region of Europe provided that the referral or request for services is received by the Joint Venture outside a Non-Operating Region.
- (o) Save as permitted by Sections 6.1(m) and 6.1(n), the Joint Venture shall, during the Term, be prohibited from offering or marketing the Joint Venture Services without the Consent of the Board whilst the Bank is represented on the Board and thereafter without the Consent of the Bank.
- (p) The Joint Venture shall pay the Bank a referral fee in connection with referrals of potential merchants to the Joint Venture consistent with the terms set forth in Schedule 3.2.1 (Bank Services and Fees) and the Bank agrees that the Merchant Acquiring Business shall remain a discreet item on the performance statements for the Bank customer referral generating relationship managers, and, for the period between the First Variation Effective Date and the expiry or termination of the HSBC Trade Mark Licence Agreement, the income reporting for all existing Merchants as at the First Variation Effective Date who remain live customers, shall remain at levels that are equivalent to those levels in effect immediately prior to the First Variation Effective Date. Such amount shall be paid for each potential merchant that (a) executes a Merchant Agreement with the Joint Venture, and (b) remains active for no less than 30 days.
- (q) If the Joint Venture does not wish to enter into a New Merchant Agreement with a Prospective Merchant or prospective merchant referred to the Joint Venture by the Bank, the Bank may request that the Joint Venture accept such Prospective Merchant or prospective merchant (each, an “**Indemnified Merchant**”) in exchange for the Bank’s agreement to subsidize or otherwise contribute or provide rights of indemnity as agreed by the Joint Venture and the Bank, as applicable, with respect to Losses under the Merchant Agreement with the Indemnified Merchant. The Joint Venture shall not unreasonably refuse to offer Joint Venture Services to a Prospective Merchant or prospective merchant referred to the Joint Venture by the Bank unless such refusal is consistent with the Merchant Qualification Criteria or unless the Joint Venture is incapable of providing the services requested. If the Joint Venture and the Bank agree upon the terms and conditions of such arrangement, the Joint Venture shall accept such Prospective Merchant or

prospective merchant subject to such arrangement and shall not modify such arrangements in a manner which would increase the Bank's liability or cause the Bank's subsidy obligations to increase without the Bank's prior Consent and shall in relation to any other modifications to or the termination of any such arrangement provide the Bank with prior notification. The Bank acknowledges and agrees that, except as expressly set out below, the indemnification obligations described in this Section are complete, (subject to Section 6.1(r)) irrevocable, nontransferable, unqualified, unconditional and, subject to the Bank's right to terminate such obligations under Section 6.1(r), shall survive termination of this Agreement. Notwithstanding anything to the contrary contained herein, the Bank, their Affiliates and their successors and assigns waive any and all claims, demands, and causes of action against the Joint Venture, GPN, and all of GPN's Affiliates regarding any indemnification amounts paid or owed under this Section unless the Losses under the Merchant Agreement with the Indemnified Merchant were caused by the Joint Venture's negligence or wilful default.

- (r) Unless otherwise provided hereunder in this Section 6.1(r), Section 7.3(a), or otherwise, if the Bank desires to terminate its subsidy, contribution and/or indemnity obligation with respect to a particular Merchant, it shall have the right to do so by providing the Joint Venture with notice in advance of such termination with a minimum notice period equal to the notice period for termination set forth in the applicable Merchant Agreement plus thirty days. Once the Joint Venture has received such notice, it shall have the right to continue providing services for such Merchant or to terminate the applicable Merchant Agreement. In either event, the subsidy, contribution and/or indemnity obligation of the Bank, as applicable, shall continue to apply with respect to all services provided and all transactions which are handled prior to the effective date of termination of the subsidy, contribution and/or indemnity obligation of the Bank, as applicable, which effective date will occur on the date specified in the Bank's notice as long as the notice has been given in compliance with the notice requirements set forth above. Notwithstanding the foregoing, the Bank shall not have the right to terminate the Bank's subsidy, contribution, and/or subsidy contribution if the termination of the Merchant Agreement is prohibited by any bankruptcy stay, court order, or other legal proceeding, in which event such obligation of the Bank shall continue to apply with respect to all services provided and all transactions which are handled prior to the effective date of termination of the Merchant Agreement. The foregoing shall survive the termination of this Agreement.
- (s) In the event that (a) the Bank wishes to respond to a request for proposal issued by a Prospective Merchant or prospective merchant for services to be provided by the Bank or any of its Affiliates and the Bank desires to include in its response the Joint Venture Services of the Joint Venture or (b) if the request for proposal specifically requests or refers to Joint Venture Services, the Bank shall contact the Joint Venture and the Joint Venture shall provide the terms and conditions, including the prices, and supporting marketing materials to be included in such proposal with a view to agreeing to the same

with the Joint Venture to enable the Bank to submit the response to the Prospective Merchant or prospective merchant within the time reasonably required by the Bank or its Affiliate.

- (t) In connection with the determination to enter into a New Merchant Agreement with a Prospective Merchant or prospective merchant, the Joint Venture shall follow the Card Association Rules and the Merchant Qualification Criteria agreed to between the Bank and the Joint Venture. The Joint Venture further agrees that if it receives a notice from the Bank that a Merchant does not, in the reasonable opinion of the Bank (having consulted the Joint Venture and having regard of its comments), meet the Merchant Qualification Criteria or that a Merchant Agreement substantially increases the reputation, legal, financial or credit risk of the Bank, then the Joint Venture shall terminate such Merchant Agreement as soon as reasonably practicable taking into account the Joint Venture's need to reduce financial risk by accumulating a reasonable amount of reserves, and promptly notify the Bank of the effective date of the termination.
- (u) The Parties shall, where expressly applicable and to the extent permitted by Laws, procure that their Affiliates shall comply with the provisions of this Section 6.1.

SECTION 6.2 Marketing. During the Term, the Joint Venture shall permit the Bank and its Affiliates to market its products (other than the Merchant Acquiring Services or services similar to Merchant Acquiring Services) to the Joint Venture's customers so long as such marketing does not adversely impact the relationship between the Joint Venture and such customers and does not otherwise violate the terms of this Agreement and conforms with all Laws and Association Rules. The Joint Venture and the Bank shall advise the other of any opt outs, suppression requests and/or other notices or requests that it receives from the Merchants or other Persons and shall work together to determine the appropriate actions relating to such notices and/or requests provided that the Party whose marketing activity is the subject of the notice and/or request shall be solely responsible for taking the necessary action in relation to it.

SECTION 6.3 Governmental or other Contracts. If a Governmental Entity or any other Merchant requires a financial institution to be the only other party to any contract, agreement, understanding, commitment or arrangement involving the Merchant Acquiring Business or any part thereof (each, a "**Governmental Contract**") and the Joint Venture is interested in pursuing such Merchant Agreement or Governmental Contract, the Bank agrees to enter into such Merchant Agreement or Governmental Contract on behalf of the Joint Venture. The economic benefits and burdens of such Governmental Contract or Merchant Agreement shall inure to the Joint Venture like any other New Merchant Agreement hereunder.

SECTION 6.4 Benchmarking. The Bank may require the Joint Venture to carry out a benchmarking exercise to determine if the Joint Venture's products, services and costs are competitive in the marketplace provided that the Joint Venture shall not be obliged to carry out such an exercise more frequently than once per year. To the extent that such exercise reveals deficiencies, the Joint Venture, in combination with the GPN Processor, shall prepare and present to the Bank an appropriate plan to make the products and services more competitive.

SECTION 6.5 Customer Satisfaction Exercises. On an annual basis, the Joint Venture, in cooperation with the Bank shall, at its cost, conduct research to gauge customer satisfaction across its products and services. To the extent that such research produces results that are significantly below the standard obtained by the Bank in relation to its customers, the Joint Venture shall prepare and present to the Bank an appropriate plan to improve customer satisfaction in general and with respect to specific deficiencies highlighted by the research results.

SECTION 6.6 Contact Strategy. The Parties shall participate in such joint customer calling programmes and pitching activities in respect of Merchants and potential merchants (including Prospective Merchants) as may be agreed in writing between the Parties from time to time.

SECTION 6.7 Pan-European Acquiring. The Parties acknowledge that GPN confirms its desire to develop Pan-European acquiring capabilities through the acquisition of direct merchant acquiring businesses that meet the strategic and financial criteria of GPN and GPN agrees that it shall use its reasonable commercial endeavours to: (i) keep the Bank reasonably informed about the product capabilities of GPN (and its relevant Affiliates) from time to time to enable the Bank to inform potential merchants (including Prospective Merchants) of the products and services offered by GPN (and its relevant Affiliates), subject to any requirements or restrictions imposed by any applicable Laws; (ii) keep the Bank reasonably informed (and whenever reasonably requested by the Bank, inform the Bank) of GPN's (and its relevant Affiliates') current strategy and intentions in relation to future product development and, in particular, the development of Pan-European acquiring capabilities (provided that nothing in this Section 6.7(ii) shall oblige GPN to provide to the Bank any commercially sensitive or strategically confidential information); (iii) take account of and, where requested by the Bank (provided that such request is not made more than once in any 12 month period during the Term of this Agreement), discuss with the Bank the Bank's requirements in relation to future product development and the development of specific new products and services to meet the needs of Merchants and potential merchants (including Prospective Merchants); and (iv) when Pan-European acquiring capabilities are available, facilitate the provision of any Pan-European acquiring in respect of Merchants or potential merchants (including Prospective Merchants) referred by the Bank to the Joint Venture and serve as the initial point of contact for any referral generating relationship managers of the Bank. If any relevant products and services provided to such Merchants or potential merchants are provided through an Affiliate of GPN, the Bank agrees that any referral fees, that would otherwise have been payable by the Joint Venture to the Bank pursuant to Section 6.1(p), may be paid directly by that Affiliate to the Bank (provided that nothing in this Section 6.7 shall release the Joint Venture from its obligation to pay such referral fees in accordance with this Agreement).

SECTION 6.8 Annual Marketing Plans and Global Partnership Meetings. The Parties shall, during the Bank's annual operational planning cycle each year (currently July to September (inclusive) each year, but as may be amended from time to time), jointly develop, and use their reasonable commercial endeavours to agree, a joint marketing and sales plan for the immediately following calendar year in respect of the Merchant Acquiring Business, which plan may include, if agreed between the Bank and the Joint Venture, the provision of reasonable training to the Bank's staff. The Parties shall also ensure that, at a frequency and at times to be agreed between the Parties (acting reasonably), appropriate members of their respective senior personnel (as agreed between the Parties acting reasonably) attend and participate in a senior global partnership meeting to discuss such matters as the Parties determine are appropriate.

SECTION 6.9 Sales Leads. During the period from the First Variation Effective Date to the later of the Migration Completion Date or the expiry or termination of the HSBC Trade Mark Licence Agreement, the Bank shall be responsible for the generation, management and control of sales leads and referrals in respect of potential merchants (including Prospective Merchants) who have, or may have, an interest in procuring Merchant Acquiring Services or International Acquiring Services (“**Bank Prospects**”). Also during this period, the Bank may, from time to time and by written notification to the Joint Venture, require the Joint Venture not to contact certain Bank Prospects specified or referred to in such written notification in connection with the provision or potential provision of Merchant Acquiring Services to those Bank Prospects, or otherwise carry out any sales or marketing activities directed specifically at such Bank Prospects in connection with the provision or potential provision of Merchant Acquiring Services, and the Joint Venture shall comply with any such requirement. The Bank agrees that the number of actively restricted Bank Prospects will not exceed 50,000 at any one time, or exceed any other number to which the Parties shall reasonably agree in writing. Following this time, the Joint Venture may call on any prospect without restriction.

SECTION 7. CHARGEBACKS, CREDIT LOSSES AND RISK MANAGEMENT

SECTION 7.1 Chargebacks and Credit Losses

- (a) The Joint Venture shall be responsible for, and reimburse the Bank in respect of, all unreimbursed Chargebacks and Credit Losses with respect to Card Transactions that occur after the Effective Time, subject to the provisions of Section 8.2 (b) and Schedule 8 of the Transition Agreement. The Bank shall be reimbursed for sums due under this Section 7.1(a) by debiting such funds from the applicable Settlement Account.
- (b) The Bank shall follow the Joint Venture’s reasonable instructions, if any, with respect to monitoring Merchants and holding funds relating to the Merchant Acquiring Business at the Joint Venture’s request subject to any applicable Law or Association Rules.

SECTION 7.2 Processing Chargebacks and Credit Losses: Pre-Completion Transactions. Without prejudice to the Bank’s obligations under the Transition Agreement, the Joint Venture shall process Chargebacks and Credit Losses relating to the Merchant Agreements in an expeditious manner in the Ordinary Course of its business after the Effective Time. The Bank shall be responsible for, and reimburse the Joint Venture in respect of all unreimbursed Chargebacks and Credit Losses with respect to Card Transactions which are authorised (or if no authorisation, presented) on or prior to the Effective Time, even if the such Chargebacks and Credit Losses are incurred or received after the Effective Time except to the extent that any such Chargebacks or Credit Losses arise as a result of the Joint Venture’s negligence or wilful default in performing its obligations under this Agreement or any Joint Venture Agreements (provided always that prior to Back-end Migration Completion any such Chargebacks and/or Credit Losses which arise as a result of an IT systems failure shall not be deemed to result from the Joint Venture’s negligence or wilful default in performing its obligations).

SECTION 7.3 Payment for Unreimbursed Chargebacks and Credit Losses.

- (a) The Bank agrees to pay the Joint Venture for all unreimbursed Chargebacks and Credit Losses applicable to any Merchant referred to in Schedule 7.3 (Indemnified Existing Merchant List) (each, an “**Indemnified Existing Merchant**”) except to the extent that such unreimbursed Chargebacks and Credit Losses arise from the Joint Venture’s negligence or wilful default in performing its obligations hereunder (provided always that prior to Back-end Migration Completion any such Chargebacks and/or Credit Losses which arise as a result of an IT systems failure shall not be deemed to result from the Joint Venture’s negligence or wilful default in performing its obligations). The obligation of the Bank in the preceding sentence shall survive as to all transactions handled until the indemnification obligation is terminated by the Bank in accordance with the provisions of Section 6.1(r) (Exclusivity and Marketing). If a Merchant Agreement with an Indemnified Existing Merchant (but not, for the avoidance of doubt, an Indemnified Merchant) is, before the date 51 months and 18 days following the Completion Date, terminated as a result of the termination of the Bank’s indemnification obligation pursuant to the preceding sentence, the Bank shall pay to GPN (on behalf of GPUK) a sum calculated as follows (the “**Terminated Merchant Value**”):

Terminated Merchant Value = (Merchant Value x (a/51.6)) x b%

where:

Merchant Value = the value attributed to the relevant Indemnified Existing Merchant as set out in Column (2) of the table in Schedule 7.3 (Indemnified Existing Merchant List);

a = 51.6 minus the Elapsed Months;

Elapsed Months = the number of whole calendar months and days that have elapsed since the Completion Date, expressed to one decimal place on the basis that the number of days elapsed should be divided by the number of days in the relevant part month (i.e. if the elapsed period equals 26 months and 24 days of June, the Elapsed Months shall equal 26.8); and

b = the percentage of the total Membership Units in the Joint Venture owned by GPUK (or any of its Affiliates) at the relevant time,

provided that when “a” equals zero or is negative or the “**Merchant Value**” equals zero or is negative, no payment will be payable under this Section 7.3(a).

- (b) The Joint Venture shall notify the Bank promptly after experiencing unreimbursed Chargebacks and Credit Losses from any Indemnified Existing Merchant or Indemnified Merchant and shall exercise reasonable endeavours to collect all such amounts and to terminate the relevant Merchant Agreement in the Ordinary Course. As soon as the Joint Venture

becomes aware that it has a right to payment from the Bank under this Section with respect to an Indemnified Existing Merchant or Indemnified Merchant, it shall promptly notify the Bank. The Bank shall not be obligated to pay the Joint Venture for any unreimbursed Chargebacks and/or Credit Losses under this Agreement unless the Joint Venture requests payment in respect such Chargebacks and/or Credit Losses within six months after the date on which the Joint Venture makes a final determination of the loss. If, at any time, the Joint Venture has recovered damages or other compensation for unreimbursed Chargebacks or Credit Losses from the Bank and also recovers funds, payments, or costs from another Person relating to such unreimbursed Chargebacks or Credit Losses, the amounts so recovered (less the reasonable costs of recovery) shall be remitted to the Bank up to the amounts previously paid by the Bank for such unreimbursed Chargebacks and Credit Losses.

- (c) The termination of the Bank's indemnity obligations, as described in Section 7.3(a) or 6.1(r), shall have no effect on Chargebacks and Credit Losses arising out of transactions which occur prior to the effective time of such termination regardless of when the relevant unreimbursed Chargeback or Credit Loss is received.

SECTION 7.4 Reserve Accounts.

- (a) The Parties acknowledge that there are certain Reserve Accounts held on behalf of Merchants as of the Effective Time (**Existing Reserve Accounts**"), which include but shall not be limited to the Existing Reserve Accounts set forth on Schedule 7.4. (Existing Reserve Accounts). As for Existing Reserve Accounts containing cash amounts that were established on behalf of a Merchant, the Bank shall transfer such funds to the Joint Venture and the Joint Venture shall hold those funds in accordance with the Merchant Agreement unless a Card Association advises either the Bank or the Joint Venture that this is not permitted in which case the Bank shall retain and maintain such Existing Reserve Accounts in accordance with Section 7.4(b) as if such Existing Reserve Account was a new Reserve Account. As for Existing Reserve Accounts containing cash amounts that were established on behalf of Merchants but were established by another area of the Bank the Bank shall not transfer the funds to the Joint Venture but the Bank agrees, to the extent that the Bank is not otherwise prevented by applicable Laws from doing so, to take all steps reasonably necessary to allow the Joint Venture to withdraw from such Existing Reserve Accounts from time to time amounts necessary to satisfy any Losses incurred by the Joint Venture with respect to the applicable Merchant for Chargebacks or Credit Losses accruing after the Effective Time. The Bank agrees to take all commercially reasonable actions requested by the Joint Venture in order to exercise or enforce the rights of the Bank in any Existing Reserve Accounts on behalf of the Joint Venture. The Parties acknowledge that nothing in this Section 7.4 shall create any greater priority for the Joint Venture with respect to funds or collateral held in Existing Reserve Accounts than would otherwise be the case under applicable Laws. The Bank shall not release

funds or collateral held in an Existing Reserve Account to the Merchant unless and until the Merchant's liability to the Joint Venture in respect of Chargebacks and Credit Losses has been satisfied in full. In relation to any Existing Reserve Accounts that were established on behalf of Indemnified Existing Merchants or new Reserve Accounts which the Bank establishes in relation to Indemnified Merchants in accordance with Section 7.4 (b) the Joint Venture acknowledges that the Bank shall have no obligation to release funds or collateral held in such Reserve Accounts to the relevant Merchant unless and until the Merchant's liability in respect of which the Bank is providing an indemnity to the Joint Venture has been satisfied in full.

- (b) In the event that the Joint Venture establishes a new Reserve Account on behalf of a Merchant, such Reserve Accounts shall be maintained and controlled by the Joint Venture unless a Card Association advises either the Bank or the Joint Venture that it is not permitted for the Joint Venture to establish Reserve Accounts in which case the Bank shall, at the Joint Venture's request, establish and maintain such Reserve Accounts on behalf of the Joint Venture. In the event that the Joint Venture, acting reasonably, deems it prudent to establish a reserve by delaying settlement funding or by retrieving previously credited settlement funds from a Merchant Depository Account for a Merchant, the Bank shall ensure that the Bank or its Affiliates, as applicable, shall (at the Joint Venture's request, which may be oral provided that it is promptly confirmed in writing (which shall include by E-mail)) promptly withhold any Merchant settlement or debit from the Merchant Depository Account previous settlement credits and transfer such amounts to the Joint Venture as a reserve held for the Joint Venture's benefit to offset any future Chargebacks or Credit Losses under the applicable Merchant Agreement. In the event that the Merchant is a Key Account, the request from the Joint Venture shall be considered a Key Account Notice relating to an Emergency and shall be handled in accordance with Section 2.7 (Key Accounts). If the Bank does not establish a Reserve Account or effect a withholding as described above within one Business Day of the request (provided that, where such request is oral, it is promptly confirmed in writing (which shall include by E-mail)) then, to the extent that such failure or delay causes the Joint Venture to suffer additional Loss through its inability to recover unreimbursed Chargebacks or Credit Losses the Bank shall be liable for such Loss. In relation to Indemnified Merchants the Joint Venture acknowledges that the Bank shall be entitled to create and hold new Reserve Accounts as the Bank deems fit to protect itself against a potential Loss arising from its indemnification obligations to the Joint Venture.
- (c) From the Effective Time, Existing Reserve Accounts and new Reserve Accounts, including delaying settlement funding, held by the Joint Venture shall earn interest on a daily basis equal to the Aggregate Balances multiplied by the Earnings Rate, set forth in Schedule 3.2.1 (Bank Services and Fees). The interest will be credited to a bank account designated by the Joint Venture monthly.

SECTION 8. MEMBERSHIP IN CARD ASSOCIATIONS AND NETWORK ORGANISATIONS

SECTION 8.1 Card Association and Network Organisation Membership by Bank. During the Term, the Bank shall remain a member of MasterCard, Maestro, and VISA, and any other Card Association or Network Organisation operating in the United Kingdom and, subject to reimbursement by the Joint Venture of all out of pocket associated costs, shall use reasonable efforts to become a member in any other region as required by the Merchant Acquiring Business (including the International Acquiring Business) of the Joint Venture and to carry out its obligations as a member thereof in connection with the Merchant Acquiring Business in compliance with applicable Association Rules. The Bank shall take commercially reasonable endeavours to ensure that a representative of the Joint Venture is appointed to committees relating to the Merchant Acquiring Business of MasterCard and VISA, to the extent permitted by applicable Association Rules. If membership on a particular committee is not permitted by applicable Association Rules, the Bank shall use reasonable efforts to get permission to allow a Joint Venture representative to attend MasterCard and VISA committee meetings along with the Bank's representative. If attendance by the Joint Venture representative is not allowed, the Bank shall attend committee meetings on a regular basis and shall as soon as reasonably practicable following each committee meeting, provide the Joint Venture with a summary of all verbal and written information discussed at such meeting unless disclosure is otherwise prohibited by the applicable Association Rules. The Bank shall be and remain solely responsible for the terms relating to its membership of all Card Associations and Network Organisations and the negotiation and agreement of such terms and any changes to them shall be a matter solely for the Bank.

SECTION 8.2 Card Association and Network Organisation – Membership by the Joint Venture. In the event the Joint Venture is allowed to become a direct member of any of the Card Associations or Network Organisations, the Joint Venture may, in its sole discretion, apply for membership. In the event that the Joint Venture does become a member of a Card Association or Network Organisation directly, then: (i) any applicable rights and obligations of the Bank within this Agreement associated with the relevant Card Association or Network Organisation shall become the rights and obligations of the Joint Venture; and (ii) all the Bank's applicable rights and obligations shall cease. The Joint Venture and the Bank shall work together to modify the Merchant Agreements accordingly. Subject to the approval of the relevant Card Associations, the Bank shall assign any applicable BIN/ICA to the Joint Venture subject to and in accordance with Association Rules. The Bank shall continue to have the rights and obligations in accordance with this Agreement with respect to any other BIN/ICA needed for the operation of the business which has not been obtained by the Joint Venture or for any other membership or sponsorship contemplated hereunder which has not been obtained by the Joint Venture directly.

SECTION 8.3 Compliance with Association Rules by the Joint Venture. During the Term, the Joint Venture and GPN shall cooperate to work with the Bank in connection with the Joint Venture, GPN and/or the Bank obtaining and maintaining any Authorisations or Consents from Card Associations, Network Organisations and Clearing Systems as are required in connection with the performance by or on behalf of the Joint Venture of the Joint Venture Services or by the Bank of the Bank Services and, without limiting the foregoing, the Joint Venture and GPN shall comply with all Association Rules and other obligations relating

to it being designated a Member Service Provider or an Independent Sales Organisation or a Third Party Administrator. After the Transition Period, the Joint Venture shall undertake all reporting, audit, compliance and related procedures (“**BIN/ICA Reporting**”) required by the applicable Association Rules with respect to the use of BINs/ICAs, whether such BIN/ICA Reporting is required to be done on a regular basis or on an ad hoc basis pursuant to a request by the relevant Card Association, Network Organisation or any Governmental Entity. During the Transition Period the Bank shall be solely and fully responsible for all required BIN/ICA Reporting.

SECTION 8.4 Processing and Clearing Arrangements. At the Effective Time, the Bank shall (either directly or through its Affiliates or through non-affiliated parties) have and shall thereafter, subject to the remainder of this Section, maintain segregated BIN/ICA numbers adequate for use in processing, clearing and settling of all of the Credit Card Transactions effected in connection with the Merchant Acquiring Business as it exists as of the Effective Time. If, after the Effective Time, the Joint Venture requires additional BIN/ICA numbers due to international expansion or for any other reason, subject to reimbursement by the Joint Venture of all associated costs of the Bank and its Affiliates, the Bank shall, or shall procure that one of its Affiliates shall, use commercially reasonable endeavours to obtain such BIN/ICA numbers unless it is prohibited from doing so by Law or by an Association Rule. In the event that a BIN/ICA number used by the Joint Venture is owned by a party not-affiliated with the Bank and such non-affiliated party elects to discontinue availability of that BIN/ICA, the Bank shall use commercially reasonable endeavours to secure a comparable service, but shall not be liable for failure to do so.

SECTION 8.5 Bank Services Fees during Run-Off Period. The Bank Services, from the Completion Date to the start of the Run-Off Period, shall be provided by the Bank in accordance with the cost basis described in Schedule 3.2.1 (Bank Services and Fees). During the Run-Off Period the Bank shall charge the Joint Venture for the Bank Services at the prevailing market rates in the relevant market other than in relation to the Bank’s lending rate in relation to Settlement Accounts which shall continue to be charged in accordance with Section 4.3(a) (Funding Costs for Merchant Settlement). The Joint Venture and the Bank shall negotiate in good faith to agree the appropriate market rates on which the Bank Services will be provided and, in the event they cannot agree within 60 days following the start of the Run-Off Period, either the Joint Venture or the Bank may invoke the dispute resolution procedures set out in Section 21 (Dispute Resolution).

SECTION 9. PAYMENT OF SCHEME FEES

SECTION 9.1 Payment of Scheme Fees and Interchange Fees.

- (a) The Joint Venture shall reimburse the Bank for any and all interchange costs incurred by the Bank in connection with the Merchant Acquiring Business.
- (b) The Joint Venture shall reimburse the Bank for any and all membership fees, BIN/ICA fees, scheme fees, assessments, or any other fees assessed by Card Associations or Network Organisations in connection with the Merchant Acquiring Business including actual and out of pocket costs or expenses incurred by the Bank related to the BIN/ICA as a result of industry wide regulatory changes (including charges for capital allocation) where, in the main, competitors of the Joint Venture (including but not limited to at least

two of the Restricted Entities) have passed such costs through to their merchants. Such fees shall be passed through by the Bank to the Joint Venture at actual cost, based on the methodology set out in this Section. When such costs are specific to the Merchant Acquiring Business and individually itemised on invoices received by the Bank, such costs shall be passed straight through to the Joint Venture. In the event that such costs are bundled, tiered, stepped or otherwise combined with fees unrelated to the Merchant Acquiring Business and no unit count is available to differentiate such costs, so long as such fees apply to the Merchant Acquiring Business at least in part, then such fees shall be passed through to the Joint Venture on a basis consistent with the Ordinary Course prior to the Completion Date in an amount in proportion to net merchant acquiring volumes relative to the Bank's total net turnover volumes (inclusive of credit or debit card issuing or other businesses applicable to the fee assessed) with the applicable Card Associations or Network Organisations and this calculation shall be carried out at the end of the calendar year in respect of costs incurred during such calendar year consistent with the Ordinary Course prior to the Completion Date. If there is no Ordinary Course, then the Joint Venture and the Bank shall agree on a fair and reasonable methodology for allocating the costs amongst the Merchant Acquiring Business and the other businesses of the Bank.

- (c) If the Bank receives a discount reimbursement or rebate from a Card Association or Network Organisation, the Bank shall pay the Joint Venture a pro rata amount of that discount based on the net turnover of the Merchant Acquiring Business with respect to the Bank's net turnover of the Bank's issuing business or other businesses which apply to the rebate or discount consistent with the Ordinary Course prior to the Completion Date.
- (d) With respect to the International Acquiring Business, interchange, assessments, scheme fees, or other network or membership related charges and any other fees assessed by Card Associations or Network Organisations shall be passed through to the Joint Venture at the cost assessed by the Card Associations or Network Organisations to the Bank or the Bank Affiliate directly or by Bank Affiliates or third parties. To the extent that costs related to the International Acquiring Business passed through from Bank Affiliates or Card Associations or Network Organisations do not adhere to the principles described in Section 9.1 a), b) or c) above, the Bank shall use reasonable efforts to enforce such principles with the Bank Affiliates or to otherwise reassess pass-through of scheme fees, however, only to the extent that such pursuits are commercially reasonable.

SECTION 10. AMENDMENTS TO SERVICES; PROBLEM NOTIFICATION

SECTION 10.1 Complaints. The Joint Venture shall implement customer complaint policies and procedures concerning the Joint Venture Services consistent with the Ordinary Course of its business having regard to the Bank's policies and procedures to deal with complaints.

SECTION 10.2 Changes in Laws, Association Rules and Clearing System Rules. The Joint Venture and the Bank may from time to time identify and assess the impact on provision of the Joint Venture Services and the Bank Services, respectively, hereunder of a change in applicable Laws, Association Rules or Clearing System Rules that relates to the Joint Venture Services or the Bank Services, as applicable, or their provision hereunder (a “**Legal Change**”). The Joint Venture and the Bank shall in good faith attempt to agree upon any modifications to the Joint Venture Services or Bank Services, as applicable, required as a result of a Legal Change provided that the Bank shall, in its sole discretion, be entitled to determine and implement any Changes to the Bank Services necessitated by a Legal Change and the Joint Venture shall, in its sole discretion, be entitled to determine and implement any Changes to the Joint Venture Services necessitated by a Legal Change. Should either the Joint Venture or the Bank have a good faith basis to conclude that the Changes to the Services, if any, made by the Bank or the Joint Venture will have a material impact on the other, then a Dispute will have arisen which will be resolved according to Section 21(Dispute Resolution). While a Party is making any agreed upon modifications resulting from a Legal Change, it shall use commercially reasonable endeavours to continue to provide the Services for which it is responsible in accordance with the provisions of this Agreement. If, however, such Legal Change prevents the Party from providing the Services in accordance with the provisions of this Agreement, the Party shall use commercially reasonable endeavours to arrange a reasonable solution which gives effect to the intent of this Agreement as closely as practicable and that delivers the Service in the most commercially reasonable manner in the then existing circumstances. Notwithstanding Section 3.4 (a) (Fees for Bank Services; Invoices) and subject to Section 22.18(h) (Withholding Tax; Applicable Sales Taxes; Transfer Pricing), if the Bank’s or the Joint Venture’s cost of providing the Services for which it is responsible hereunder is substantially increased as a result of a Legal Change, the Joint Venture and the Bank shall in good faith negotiate an amendment to the Bank Services or the Joint Venture Services described in this Agreement, as the case may be, to minimise such increase.

SECTION 10.3 Problem Notification. The Bank or the Joint Venture, shall, as soon as reasonably practicable, notify the other Party in the event either that the Bank or the Joint Venture becomes aware of an event, occurrence, error, defect or malfunction materially affecting the ability of the Joint Venture or the Bank to perform the Services for which it is responsible hereunder. Notwithstanding the foregoing, any failure by any Party to give any notice pursuant to this Section relating to a problem relating to the other Party shall not relieve the other Party of any liability hereunder. If more than one problem arises or occurs at one time, the Parties shall agree upon the order of priority in which the problems are to be addressed and resolved.

SECTION 10.4 Root-Cause Analysis and Resolution. As soon as reasonably practicable following any material failure of either the Joint Venture or the Bank to provide any of the Services for which such Party is responsible hereunder in accordance with this Agreement and in any event within three days after receipt of a notice from a Party to the other Party in respect thereof, the defaulting Party shall commence and conduct a detailed analysis to identify the cause of such failure; and as soon as reasonably practicable thereafter provide the other Party with a written report detailing the cause of, and procedure for correcting, such failure. In addition, the defaulting Party shall deliver to the other Party, within a commercially reasonable time, a corrective action plan that addresses actions to be taken in an effort to try to avoid a recurrence of such failure.

SECTION 11. SERVICE LOCATIONS AND SECURITY

SECTION 11.1 Rights of Access to Joint Venture Service Locations. Subject to the confidentiality requirements in this Agreement or as otherwise agreed to by the Joint Venture and the Bank, each of the Bank and its Advisors shall be permitted access, for the purposes of the Merchant Acquiring Business or the provision of Bank Services hereunder, to any Joint Venture Service Location during the normal operating hours for such Joint Venture Service Location and in accordance with the Joint Venture's Security and Privacy Policies and Procedures; provided, however, that each of the Bank and its Advisors shall, except in emergency situations, make reasonable accommodation for the needs of the Joint Venture to run its business unimpeded, particularly at busy times of the year.

SECTION 11.2 Joint Venture Service Locations. The Joint Venture agrees that it shall not provide any of the Joint Venture Services from any locations without obtaining all required Authorisations from applicable Governmental Entities.

SECTION 11.3 Unauthorised Access or Copying. The Joint Venture and the Bank shall give each other prompt notice if it becomes aware of any unauthorised copying of, or access to, the Bank Data or the Joint Venture Data, respectively, or any part thereof, such notice to be in the form of a reasonably detailed incident report.

SECTION 11.4 Data Security for Bank System. To the extent that the Joint Venture has, pursuant to the Joint Venture Agreements, the right to gain access to or use any system or facility operated by the Bank or by an Affiliate of the Bank (a "**Bank System**"), the Joint Venture acknowledges, agrees and covenants that:

- (a) except as expressly otherwise provided in this Agreement or any of the other Operative Documents, the Joint Venture shall have no right or title to, interest in or ownership of, any Bank System or any component or portion thereof;
- (b) except as expressly otherwise provided in this Agreement or any of the other Operative Documents, the Joint Venture shall neither permit nor enable any Person (other than GPN and the GPN Processor or any of its Advisors, and then only strictly on the basis that the Joint Venture shall procure that such Persons act in accordance with this Agreement and any conditions reasonably imposed by the Bank) to access or use any Bank System or any component or portion thereof;
- (c) except as expressly otherwise provided in this Agreement or any of the other Operative Documents, the Joint Venture shall not, and shall not facilitate or assist another Person (other than GPN or any of its Advisors, and then only on the basis that the Joint Venture shall procure that such Persons act strictly in accordance with this Agreement and any conditions reasonably imposed by the Bank) to gain access to or use any Bank System or any component or portion thereof;
- (d) the Joint Venture shall not, and shall not facilitate or assist another Person to, reverse compile or disassemble any object code version of any software application or program in the Bank System or any component or portion thereof;

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- (e) the Joint Venture shall not make any untrue or unsubstantiated claim or representation as to the ownership of, or act as the owner of, any Bank System or any component or portion thereof;
 - (f) the Joint Venture shall not, and shall not facilitate or assist another Person to, gain access or attempt to gain access through any Bank System or any component or portion thereof (in respect of which the Joint Venture has, under this Agreement or any other Operative Document, a right of access), to any other system or facility or any component or portion thereof to which the Joint Venture does not, under this Agreement or any other Operative Document have the right to access;
 - (g) except as may otherwise be provided in this Agreement or any of the other Operative Documents, the Joint Venture shall not, nor shall it facilitate or assist another Person to, perform any act that is inconsistent with or in violation of this Agreement or any other Operative Document, or that may jeopardize the rights of the Bank, its Affiliates or any third party licensors, in the Bank System or any component or portion thereof;
 - (h) the rights to gain access to or use any system or facility as set out in this Section shall be subject to the Bank's Security and Privacy Policies and Procedures, and any obligations of confidentiality or like restrictions imposed upon the Bank under any legally binding agreements to which the Bank is a party; and
 - (i) the Joint Venture shall not, and shall not cause, permit or allow, any other Person to, access or use the Bank System in the United Kingdom for any purpose or business other than for the purpose and business of the Merchant Acquiring Business.

SECTION 11.5 Data Security for Joint Venture System. To the extent that the Bank has, pursuant to the Joint Venture Agreements, the right to gain access to or use any system or facility operated by the Joint Venture or the GPN Processor or any of their respective Affiliates (a "**Joint Venture System**"), the Bank acknowledges, agrees and covenants that:

- (a) except as expressly otherwise provided in this Agreement or any of the other Operative Documents, the Bank shall have no right or title to, interest in or ownership of, any Joint Venture System or any component or portion thereof;
- (b) except as expressly otherwise provided in this Agreement or any of the other Operative Documents, the Bank shall neither permit nor enable any Person (other than any of its Advisors, and then only strictly in accordance with this Agreement and any conditions reasonably imposed by the Joint Venture) to access or use any Joint Venture System or any component or portion thereof;

- (c) except as expressly otherwise provided in this Agreement or any of the other Operative Documents, the Bank shall not, and shall not facilitate or assist another Person (other than any of its Advisors, and then only strictly in accordance with this Agreement and any conditions reasonably imposed by the Joint Venture) to, gain access to or use any Joint Venture System or any component or portion thereof;
- (d) the Bank shall not, and shall not facilitate or assist another Person to, reverse compile or disassemble any object code version of any software application or program in the Joint Venture System or any component or portion thereof;
- (e) the Bank shall not make any untrue or unsubstantiated claim or representation as to the ownership of, or act as the owner of, any Joint Venture System or any component or portion thereof;
- (f) the Bank shall not, and shall not facilitate or assist another Person to, gain access or attempt to gain access through any Joint Venture System or any component or portion thereof (in respect of which the Bank has, under this Agreement or any other Operative Document, a right of access), to any other system or facility or any component or portion thereof to which the Bank does not, under this Agreement or any other Operative Document have the right to access;
- (g) except as may otherwise be provided in this Agreement or any of the other Operative Documents, the Bank shall not, nor shall it facilitate or assist another Person to, perform any act that is inconsistent with or in violation of this Agreement or any other Operative Document, or that may jeopardize the rights of the Joint Venture, the GPN Processor, any of their respective Affiliates or any third party licensors, in the Joint Venture System or any component or portion thereof; and
- (h) the rights to gain access to or use any system or facility as set out in this Section shall be subject to the Joint Venture's Security and Privacy Policies and Procedures, and any obligations of confidentiality or like restrictions imposed upon the Joint Venture under any legally binding agreements to which it is a party.

SECTION 11.6 Rights of Access to Bank Service Locations.

- (a) During the Term, the Bank agrees to provide employees of the Joint Venture, GPN, and of the GPN Processor or, subject to the Bank's prior approval, other specified independent contractors of the Joint Venture or other employees of the Joint Venture's subcontractors (cumulatively the "**Access Employees**") with access to and use of the Bank's systems and with access to and use of facilities in the United Kingdom, Philippines and India to the extent necessary for the purposes of the Merchant Acquiring Business or the provision of Joint Venture Services hereunder provided that such access or use is in accordance with the Bank's Security and Privacy Policies and Procedures and does not and will not directly or indirectly contravene any Laws.

SECTION 11.7 Co-operation with Special Investigations. The Joint Venture and the Bank shall, in good faith, provide reasonable co-operation and assistance to each other and their respective Advisors with respect to any investigation of an actual or alleged security breach at a Joint Venture Service Location or a Bank Service Location.

SECTION 12. REPORTS, DATA AND INTELLECTUAL PROPERTY

SECTION 12.1 Joint Venture Reports and Data Sharing. As part of the Joint Venture Services, the Joint Venture shall, if requested by the Bank to do so, provide to the Bank:

- (a) complaint handling management information and, upon request, reasonable sampling of complaints regarding HSBC banked merchants;
- (b) referral stream reports; and
- (c) such other data and reports as the Bank may reasonably require from time to time: (i) in relation to the Bank's BIN/ICA sponsorship and credit indemnification obligations under this Agreement; or (ii) in order to enable the Bank to comply with Laws, Association Rules and Clearing System Rules.

SECTION 12.2 Bank Reports and Data Sharing. As part of the Bank Services, the Bank shall provide to the Joint Venture such written reports as the Bank and the Joint Venture may agree upon from time to time, including the following reports:

- (a) daily reconciliation of debits and credits to the Settlement Account, including detailed information as reasonable requested by the Joint Venture regarding the settlement fund transfers referenced in Section 4.1(b) and the settlement funding costs referenced in Sections 4.1(c) (Acceptance, Delivery and Settlement of Credit Card Transaction Records and Debit Card Transaction Records) and 4.3 (Funding Costs for Merchant Settlement);
- (b) daily Merchant funding reports;
- (c) daily settlement reports from each Card Association unless such reports are provided directly by the applicable Card Association; and
- (d) Debit Card funding and Network Organization settlement reports.

SECTION 12.3 Format and Cost of Reports. The reports required to be provided pursuant Sections 12.1 and 12.2 may be provided directly to the relevant Party or through access to an electronic view. The reasonable fees, costs and expenses of such reports shall be solely and wholly borne by the Party to which the reporting obligation applies unless such reporting activities were not in the Ordinary Course of business in which case the reporting Party shall be provided with costs reimbursement consistent with the agreement made between the Parties for the report(s). Notwithstanding the foregoing, the reports set forth above shall be considered reports provided in the Ordinary Course of the providing Party's business.

SECTION 12.4 Ownership and use of the Bank Data. Notwithstanding the Joint Venture's use of the Bank Data in connection with the Merchant Acquiring Business or providing the Joint Venture Services, the Bank Data is and shall remain the property of the Bank or its customers, as applicable. The Bank Data shall not be:

- (a) used in any way, directly or indirectly, by the Joint Venture or any of its Advisors other than to the extent necessary in connection with the Merchant Acquiring Business or the provision of the Joint Venture Services;
- (b) disclosed (other than pursuant to this Agreement) sold, assigned, leased or otherwise provided by the Joint Venture to any Person (other than the GPN Processor and their respective Affiliates and Advisors, and then only on a need-to-know and strictly confidential basis for performing the Merchant Acquiring Business or providing the Joint Venture Services and in accordance with the terms of this Agreement and, in the case of the GPN Processor, the Processing Agreement); or
- (c) commercially exploited in any way, directly or indirectly, by or on behalf of the Joint Venture or any of the Affiliates of the Joint Venture or any of their respective Advisors.

Without prejudice to Section 6 (Exclusivity and Marketing), the restrictions on the Joint Venture's use of the Bank Data set out in this Section 12.4 shall not apply to information which (i) has otherwise been disclosed by a Merchant or other Person to the Joint Venture directly or indirectly other than as a result of a breach of any obligation of confidence; (ii) is or becomes available in the public domain other than as a result of a disclosure by the Joint Venture in violation of the terms of any confidentiality undertaking; or (iii) is independently developed by the Joint Venture without reference to or use of the Bank Data.

SECTION 12.5 Access to the Bank Data. Notwithstanding the Joint Venture's use of the Bank Data in connection with the Merchant Acquiring Business or providing the Joint Venture Services, at all times during the Term, the Joint Venture shall, subject to Section 11 (Service Locations and Security), provide (and procure that the GPN Processor and, if applicable, any Processor, the GPN Processor's and any Processor's Affiliates and Advisors, shall provide) the Bank with unrestricted access to the Bank Data used or being used in accordance with Section 12.4 (Ownership and use of the Bank Data).

SECTION 12.6 Privacy. The Parties agree to comply with all reasonable requirements of the Bank's and the Joint Venture's Security and Privacy Policies and Procedures in connection with the Merchant Agreements and all applicable privacy Laws, Association Rules and Clearing System Rules in connection with the provision of the Services.

SECTION 12.7 Ownership and use of the Joint Venture Data.

- (a) Notwithstanding the Bank's access to the Joint Venture Data in connection with the Operative Agreements or providing the Bank Services or as otherwise permitted under this Agreement, the Joint Venture Data is and shall remain the property of the Joint Venture.

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- (b) The Bank and its Affiliates shall be permitted to use the Joint Venture Data: (i) in connection with providing the Bank Services; (ii) to perform its obligations and benefit from its rights under the Merchant Agreements during the Term; and (iii) during the Term and thereafter to market its products and services and those of its Affiliates to Merchants (provided that such use complies with all Laws and Association Rules), provided in each case that the Bank shall not use the Joint Venture Confidential Information to solicit Merchant Acquiring Services or services similar to the Merchant Acquiring Services unless the Bank owns all Membership Units in the Joint Venture.
- (c) GPN and its Affiliates shall be permitted to use the Joint Venture Data: (i) in its capacity as GPN Processor, to perform its obligations under the Processing Agreement; (ii) during the Term, to market its products and services and those of its Affiliates to Merchants (provided that such use complies with all Laws and Association Rules), provided in each case that GPN shall not use the Joint Venture Confidential Information to solicit services similar to the material products and services of the Bank, which shall be defined as loan, savings, money transmission and insurance services and shall exclude cash advance card processing services for casinos and (iii) after the Term where GPUK (or any of its Affiliates) owns all Membership Units in the Joint Venture, for any purpose.
- (d) Except as expressly permitted under this Agreement or any of the Operative Documents, at any time during the Term whilst the Bank has an ownership interest in the Joint Venture:
- (i) the Joint Venture Data shall not be disclosed (other than to its Affiliates), sold, assigned, leased or otherwise provided to any Person (excluding its auditors, legal advisors and other professional advisors, who are subject to standard confidentiality obligations) except: (A) disclosure in the Ordinary Course of the Merchant Acquiring Business (as permitted by applicable Laws); or (B) in respect of Joint Venture Data other than Merchant specific data, disclosure as necessary in connection with a potential acquisition of GPN, provided that Joint Venture shall ensure that such Person respects the confidentiality obligations set out in Section 22.11 (Confidentiality); or (C) in respect of Joint Venture Data other than Merchant specific data, disclosure as necessary in connection with financing activities by GPN or any of its Affiliates; and
 - (ii) if there is a Change of Control in respect of the Joint Venture, GPUK or GPN which results in a Restricted Entity acquiring Control of the Joint Venture, GPUK or GPN then the Joint Venture shall ensure that no Joint Venture Data is, or can be, used by such Restricted Entity or any of its Affiliates (excluding the Joint Venture, the GPN Processor, GPUK and GPN) for merchant level analysis in connection with pricing or for solicitation.

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- (e) Without prejudice to Section 6 (Exclusivity and Marketing), the restrictions on the Bank's use of the Joint Venture Data set out in Section 12.7 shall not apply to information which: (i) has otherwise been disclosed by a Merchant or other Person to the Bank, other than in connection with the Merchant Acquiring Business or as a result of a breach of any obligation of confidence; (ii) is or becomes available in the public domain other than as a result of a disclosure by the Bank in violation of the terms of any Joint Venture Agreement; or (iii) is independently developed by the Bank without reference to or use of the Joint Venture Data. For the avoidance of doubt, the Joint Venture acknowledges that data identical to the Joint Venture Data may be held separately by the Bank, obtained directly in relation to any of the Bank's businesses other than the Merchant Acquiring Business and nothing in this Agreement is intended to affect the Bank's ownership or use of such data.

SECTION 12.8 Access to the Joint Venture Data. Notwithstanding the Bank's use of the Joint Venture Data in connection with the Merchant Acquiring Business or providing the Bank Services or as otherwise permitted under this Agreement, at all times during the Term the Bank shall, subject to Section 11 (Service Locations and Security), provide the Joint Venture with unrestricted access to the Joint Venture Data used or being used by it.

SECTION 13. BUSINESS RECOVERY PLANS

SECTION 13.1 Business Recovery Plan. The Joint Venture's Business Recovery Plan must be completed, approved by the Board, and submitted to the Bank within nine months of the Effective Time. Until such time as the Joint Venture has an operational Business Recovery Plan, the Bank shall continue to make theirs available on a basis consistent with the Ordinary Course of the Merchant Acquiring Business prior to the Completion Date. The Joint Venture and the Bank shall:

- (a) maintain their respective Business Recovery Plans in accordance with their terms as provided to the other Party in writing on or before the date hereof;
- (b) periodically update and test the effectiveness of their respective Business Recovery Plans;
- (c) provide the other Party with copies of their amended Business Recovery Plans as soon as reasonably practicable following any amendment;
- (d) on a periodic basis, certify to the other Party that the certifying Party's Business Recovery Plan has been successfully tested;
- (e) implement their respective Business Recovery Plans in accordance with the applicable terms;
- (f) consult with the other Party regarding the priority to be given to the Services upon the occurrence of an event that triggers any obligation under either Party's Business Recovery Plan;

- (g) not amend their respective Business Recovery Plans in a manner that may materially affect the Merchant Acquiring Business without the prior written Consent of the other Party, such Consent not to be unreasonably withheld; and
- (h) ensure that each of their respective Business Recovery Plans complies with all applicable Laws, Association Rules and Clearing Systems Rules.

SECTION 13.2 Force Majeure. Neither the Joint Venture nor the Bank shall be liable for a failure or delay in the performance of its obligations pursuant to this Agreement (other than the obligations referred to in Section 15.3 (c) (in the case of the Bank) and Section 15.4 (c) (in the case of the Joint Venture)), including the failure or delay in respect of providing the Services which it shall provide hereunder if, and to the extent that, and only for so long as such failure or delay is caused, directly or indirectly, by fire, flood, earthquake, elements of nature or acts of God, acts of war, terrorism, riots, civil disorders, rebellions, strikes, lock outs or labor or supply disruptions or revolutions or any other similar causes beyond the reasonable control of such Party or any of its subcontractors or other Persons (and, in relation to the Joint Venture, the GPN Processor) engaged to provide the relevant Services on its behalf hereunder (each, a "**Force Majeure Event**") provided that the affected Party:

- (a) has continued to use commercially reasonable endeavours to resume performance of such obligations whenever and to whatever extent possible without delay;
- (b) has adopted and implemented a Business Recovery Plan in accordance with the provisions of Section 13.1;
- (c) has complied with its Business Recovery Plan; and
- (d) still has failed in the performance of such obligations.

If a Force Majeure Event occurs, the affected Party shall, as soon as reasonably practicable, notify the other Party by telephone (to be confirmed in writing within five days after the inception of such failure or delay) of the occurrence of a Force Majeure Event, and describe in reasonable detail the circumstances causing the Force Majeure Event.

SECTION 14. AUDITS, REGULATORY EXAMINATIONS AND COMPLIANCE

SECTION 14.1 Audits and Inspections

- (a) Upon reasonable notice, each Party shall provide such internal auditors and/or external auditors of the other Parties with access, as requested, to the Joint Venture Service Locations or the Bank Service Locations, as applicable, for the purpose of performing audits or inspections of the Joint Venture Services or the Bank Services, as applicable. Each Party shall provide such auditors any assistance that they may reasonably require, at the sole expense of the requesting Party. If any audit by an auditor designated by the auditing Party results in the audited Party being notified that it is not in compliance with any provisions of this Agreement or any other Operative

Documents, or any applicable Laws, Association Rules or Clearing System Rules, the audited Party shall, within the period of time specified by the auditing Party, use commercially reasonable endeavours to remedy the non-compliance.

- (b) Each Party shall provide such inspectors designated by any Governmental Entity, Card Association or Network Organisation having jurisdiction over that Party with access to the Joint Venture Service Locations or the Bank Service Locations, as applicable, for the purpose of performing inspections of the Joint Venture Services or the Bank Services, as applicable, subject to and in accordance with the applicable Laws, Association Rules or Clearing System Rules. If an inspection by any such Governmental Entity, Card Association or Network Organisation results in the inspected Party being notified that it is not in compliance with any applicable Laws, Association Rules or Clearing System Rules, the inspected Party shall, within the period of time specified by such Governmental Entity, Card Association or Network Organisation, use commercially reasonable endeavours to remedy such non-compliance.
- (c) In addition, the Joint Venture shall permit the Risk Teams to have access, on reasonable notice, during normal business hours to the Joint Venture's documentation, records and/or marketing materials (in each case in whatever media), staff (including the right to observe staff fulfilling their roles and undertaking training) and premises (and any premises within which the Joint Venture and/or its representatives undertake activities) in each case for the purpose of undertaking monitoring activities and satisfying themselves that the Joint Venture, its procedures and processes (including without limitation its training, risk, regulatory and audit functions) are operating effectively and in accordance with this Agreement and the other Operative Agreements (but on the basis that neither the Joint Venture nor GPUK is relying on any report or recommendation made to the Joint Venture by the Risk Teams and that the Risk Teams shall not owe any duty of care either to the Joint Venture or GPUK in respect of any such reports or recommendations). Notwithstanding the foregoing, in connection with the foregoing right, neither GPUK nor their internal and external auditors shall have the right to access (other than view access) any IT system operated by the Bank or any of its Affiliates and neither the Bank nor any of their internal and external auditors shall have the right to access (other than view access) any IT system operated by GPN or its Affiliates (other than the Joint Venture).
- (d) Promptly upon request by the Joint Venture from time to time, the Bank shall, to the extent permitted by Laws, provide the Joint Venture with copies of its underwriting files or similar documents for individual Merchants that are parties to Existing Merchant Agreements.

SECTION 14.2 Regulatory Matters.

- (a) The Parties shall cooperate with each other to ensure that all information necessary or desirable for making (or responding to any requests for

information following) any notification or filing made in respect of this Agreement, or the transactions contemplated by it, is supplied to the Party dealing with such notification and filing and that they are properly, accurately and promptly made and updated as necessary.

- (b) Without prejudice to the other provisions of this Section 14, if any material regulatory action (including but not limited to any order of any Court or any order or decision made by any regulatory authority or agency or any enactment of any regulatory authority which may prohibit or restrict the carrying on of all or part of the Merchant Acquiring Business or in consequence of which a Party may incur a fine or liability and damages were this Agreement or the other Operative Documents to be performed in accordance with their terms) is taken or threatened, the Joint Venture and the Bank shall promptly meet to discuss:
- (i) the situation and the action to be taken as a result; and
 - (ii) whether any modification to the terms of this Agreement or the other Operative Documents (or any other agreement entered into pursuant to this Agreement or the other Operative Documents) should be made in order that any requirement (whether as a condition of giving any approval, exemption, clearance or consent or otherwise) of any regulatory authority may be reconciled with and within the intended scope of the business arrangement contemplated by this Agreement and the other Operative Documents. The Parties shall co operate to give effect as soon as practicable to any such agreed modifications.
- (c) Notwithstanding any other provision of this Agreement, if during the Term a material regulatory or compliance matter relating to: (i) the Bank or its Affiliates which may affect the Merchant Acquiring Business; or (ii) the Joint Venture or its Affiliates, or any of their respective activities or procedures arises including, without limitation:
- (i) any dispute with the Financial Services Authority, the Office of Fair Trading, the Banking Standards Code Board, Network Organisation, Card Association, the Competition Commission or any other regulator with jurisdiction over the Joint Venture's Group in relation to Laws (a "**Regulator**");
 - (ii) any material breach or alleged breach by the Bank or its Affiliates or the Joint Venture or any of its Affiliates of the Association Rules;
 - (iii) any material dispute with or complaint by a third party in which there is an allegation or claim made or is likely to be made or implied that the Joint Venture or any of its Affiliates or the Bank or any of its Affiliates may not have complied in all respects with Laws; or
 - (iv) any investigation or enquiry by, or review, consultation or other dialogue with, a Regulator related to any matter referred to in Section 14.2(c)(i) to (iii) above or which may reasonably be expected to be so related,

(each being a “**Regulatory Matter**”) then each Party so becoming aware shall as soon as reasonably practicable after becoming aware of the same notify the Joint Venture, the Bank and the Members of this fact (a “**Regulatory Matter Notification**”).

- (d) Following the service of a Regulatory Matter Notification the Joint Venture and the Bank shall promptly discuss how to deal with such Regulatory Matter and shall keep each other informed and consult as appropriate in relation to it.
- (e) Save (but only to the extent) expressly required by Laws or a recognised investment exchange, each of the Parties undertakes to the other Parties that it will not at any time following a Regulatory Matter Notification make any public announcement, statement or communication in relation to a Regulatory Matter Notification regarding, related to or mentioning any of the other Parties or their Affiliates, whether in response to enquiries or otherwise to the public without the prior consent of the relevant Party or Parties.
- (f) The course of action (the “**Regulatory Resolution**”) as decided by the Board or as determined by the Bank as the case may be, as amended from time to time, in accordance with this paragraph, shall be implemented by the Joint Venture or the Bank, as applicable, and each of the Parties shall exercise its rights hereunder (insofar as it lawfully can) so as to procure that all steps required to implement the Regulatory Resolution are taken and shall take all steps within their respective powers to ensure that the representatives appointed by them take all steps to implement the Regulatory Resolution.
- (g) Each Party shall keep the other Parties informed at regular intervals and as requested by the other Parties from time to time as to the way the Regulatory Resolution is being implemented and the way the Regulatory Matter develops. The Joint Venture or the Bank, as the case may be, shall be entitled to amend the Regulatory Resolution but in the case of a Joint Venture Regulatory Resolution only with the prior written approval of the Board.

SECTION 15. TERM AND TERMINATION OF AGREEMENT

SECTION 15.1 Term of Agreement. Unless otherwise terminated by agreement of the Parties or in accordance with its terms, this Agreement shall remain in full force and effect for an initial period of eleven years from the Completion Date and shall be automatically extended for successive ten-year periods on the same terms and conditions expressed herein, or as may be amended, unless a Party serves on each of the other Parties a notice of termination at least one year prior to the expiration of the initial period (or any extensions or renewals thereof) such notice to take effect at the end of the applicable Run-Off Period.

SECTION 15.2 Termination Events. Except as specifically set forth in Section 15.1, the only events which may result in the termination of this Agreement are:

- (a) a Bank Default as set forth in Section 15.3; or
- (b) a Joint Venture Default as set forth in Section 15.4;
- (c) the occurrence of any of the events described in Section 15.5; or
- (d) the Bank being required to terminate this Agreement by applicable Laws, Association Rules or Clearing System Rules,

(each, a “**Termination Event**”), and then only in accordance with the provisions of Section 15.6 and, in the case of the Termination Events specified in Sections 15.2 (a) and (b), Section 20 (Remedies).

SECTION 15.3 Bank Default. Upon the occurrence of any of the following events, the Bank shall be deemed to have committed a “**Bank Default**” and the Joint Venture shall be entitled to terminate this Agreement by giving written notice to the Bank, such notice to take effect at the end of the applicable Run-Off Period:

- (a) without prejudice to Section 15.3(c), the Bank defaults in the performance of any of the Bank Services hereunder or any of its other obligations under this Agreement (unless such default or failure in performance is caused by the Joint Venture or GPN or any Person acting on their respective behalves or by a Card Association or Network Organisation) and a corrective action plan is not implemented and effective to cure such default during the 120 day period after notice and demand for cure has been given by the Joint Venture to the Bank (except that such period shall be extended to the extent that there shall be a Force Majeure Event which prevents the Bank from curing the default) and provided that the default has a material adverse effect on the Merchant Acquiring Business relative to either the Joint Venture’s rolling twelve month earnings prior to the occurrence of the default or the Joint Venture’s total asset value as stated in the accounts at the end of the month prior to the occurrence of the default. Notwithstanding the foregoing except for a breach of a Bank Critical Service Level which is set forth in Section 15.3(c) no breach of a Bank Service Level hereunder shall constitute a Bank Default;
- (b) if a default as described in Section 15.3(a) occurs which default would have resulted in a Bank Default had the Bank not cured the default (the “**Relevant Default**”) and subsequently two further Bank defaults arise out of the same facts and circumstances no less than 120 days but no more than 4 years after notice and demand for cure has been given by the Bank in relation to the Relevant Default, if the Relevant Default and each of the two other Bank defaults has a material adverse effect on the Merchant Acquiring Business relative to either the Joint Venture’s rolling twelve month earnings prior to the occurrence of the default or the Joint Venture’s total asset value as stated in the accounts at the end of the month prior to the occurrence of the default;

- (c) notwithstanding any Force Majeure Event, the Bank fails to:
- (i) debit or credit a material number of the Merchant Depository Accounts (based on the portfolio as a whole) in accordance with Section 4.1(b) (Acceptance, Delivery and Settlement of Credit Card Transaction Records and Debit Card Transaction Records) for five consecutive Business Days; or
 - (ii) debit a material number of the Merchant Depository Accounts (based on the portfolio as a whole) in accordance with Section 5.2 (Withdrawal of Account Fees and Unreimbursed Chargebacks from Merchant Depository Accounts) within five Business Days after the required date; or
 - (iii) in respect of a material number of Merchants (based on the portfolio as a whole), debit or withhold a Merchant Depository Account or withhold any Merchant settlement amounts in accordance with Section 7.1(b) (Chargebacks and Credit Losses) and such defaults are not cured within five Business Days after notice and demand for cure has been given by the Joint Venture to the Bank; or
 - (iv) debit the Settlement Account in accordance with Section 4.1(c) (Acceptance, Delivery and Settlement of Credit Card Transaction Records and Debit Card Transaction Records) in respect of material number of Merchants (based on the portfolio as a whole), and any such defaults are not cured within five Business Days after notice and demand for cure has been given by the Joint Venture to the Bank,
- unless in each case such failure is the result of a breach by the Joint Venture or GPN of their respective obligations under this Agreement or caused by a failure or default of the applicable Card Association or Network Organisation and provided that the Bank shall not be considered to have committed a Bank Default under this Section 15.3(c) if any requisite payment has been effected through any other means within the applicable time period specified above;
- (d) a material breach by the Bank of Section 6 (Exclusivity and Marketing) which is incapable of cure or which, if capable of being cured, is not cured within 30 days after notice and demand for cure has been given by the Joint Venture; or
 - (e) an Insolvency Event occurs in relation to the Bank.

SECTION 15.4 Joint Venture Default. Upon the occurrence of any of the following events, the Joint Venture shall be deemed to have committed a '**Joint Venture Default**', and the Bank shall be entitled to terminate this Agreement by giving written notice to the Joint Venture such notice to take effect at the end of the applicable Run-Off Period:

- (a) without prejudice to Sections 15.4(c), the Joint Venture defaults in the performance of any of the Joint Venture Services hereunder or any of its obligations under this Agreement (unless such default or failure in performance is caused by the Bank or any Person acting on the Bank's behalf or by a Card Association or Network Organisation) and a corrective action plan is not implemented and effective to cure such default within the 120 day period after notice and demand for cure has been given by the Bank to the Joint Venture (except that such period shall be extended to the extent that there shall be a Force Majeure Event which prevents the Joint Venture from curing the default) and provided that the default has a material adverse effect on either (i) the Merchant Acquiring Business; or (ii) the Bank, in each case relative to either the Joint Venture's rolling twelve month earnings prior to the occurrence of the default or the Joint Venture's total asset value as stated in the accounts at the end of the month prior to the occurrence of the default. Notwithstanding the foregoing except for a breach of a Joint Venture Critical Service Level which is set forth in Section 15.4(c) no breach of a Joint Venture Service Level hereunder shall constitute a Joint Venture Default;

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- (b) if a default as described in Section 15.4(a) occurs which default would have resulted in a Joint Venture Default had the Joint Venture not cured the default (the “**Relevant Default**”) and subsequently two further Joint Venture defaults arise out of the same facts and circumstances no less than 120 days but no more than 4 years after notice and demand for cure has been given by the Bank in relation to the Relevant Default, if the Relevant Default and each of the two other Joint Venture defaults has a material adverse effect on either (i) the Merchant Acquiring Business; or (ii) the Bank, in each case relative to either the Joint Venture’s rolling twelve month earnings prior to the occurrence of the default or the Joint Venture’s total asset value as stated in the accounts at the end of the month prior to the occurrence of the default;
- (c) notwithstanding a Force Majeure Event, the Joint Venture fails to:
- (i) accept or process a material number of Card Transactions (based on the portfolio as a whole) for five consecutive Business Days; or
 - (ii) transmit information affecting a material number of Merchants (based on the portfolio as a whole) to the Bank in accordance with Section 4.1(a) (Acceptance, Delivery and Settlement of Credit Card Transaction Records and Debit Card Transaction Records) for five consecutive Business Days; or
 - (iii) provide settlement information to the applicable Card Association for five consecutive Business Days; or
 - (iv) accept or process any Chargebacks for twenty consecutive days,
- unless in each case such failure is as a result of a breach of the Bank of its obligations under this Agreement or the Transition Agreement or caused by a failure or the default of the applicable Card Association or Network Organisation;

- (d) GPN defaults in the performance of any of its obligations under this Agreement and a corrective action plan is not implemented and effective to cure such default within the 120 day period after notice and demand for cure has been given by the Bank to GPN (except that such period shall be extended to the extent that there shall be a Force Majeure Event) and provided that the default has a material adverse effect on either (i) the Merchant Acquiring Business; or (ii) the Bank, in each case relative to either the Joint Venture's rolling twelve month earnings prior to the occurrence of the default or the Joint Venture's total asset value as stated in the accounts at the end of the month prior to the occurrence of the default;
- (e) a material breach by the Joint Venture or GPN of Section 6 (Exclusivity and Marketing) which is incapable of cure or which, if capable of being cured, is not cured within 30 days after notice and demand for cure has been given by the Bank;
- (f) an Insolvency Event occurs in relation to the Joint Venture and/or GPN; or
- (g) The service of a notice of termination by the Bank in respect of the HSBC Trade Mark Licence Agreement under Article 8.1 of the HSBC Trade Mark Licence Agreement following three separate but repeated, wilful, material, egregious breaches of the HSBC Trade Mark Licence Agreement, provided that the first two breaches have been notified to the chief executive officer or chief operating officer of GPN and the Parties had at least thirty days to resolve each such matter.

SECTION 15.5 Other Termination Events.

- (a) If the Bank acquires all the Membership Units in the Joint Venture, this Agreement shall automatically terminate with effect from the end of the Run-Off Period.
- (b) If GPKU or any of its Affiliates acquires all of the Membership Units held by the Bank or its Affiliates in the Joint Venture under Clause 22 (Tenth Anniversary Termination or Renewal) of the Partnership Agreement, this Agreement shall automatically terminate with effect from the end of the Run-Off Period.

SECTION 15.6 Run-Off Period and Termination.

- (a) If a Termination Event occurs in relation to which the Joint Venture or the Bank, as applicable, serves notice to terminate this Agreement, or in the case of the Termination Events specified in Section 15.5 there is an automatic Termination Event, then this Agreement shall continue in full force and effect on the same terms and conditions for the applicable Run-Off Period (determined in accordance with Section 15.6 (b)) except that the following provisions shall cease to apply with effect from the start of the Run-Off Period:
 - (i) Section 2.8 (a) (Bank Affiliate Transactions and "on us" Transactions); and

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- (ii) Section 6 (Exclusivity and Marketing) other than Sections 6.1 (c), 6.1 (o), 6.1 (q) and 6.1(r) which shall continue in full force and effect until the end of the Run-Off Period in accordance with their respective terms.
- (b) The Run-Off Period applicable to each Termination Event is set out below:
- (i) if there is a Joint Venture Default and the Bank serves notice to terminate in accordance with Section 15.4 then the Run-Off Period shall be two years from the service of such notice;
 - (ii) if there is a Bank Default and the Joint Venture serves notice to terminate in accordance with Section 15.3 then the Run-Off Period shall be two years from the service of such notice;
 - (iii) in the circumstances described in Section 15.5(b) then the Run-Off Period shall be two years from the Bank's service of its notice in accordance with Clause 22.2 of the Partnership Agreement, provided that if the Bank subsequently decides that it does not wish to transfer its Membership Units to GPUK (or its Affiliate) in accordance with Clause 22 of the Partnership Agreement, the Bank shall reimburse the GPUK (and its Affiliates) for all reasonable, direct out of pocket expenses incurred by any of them between the date of service of the Bank's notice and the date the Bank notifies GPUK that it does not wish to transfer its Membership Units to GPUK (or its Affiliate) in connection with it seeking a replacement partner to provide services similar to those provided by the Bank under this Agreement;
 - (iv) in all circumstances where Bank acquires 100% of the Membership Units in the Joint Venture the Run-Off Period shall be for a period of up to two years with such period determined by the Bank in its discretion subject to the Bank giving 3 months' notice to terminate the Run-Off Period;
 - (v) if a notice of termination is served in accordance with Section 15.1 the Run-Off Period shall be two years from the end of the relevant ten-year period; and
 - (vi) if the Agreement is terminated in accordance with 15.2(d) the Run-Off Period shall be two years from the service of the notice of termination by the Bank.
- (c) Except as set out in Section 15.6 (a), during the Run-Off Period each Party shall continue to comply with its obligations and exercise its rights as set out herein including in relation to the provision of the Joint Venture Services and the Bank Services.

- (d) In addition to Section 15.6 (c), during the Run-Off Period the Parties shall, at their own cost, work together in good faith and use their commercially reasonable endeavours to cause an orderly transition of the Services to the Parties or a new service provider, as applicable.
- (e) Notwithstanding the foregoing, if the applicable Laws, Association Rules or Clearing System Rules would not allow all of the Services to continue for the applicable Run-Off Period as contemplated in Section 15.6 (b) the Bank and the Joint Venture shall agree upon a modification to the Run-Off Period which would be in compliance with such Laws, Association Rules or Clearing System Rules.
- (f) At the end of the Run-Off Period this Agreement shall terminate subject always to the provisions of Section 22.13 (Survival).

SECTION 15.7 Consequences of termination where GPUK owns 100% of Membership Units.

Where this Agreement terminates and GPUK and/or its Affiliates owns all of the Membership Units in the Joint Venture, the following provisions shall apply:

- (a) GPN shall indemnify the Bank and its Affiliates against all Losses incurred by the Bank or any of its Affiliates arising from or in connection with any Merchant or any of the Merchant Agreements from the end of the Term, other than Losses caused by the Bank's negligence or wilful default;
- (b) to the extent it is permitted under the Association Rules, the Bank shall assign to the Joint Venture or any Person designated by the Joint Venture the BIN/ICAs used exclusively as at the end of the Term to process Card Transactions for Merchants and any residual rights or obligations under the Merchant Agreements;
- (c) the Joint Venture (or any Person on its behalf) shall perform all of the Bank's obligations under the Merchant Agreements following the end of the Term and shall (and shall procure that any Person on its behalf shall) perform such obligations in accordance with applicable Laws, Association Rules and Clearing System Rules; and
- (d) the Joint Venture shall (i) no later than the date immediately prior to the end of the Run-Off Period, send to all Merchants a new starter kit and a new form of merchant agreement to which the Bank is not a party, advising Merchants that the Joint Venture (or any Person on its behalf) has assumed all of the obligations of the Bank under the relevant Merchant Agreement, and (ii) without prejudice to (i), migrate Merchants onto new merchant agreements to which the Bank is not a party as soon as practicable in connection with contract renegotiations (excluding routine pricing and amendments) in the Ordinary Course.

SECTION 16. DESIGNATION OF RESPONSIBLE PERSONNEL

SECTION 16.1 Joint Venture Representative. Each Party agrees that it shall from time to time designate one or more officers or employees (each, a **Joint Venture Representative**) who shall be responsible for implementing the provisions of this Agreement and coordinating all communications with the other Parties relating to the subject matter of this Agreement. The initial Joint Venture Representatives of the Bank and the Joint Venture are set forth in the Partnership Agreement. The Bank shall ensure that the Bank's Joint Venture Representative is a senior-level liaison with merchant acquiring experience. In the event the Bank desires to change the Bank's Joint Venture Representative, the Joint Venture shall have the right to approve such proposed change.

SECTION 17. EMPLOYEES

SECTION 17.1 Employee Recruitment Assistance. In addition to the requirements set forth in the Employment Agreement, the Bank agrees to provide limited recruitment assistance as reasonably requested from time to time by the Joint Venture.

SECTION 18. CREDIT POLICY

SECTION 18.1 Approval of Merchant Qualification Criteria. The initial Merchant Qualification Criteria are attached hereto as Schedule 18.1 (Merchant Qualification Criteria). The Joint Venture agrees to adhere to such Merchant Qualification Criteria and any applicable Association Rules and Clearing System Rules. The Joint Venture shall have the right to modify the Merchant Qualification Criteria from time to time, subject to the following:

- (a) if the Joint Venture makes a material change to the Merchant Qualification Criteria making them more restrictive, it shall notify the Bank and the Bank shall have twenty Business Days after receipt of such notice to object to such new criteria and any objections by the Bank under this Section shall be resolved in accordance with Section 21 (Dispute Resolution);
- (b) if the Joint Venture proposes a material change to the Merchant Qualification Criteria making them materially less restrictive, the Joint Venture must receive the prior written Consent of the Bank before implementing such change.

SECTION 18.2 Review of Merchant Qualification Criteria. The Joint Venture agrees to review the Merchant Qualification Criteria on the reasonable request of the Bank.

SECTION 18.3 Provision of updated copies of Merchant Qualification Criteria. The Joint Venture shall, within 14 days of the First Variation Effective Date and thereafter on or about each anniversary of the First Variation Effective Date, provide to the Bank a copy of the then current version of the Merchant Qualification Criteria (or any policy applied by the Joint Venture which contains criteria that is similar to the criteria contained in the Merchant Qualification Criteria) incorporating any changes made to the Merchant Qualification Criteria (or any relevant policy) as at the relevant time. The Joint Venture shall, acting reasonably, consider any issues or concerns raised by the Bank from time to time following its review of any such Merchant Qualification Criteria (or other relevant policy).

SECTION 19. INDEMNIFICATION/LIMITATION OF LIABILITY AND PROCEDURES FOR CLAIMS

SECTION 19.1 Indemnification.

- (a) Subject to the terms of this Agreement, the provisions of Section 2.2(e) and the limit specified in Section 19.2(d), the Bank shall indemnify the other Parties and hold them harmless from any Losses suffered or incurred by them or any of their respective Affiliates that shall directly or indirectly result from or arise out of (i) the breach by the Bank of this Agreement, or (ii) the Bank's violation of any applicable Laws, Association Rules and Clearing System Rules or any acts or omissions of the Bank which causes the Joint Venture or GPN or their respective Affiliates to violate any applicable Laws, Association Rules and Clearing System Rules or (iii) the negligence or wilful default of the Bank or any Person providing any of the Bank Services on its behalf;
- (b) Subject to the terms of this Agreement and the limit specified in Section 19.2(e), GPN shall indemnify the other Parties and hold them harmless from any Losses suffered or incurred by them or any of their respective Affiliates that shall directly or indirectly result from or arise out of (i) the breach by GPN of this Agreement, or (ii) GPN's violation of any applicable Laws, Association Rules and Clearing System Rules or any acts or omissions of GPN in connection with this Agreement which causes the Joint Venture or the Bank or their respective Affiliates to violate any applicable Laws, Association Rules and Clearing System Rules or (iii) the negligence or wilful default of GPN or any Person performing obligations pursuant to this Agreement on its behalf.
- (c) Subject to the terms of this Agreement, the Joint Venture shall indemnify the other Parties and hold them harmless from any Losses suffered or incurred by them or their respective Affiliates that shall directly or indirectly result from or arise out of (i) the breach by the Joint Venture of this Agreement or a Merchant Agreement, or (ii) the Joint Venture's violation of any applicable Laws, Association Rules and Clearing System Rules or any acts or omissions of the Joint Venture which cause the Bank or GPN or their respective Affiliates to violate any applicable Laws, Association Rules and Clearing System Rules, or (iii) the negligence or wilful default of the Joint Venture or any Person providing any of the Joint Venture Services on its behalf, provided that, in all cases, the Joint Venture shall not be required to indemnify GPN or the Bank where the event described in (i), (ii) and (iii) results from a breach of the Processing Agreement by the GPN Processor or a breach of the Transition Agreement by the Bank, respectively;
- (d) If there occurs an event that an Indemnitee asserts is indemnifiable pursuant to Sections 19.1(a), 19.1(b) or 19.1(c) the Indemnitee shall notify the Indemnifying Party as soon as reasonably practicable. If such event involves (i) the assertion of any claim or liability (a "**Claim**") or (ii) the commencement of any action or legal proceeding of any kind (an "**Action**") by another Person (other than a Party), the Indemnitee shall give the

Indemnifying Party notice as soon as reasonably practicable of the assertion of such Claim or the commencement of such Action; provided, however, that the failure to provide notice as soon as reasonably practicable as provided herein shall relieve the Indemnifying Party of its obligations hereunder only to the extent that such failure materially prejudices the Indemnifying Party. If any Claim or Action shall be made or brought against any Indemnitee and it shall notify the Indemnifying Party of the receipt or commencement thereof, the Indemnifying Party shall be entitled to participate therein or, following the delivery by the Indemnifying Party to the Indemnitee of the Indemnifying Party's acknowledgment in writing that the relevant Loss is an indemnified liability hereunder, to assume the defense thereof with counsel selected by the Indemnifying Party and, after notice from the Indemnifying Party to the Indemnitee of such election so to assume the defense thereof, the Indemnifying Party shall not be liable to the Indemnitee for any legal expenses of other counsel or any other expenses subsequently incurred by such Indemnitee in connection with the defense thereof. The Indemnifying Party and the Indemnitee agree to cooperate fully with each other and their respective counsel in connection with the defense, negotiation or settlement of any Action or Claim. The Indemnitee shall have the right to participate at its own expense in the defense of any Action or Claim. If the Indemnifying Party assumes the defense of an Action or Claim (A) no settlement or compromise thereof may be effected (1) by the Indemnifying Party without the prior written Consent of the Indemnitee (which Consent shall not be unreasonably withheld or delayed) unless (x) there is no finding or admission of any violation of Law or any violation of the rights of any Person by any Indemnitee and no adverse effect on any other claims that may be made against any Indemnitee and (y) all relief provided is paid or satisfied in full by the Indemnifying Party or (2) by the Indemnitee without the prior written Consent of the Indemnifying Party and (B) the Indemnitee may subsequently assume the defense of an Action or Claim if the Indemnitee reasonably determines that the Indemnifying Party is not vigorously defending such Action or Claim. In no event shall an Indemnifying Party be liable for any settlement effected without its prior written Consent (which Consent shall not be unreasonably withheld or delayed).

- (e) In case any direct claim is made by one Party against another Party in respect of which indemnification may be sought under this Section, the Indemnitee shall, as soon as reasonably practicable, give notice to the Indemnifying Party, which shall specify the factual basis for the claim and the amount of such claim. The Indemnifying Party shall have 60 days from receipt of notice of the claim within which to make such investigation of the claim as the Indemnifying Party considers reasonably necessary or desirable. For the purpose of such investigation, the Indemnitee shall make available to the Indemnifying Party reasonable documentation relevant to the claim, together with all such other information as the Indemnifying Party may reasonably request. If both Parties agree at or before the expiration of such time period (or any agreed upon extension thereof) to the validity and amount of such claim, the Indemnifying Party shall immediately pay to the

Indemnitee the full agreed upon amount of the claim, but failing such agreement the matter shall be referred to the dispute resolution procedures in accordance with Section 21 (Dispute Resolution).

SECTION 19.2 Limitation of Liability.

- (a) Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall exclude, restrict or limit a Party's liability for:
 - (i) death or personal injury resulting from its negligence; or
 - (ii) its fraud; or
 - (iii) its breach of Section 6.1 (Exclusivity and Marketing).
- (b) Except as specifically provided in Section 13.2 (Force Majeure) neither the Joint Venture nor the Bank shall be liable for failure to provide or delay in providing any of the Joint Venture Services or the Bank Services, respectively, if such failure or delay is directly or indirectly due to any Force Majeure Event affecting the Party not performing, or affecting one of its subcontractors or other Persons providing the relevant Services on its behalf; provided that the Party affected by such Force Majeure Event has complied with the requirements of Section 13.2 (Force Majeure). Neither the Joint Venture nor the Bank shall have any liability for Losses (whether ordinary, special, punitive, indirect or consequential in nature) of the other Parties resulting directly or indirectly from such Force Majeure Event as long as such Party has complied with the requirements of Section 13.2 (Force Majeure).
- (c) The Joint Venture makes no warranties or representations regarding the Joint Venture Services except as specifically stated in this Agreement. The Joint Venture shall use due care in performing all Joint Venture Services hereunder and in complying with all applicable Laws, Association Rules, and Clearing System Rules, including those concerning the handling of Chargebacks and Credit Losses, dispute resolutions, and arbitration. The Joint Venture shall not be responsible in any manner for errors, omissions or failures of any Person other than those of the Joint Venture, any Affiliate or Advisor of the Joint Venture or any other Person engaged by the Joint Venture to provide any of the Joint Venture Services directly or indirectly on its behalf hereunder. If there is any failure in performance or errors or omissions by the Joint Venture in respect of any of its obligations hereunder, the Joint Venture shall use commercially reasonable endeavours to correct such failure in performance or errors or omissions. Subject to Section 19.2(a) and without prejudice to the Joint Venture's obligations to make payments to the Bank under this Agreement, in no event shall the Joint Venture be liable to the Bank or any other Person for special, punitive, indirect, or consequential damages, losses, expenses or liabilities even if the Joint Venture has been advised of the possibility of the same.

- (d) The Bank makes no warranties or representations regarding the Bank Services except as specifically stated in this Agreement. The Bank shall use due care in performing all the Bank Services hereunder and in complying with all applicable Laws, Association Rules, and Clearing System Rules, including those concerning membership and its sponsorship of the Joint Venture. The Bank shall not be responsible in any manner for errors, omissions or failures of any Person other than those of the Bank, any Affiliate or Advisor of the Bank or any other Person engaged by the Bank to provide any of the Bank Services on its behalf hereunder. If there is any failure in performance or errors or omissions by the Bank in respect of any of its obligations hereunder, the Bank shall use commercially reasonable endeavours to correct such failure in performance or errors or omissions. Subject to Section 19.2 (a) or to the Bank's obligations to make payments pursuant to the terms of the Merchant Agreements in accordance with its obligations under this Agreement or pursuant to the provisions of Sections 6.1(f) (in relation to the Referral Fee Purchase Amount) or Section 7.3(a) (in relation to the Terminated Merchant Value), in no event shall the Bank be liable to the Joint Venture, GPN or any other Person for (i) special, punitive, indirect, or consequential damages, losses, expenses or liabilities even if the Bank has been advised of the possibility of the same or (ii) amounts which in aggregate (including the liability of the Bank under the Transition Agreement that is subject to the liability cap under Section 8.2(a) (Limitation of Liability and Transition Timing) of the Transition Agreement and under this Agreement) exceed: (A) during the term and in respect of the Bank's liability for a breach of its obligations under Sections 22.11 (Confidentiality) or a Culpable BIN/ICA or Settlement Default, the Extended Liability Cap; and (B) during any Contract Year and in respect of all other liabilities of the Bank, the Standard MAA Liability Cap. For the avoidance of doubt, where the Bank incurs a liability to which the Standard MAA Liability Cap applies, the Extended Liability Cap shall be reduced by an amount commensurate with the amount for which the Bank is liable and in respect of which the Standard MAA Liability Cap applies, and where the Bank incurs a liability to which the Extended Liability Cap applies and which liability is in excess of an amount equal to the Extended Liability Cap less the Standard MAA Liability Cap, then the Standard MAA Liability Cap shall be reduced by an amount equal to any such excess. If the Joint Venture recovers damages or other compensation in respect of a Loss from the Bank under the terms of the Transition Agreement, a claim cannot be brought under this Agreement in respect of the same Loss.
- (e) Subject to Section 19.2(a) and save for its obligation to indemnify the Bank under Section 15.7(a) (Consequences of termination where GPUK owns 100% of Membership Units), in no event shall GPN be liable to the Joint Venture, the Bank or any other Person for (i) special, punitive, indirect, or consequential damages, losses, expenses or liabilities even if GPN has been advised of the possibility of the same or (ii) amounts which in aggregate exceed: (A) during the term of this Agreement and in respect of GPN's liability for a breach of its obligations under Sections 22.11 (Confidentiality), the Extended Liability Cap; and (B) during any Contract

Year and in respect of all other liabilities of GPN, the Standard MAA Liability Cap. For the avoidance of doubt, where the GPN incurs a liability to which the Standard MAA Liability Cap applies, the Extended Liability Cap shall be reduced by an amount commensurate with the amount for which the GPN is liable and in respect of which the Standard MAA Liability Cap applies, and where GPN incurs a liability to which the Extended Liability Cap applies and which liability is in excess of an amount equal to the Extended Liability Cap less the Standard MAA Liability Cap, then the Standard MAA Liability Cap shall be reduced by an amount equal to any such excess. If the Joint Venture recovers damages or other compensation in respect of a Loss from GPN under the terms of the Processing Agreement, a claim cannot be brought under this Agreement in respect of the same Loss.

SECTION 19.3 Recovery. If, at any time, a Party has recovered damages or other compensation from another Party in respect of the relevant Loss under this Section 19 and also recovers funds, payments, or costs from another Person which is not a Party to this Agreement relating to such Loss, the amounts so recovered (less the reasonable costs of recovery and amounts previously paid to the other Party in respect of such Loss) shall be remitted to such other Party up to the amounts previously paid by such other Party.

SECTION 19.4 Notice of Default. Each Party shall, as soon as reasonably practicable, notify the other Party if a default or event of default with respect to it has occurred hereunder.

SECTION 19.5 Notice of Litigation. Each Party shall, as soon as reasonably practicable, give notice to the other Parties of any material claims, proceedings, disputes (including labor disputes), changes or litigation likely, impending or threatened which may have a material effect on the fulfillment of any of the terms hereof by it (whether or not any such claim, change, proceeding, dispute or litigation is covered by insurance) and of which it is aware. It shall provide the other Parties with all information reasonably requested, from time to time, concerning the status of such claims, proceedings, changes, disputes, litigation or developments.

SECTION 20. REMEDIES

SECTION 20.1 Remedies of the Bank. Upon the occurrence of a Joint Venture Default, the Bank may do any or all of the following as the Bank, in its sole and absolute discretion, shall determine:

- (a) exercise its rights of termination in accordance with Section 15 (Term and Termination of Agreement); and/or
- (b) invoke the dispute resolution procedures set forth in Section 21 (Dispute Resolution); and/or
- (c) exercise any of its other rights and remedies provided for hereunder or under Laws.

SECTION 20.2 Remedies of the Joint Venture. Upon the occurrence of a Bank Default, the Joint Venture may do any or all of the following as the Joint Venture, in its sole and absolute discretion, shall determine:

- (a) exercise its rights of termination in accordance with Section 15 (Term and Termination of Agreement); and/or

- (b) invoke the dispute resolution procedures set forth in Section 21 (Dispute Resolution); and/or
- (c) exercise any of its other rights and remedies provided for hereunder or under Laws.

SECTION 21. DISPUTE RESOLUTION

SECTION 21.1 Dispute Resolution. Whilst the Bank owns any Membership Units in the Joint Venture any dispute in connection with the interpretation or operation of this Agreement (a “**Dispute**”) shall be handled in accordance with the dispute resolution procedures set forth in Clause 18.9 of the Partnership Agreement which shall apply, mutatis mutandis. Thereafter any Dispute shall, subject to Section 3.4 (Fees for Bank Services; Invoices) be handled as follows:

- (a) a Party may notify the other Parties of the Dispute in writing requesting that the Joint Venture Representatives meet and use their reasonable endeavours to reach a just and equitable resolution to the Dispute within ten Business Days after the date of service of such notice;
- (b) If the Dispute cannot be resolved in that 10 Business Day period, the Dispute shall be referred in writing within a further 5 Business Days by the Joint Venture Representatives to a committee comprised of the managing director of the Joint Venture, the chief executive officer or chief operating officer of GPN and a senior executive of HSBC (being a person with a management of grade 3 or higher). Such committee members shall use their reasonable endeavours to negotiate in good faith to reach a just and equitable resolution to the Dispute within 20 Business Days after the date of such referral; and
- (c) in any event if the Dispute is not resolved on the expiry of 35 Business Days after the date on which notification was given pursuant to Section 21.1 (A), the Parties shall be entitled to exercise all rights and remedies available to them hereunder and at Law.
- (d) Nothing in this Section shall prevent any Party:
 - (i) from seeking ancillary relief including specific performance or injunctive relief on a with or without prejudice basis; or
 - (ii) from referring a Dispute to arbitration in accordance with Section 22.6 (Governing Law and Jurisdiction) at any time if it requires protection for a right which would otherwise become statute barred.

SECTION 22. MISCELLANEOUS

SECTION 22.1 Amendments. No amendment or waiver of any provision of this Agreement, and no Consent to any departure by the Bank or the Joint Venture herefrom, shall

be effective unless the same shall be in writing and signed by each Party sought to be bound thereby, and then such waiver or Consent shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification or alteration of the provisions of this Agreement shall be binding unless the same shall be in writing and duly executed by the authorised representatives of each of the Parties.

SECTION 22.2 Notices. Any notice (which in this Section 22.2 shall include any other communication) required to be given under this Agreement or in connection with the matters contemplated by it shall, except where otherwise specifically provided, be in writing in the English language. Notices given by e-mail or any other form of non-permanent display will not be effective, even if actually given. Any such notice shall be addressed as provided in this Section 22.2 and shall be:

- (a) personally delivered, in which case it shall be deemed to have been served upon delivery at the relevant address; or
- (b) if from and to any place within the United Kingdom, sent by first class pre-paid post, in which case it shall be deemed to have been served two Business Days after the date of posting; or
- (c) if from or to any place outside the United Kingdom, sent by pre-paid airmail, in which case it shall be deemed to have been served seven Business Days after the date of posting; or
- (d) sent by fax, in which case it shall be deemed to have been served upon receipt of a voice confirmation from the Party to whom such fax was addressed indicating that the entire fax has been received.

provided that in each case where the personal delivery or fax transmission occurs after 17:00 hours on a Business Day or on any day which is not a Business Day, service shall be deemed to have taken place at 09:00 on the next following Business Day.

All references to time in this Section 22.2 are to the then local time in the country of the addressee.

The addressees and other details of the Parties are:

- (i) If to the Bank, to:
HSBC Bank plc
8 Canada Square
London
E14 5HQ

Attention: Head of Commercial Cards
Fax No: +44(0)207 991 4660
Telephone No: +44(0)207 992 1844
- (ii) If to the Joint Venture to
51 De Montfort Street
Leicester
LE1 7BB

Attention: Managing Director
Fax No: +44(0)116 281 8408
Telephone No: +44(0)116 281 8010

Copied to

Global Payments Inc.
10 Glenlake Parkway
North Tower
Atlanta, Georgia 30328

Attention: General Counsel
Fax No: +1-770-829-8265
Telephone No: +1-770-829-8250

if to GPN, to

Global Payments Inc.
10 Glenlake Parkway
North Tower
Atlanta, Georgia 30328

Attention: General Counsel
Fax No: +1-770-829-8265
Telephone No: +1-770-829-8250

Any Party may give notice to the other Party of any change to its address or of any other details in this Section 22.2, provided that such notification shall only be effective on the date specified in such notice or five days after the notice is deemed to have been served as specified in this Section 22.2 whichever is later.

SECTION 22.3 No Waiver; Remedies. No failure by any Party to exercise, and no delay by any Party in exercising, any right under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by Law and rights may be released or waived as regards any Party without affecting the liability of any other Party.

SECTION 22.4 Third Party Beneficiaries. No person who is not a party to this Agreement is entitled to enforce any of its terms, whether under the Contracts (Rights of Third Parties) Act 1999 or otherwise.

SECTION 22.5 Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their successors and permitted assigns. This Agreement and all rights, privileges, duties and obligations of the Parties hereunder may not be assigned, transferred or otherwise disposed of, in whole or part, by any Party without the prior written Consent of the other Parties; provided, however, that no such Consent shall be required (i) for the assignment or delegation by any Party of any of its rights, privileges, duties and obligations hereunder to an Affiliate of such Party or (ii) for the assignment or delegation by any Party of any of its rights, privileges, duties and obligations hereunder to any Person into or with which the assigning or delegating Party shall merge or consolidate or to which the assigning or delegating Party shall sell all or substantially all its assets. In the event of an assignment or delegation as contemplated by subsection (i) or (ii) above, the assigning or delegating Party shall provide the other Party with notice thereof as soon as reasonably practicable thereafter. Neither an assignment or delegation under this Section nor the Consent of a Party to an assignment or delegation by the other Party under this Section shall (i) directly or indirectly relieve that Party of any of its obligations under this Agreement or any of the other Operative Documents arising prior to such assignment or delegation; or (ii) constitute either of the other Parties' Consent to further assignment or delegation. If, at any time following an assignment or delegation to an Affiliate under subsection 22.5(i) above, the assignee or delegate ceases to be an Affiliate of the assigning or delegating Party, the assigning or delegating Party shall procure that the assignee or delegate shall forthwith transfer back to the relevant Party the relevant right, privilege, duty or obligation. If there is an assignment or encumbrance by a Party as permitted by this Section 22.5, the amount of loss or damage recoverable by the assignee or encumbrancer will be calculated as if that Person had been originally named as a party to this Agreement.

SECTION 22.6 Governing Law, Jurisdiction.

- (a) This Agreement shall be governed by and construed in accordance with English Law.
- (b) Any Dispute shall first be subject to amicable settlement discussions in accordance with Section 21 (Dispute Resolution). Any Dispute that is not amicably settled in accordance with Section 21 (Dispute Resolution) shall at the request of any Party be referred to and finally resolved by arbitration under the LCIA Rules, which Rules are deemed to be incorporated by reference into this Section.
- (c) The number of arbitrators shall be three. Subject to Article 8 of the LCIA Rules, the Claimant and the Respondent shall each nominate an arbitrator. The LCIA Court shall select and appoint the third arbitrator.
- (d) The seat and legal place of arbitration shall be London, England.
- (e) The language to be used in the arbitral proceedings shall be English.
- (f) If any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration or a dispute under one of the other Operative Documents which has already been referred to arbitration (in either case an **"Existing Dispute"**), or arises out of substantially the same facts as are the subject of an Existing Dispute (in either case, a **"Related Dispute"**), and whether such Existing Dispute involves only the Parties to this Agreement or parties to the other Operative Documents (**"Related Parties"**), subject to the prior agreement in each case of the Parties involved in the Related Dispute, the Arbitral Tribunal appointed or to be

appointed in respect of such Existing Dispute shall also be appointed as the Arbitral Tribunal in respect of the Related Dispute. In such case, the Arbitral Tribunal may, subject to the prior agreement of all Parties and other parties involved in the Existing Dispute and the Related Dispute, having regard to the stage of the proceedings of the Existing Dispute and other relevant circumstances, consolidate the proceedings arising out of the Existing Dispute and the Related Dispute. Where one or more members of the Arbitral Tribunal appointed in relation to the Existing Dispute declines appointment in relation to the Related Dispute, replacement arbitrator(s) shall be selected and appointed by the LCIA Court.

- (g) The Arbitral Tribunal, once constituted, may, having regard to the stage of the proceedings and other relevant circumstances, upon the application of any Party join any one or more of the Related Parties to arbitration proceedings commenced under this Section, subject to the agreement of such Related Party or Parties. The Arbitral Tribunal may, upon the request of any Related Party so joined to arbitration proceedings commenced under this Section, join any one or more of the remaining Related Parties to such arbitration proceedings, subject to the agreement of such Related Party or Parties.

SECTION 22.7 Entire Agreement. This Agreement, together with the Operative Documents and other documents referred to herein and therein, embodies the entire agreement and understanding of the Parties with respect to the subject matter hereof and supersedes and cancels in all respects all previous letters of intent, correspondence, understandings, agreements and undertakings (if any) between the Parties with respect to the subject matter hereof whether such shall be written or oral.

SECTION 22.8 Independent Contractor. Except as expressly provided for in the Joint Venture Agreements, nothing herein contained shall be construed as constituting a partnership, agency or joint venture between the Joint Venture and the Bank and/or GPN (other than for Tax purposes) and each Party specifically disclaims any obligation or liability for the conduct, performance of services or failure to act or omission of each of the other Parties. Each Party intends that it shall be considered an independent contractor of the other for the Services and other obligations performed by it under this Agreement.

SECTION 22.9 Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Law, but if any provision of this Agreement is held to be prohibited by or invalid under Law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. In such an event the Parties shall use good faith endeavours to re-negotiate any such provision in an effort to retain the spirit and intent of the original provision.

SECTION 22.10 Execution in Counterparts. This Agreement may be executed by the Parties in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 22.11 Confidentiality.

- (a) During the Term and for a period of five years thereafter, each of the Bank and GPN shall treat all information relating to the Joint Venture or any of its Affiliates (which

may be written, oral or in any other format) that is disclosed to or otherwise learnt by the Bank, GPN or any of their Affiliates or Advisors in connection with this Agreement or any of the Operative Documents (including the Joint Venture Data) ("**Joint Venture Confidential Information**") as confidential and shall not use or disclose such information to any other Person (excluding such of its Affiliates and Advisors to whom disclosure is required in connection with this Agreement or any of the Operative Documents) unless agreed by the Joint Venture. Without prejudice to Section 6 (Exclusivity and Marketing), this Section 22.11(a) shall not apply to the extent that:

- (i) the Joint Venture Confidential Information has otherwise been disclosed by a Merchant or any other Person (other than an Affiliate of the Joint Venture) to the Bank or GPN, other than in connection with the Merchant Acquiring Business or as a result of a breach of any obligation of confidence;
- (ii) the Joint Venture Confidential Information is or becomes available in the public domain other than as a result of a disclosure by the Bank or GPN in violation of the terms of any Operative Agreement; or
- (iii) the Joint Venture Confidential Information is independently developed by the Bank or GPN without reference to or use of the Joint Venture Confidential Information.

Notwithstanding the above, the Bank and GPN and their Affiliates may use and disclose the Joint Venture Confidential Information to the extent that such use and disclosure is permitted under Section 12.7 (Ownership and Use of the Joint Venture Data). The Bank and GPN shall procure that its Affiliates and Advisors shall comply with the provisions of this Section.

- (b) During the Term and for a period of five years thereafter, each of GPN and the Joint Venture shall treat all information relating to the Bank or any of its Affiliates (which may be written, oral or in any other format) that is disclosed to or otherwise learnt by the Joint Venture, GPN or any of their Affiliates or Advisors in connection with this Agreement or the other Operative Documents (including the Bank Data but excluding data that is also Joint Venture Data) ("**Bank Confidential Information**") as confidential and shall not use or disclose such information to any other Person (excluding its Affiliates and Advisors to whom disclosure is required in connection with this Agreement or the other Operative Documents) unless agreed by the Bank. Without prejudice to Section 6 (Exclusivity and Marketing), this Section 22.11(b) shall not apply to the extent that:
 - (i) the Bank Confidential Information has otherwise been disclosed by a Merchant or any other Person (other than an Affiliate of the Bank) to the Joint Venture or GPN, other than as a result of a breach of any obligation of confidence;
 - (ii) the Bank Confidential Information is or becomes available in the public domain other than as a result of a disclosure by the Joint Venture or GPN in violation of the terms of any Operative Document; or
 - (iii) the Bank Confidential Information is independently developed by Joint Venture or GPN without reference to or use of the Bank Confidential Information.

Notwithstanding the foregoing, GPN and the Joint Venture are permitted to (a) use and disclose the Bank Confidential Information to the extent that such use and disclosure is permitted under Section 12.4 (Ownership and Use of the Bank Data); and (b) disclose the Bank Confidential Information to any third party to the extent necessary for funding purposes in order to exercise its rights under Section 6.1(h) or 6.1(i) or to acquire Membership Units under the Partnership Agreement (other than an acquisition pursuant to Clause 8 (Funding and Changes in Capital Contributions) of the Partnership Agreement), provided that the Joint Venture shall ensure that such third party respects the confidentiality restrictions set out in this Section 22.11 as if it were a party to this Agreement.

The Joint Venture and GPN shall procure that their Affiliates (other than each other) and their Advisors shall comply with the provisions of this Section.

- (c) During the Term and for a period of five years thereafter, each of the Bank and the Joint Venture shall treat all information relating to GPN or any of its Affiliates (excluding the Joint Venture) (which may be written, oral or in any other format) that is disclosed to or otherwise learnt by the Bank or the Joint Venture of their Affiliates or Advisors in connection with this Agreement or any of the Operative Documents (“**GPN Confidential Information**”) as confidential and shall not use or disclose such information to any other Person (excluding such of its Affiliates and Advisors to whom disclosure is required in connection with this Agreement or any of the Operative Documents) unless agreed by the GPN. Without prejudice to Section 6 (Exclusivity and Marketing), this Section 22.11(c) shall not apply to the extent that:
- (i) the GPN Confidential Information has otherwise been disclosed by any Person (other than an Affiliate of GPN) to the Bank or the Joint Venture, other than in connection with the Merchant Acquiring Business or as a result of a breach of any obligation of confidence;
 - (ii) the GPN Confidential Information is or becomes available in the public domain other than as a result of a disclosure by the Bank or the Joint Venture in violation of the terms of any Operative Agreement; or
 - (iii) the GPN Confidential Information is independently developed by the Bank or the Joint Venture without reference to or use of the GPN Confidential Information.

The Bank and the Joint Venture shall procure that its Affiliates and Advisors shall comply with the provisions of this Section.

- (d) Notwithstanding the foregoing, in the event that GPN or the Joint Venture is requested or required (by deposition, interrogatories, requests for information or documents in legal proceedings, subpoenas, civil investigative demand or similar process or in order to comply with applicable requirements of any Stock Exchange or Governmental Entity, or by requirements of any securities Law or regulations or other Laws) to disclose the Bank Confidential Information, GPN or the Joint Venture shall provide the Bank, to the extent that it is legally permitted to do so, with prompt notice of any such request or requirement so that the Bank may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Section in connection with such

request or requirement. Any disclosure of Bank Confidential Information in accordance with the preceding sentence shall not be deemed a breach or violation of this Agreement.

- (e) Notwithstanding the foregoing, in the event that the Bank is requested or required (by deposition, interrogatories, requests for information or documents in legal proceedings, subpoenas, civil investigative demand or similar process or in order to comply with applicable requirements of any Stock Exchange or Governmental Entity, or by requirements of any securities Law or regulations or other Laws) to disclose the Joint Venture Confidential Information or GPN Confidential Information, the Bank shall provide the Joint Venture or GPN, as is applicable and to the extent that it is legally permitted to do so, with prompt notice of any such request or requirement so that the Joint Venture and/or GPN may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Section in connection with such request or requirement. Any disclosure of Joint Venture Confidential Information or GPN Confidential Information in accordance with the preceding sentence shall not be deemed a breach or violation of this Agreement.

SECTION 22.12 Joint Announcement. No press release or other written public announcement (other than one containing public disclosures required by Law or the rules or regulations of any Stock Exchange applicable to the relevant Party or any of its Affiliates which is listed on the Stock Exchange) on any matter concerning or connected to the transactions contemplated by the Operative Documents or the terms and conditions of the Operative Documents or any matter ancillary thereto shall be made by any Party without the prior written approval of all Parties (such approval not to be unreasonably withheld). So far as reasonably practicable, the Parties shall consult as to the content, manner of making, and timing of any such press release or other written public announcement (whether one made with the approval of the Parties or one required by Law or the rules or regulations of any applicable Stock Exchange) and each Party shall comply with such requests in respect thereof as a Party shall reasonably make. Notwithstanding the foregoing and subject to the confidentiality provisions set out in any of the Operative Documents, nothing herein shall prevent any Party from disclosing, either publicly or otherwise, (i) any information which has been previously disclosed pursuant to a mutually agreed press release or other mutually agreed written public announcement or which has been approved for disclosure by the other Parties, or (ii) any information which is or has come into the public domain other than as a result of a breach of this Section.

SECTION 22.13 Survival. The Parties acknowledge and agree that the provisions of Sections 2.2, the second sentence of Section 2.3(b), the second sentence of Section 3.1(a), the indemnity obligation in Section 6.1(q), Section 6.1(r), the last sentence of Section 6.3 in respect of Government Contracts entered into prior to the termination of this Agreement, Section 7.1, Section 7.3, Section 12.7, Section 15.7, Section 19, Section 21.1, Section 22.2, Section 22.5, Section 22.6, Section 22.11, Section 22.12 and Section 22.19(e) and (f) (and any other provisions which by their nature are expected to survive the termination of this Agreement) shall survive the termination of this Agreement and, subject to Clauses 20.2 and 20.3 of the Partnership Agreement, the termination of this Agreement or any other Operative Document for any reason shall not affect any rights or liabilities that have accrued prior to such termination.

SECTION 22.14 Further Assurances. Each Party shall do and perform or cause to be done and performed all such further acts and things and shall execute and deliver or cause to be executed and delivered all such other agreements, certificates, instruments and documents as the other Parties may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement.

SECTION 22.15 Data Protection. Each Party undertakes (i) to comply with its respective obligations under the Data Protection Laws; (ii) not do or omit to do anything which causes the other Party to breach any Data Protection Laws or contravene the terms of any registration, notification or authorisation under any Data Protection Laws of the Party; and (iii) to maintain at all times any necessary registrations and notifications of its particulars in accordance with applicable Data Protection Laws and any regulations made thereunder and will ensure that such applicable registrations and notifications are kept accurate and up to date during the Term and supply on request to the other party a copy of such registrations and notifications, together with any amended particulars that may be filed from time to time.

SECTION 22.16 Expenses. The Parties shall bear their own costs and expenses (including legal fees) incurred in relation to or incidental to the negotiation, finalisation, execution and implementation of this Agreement.

SECTION 22.17 Binding Agreement. Each of the Parties warrants that this Agreement is a legal, valid and binding agreement on it, and each Party undertakes to do or procure to be done all such things as may be within its control, including the passing of resolutions to ensure that all the provisions of this Agreement are observed and performed.

SECTION 22.18 Withholding Tax; Applicable Sales Taxes; Transfer Pricing.

- (a) If at any time any Party is required to make any deduction or withholding in respect of Taxes from any payment due under this Agreement (other than Merchant settlement payments), the sum due from such Party in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the other Party receiving such payment receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made and the paying Party shall fully indemnify the receiving Party against any losses or costs incurred by it by reason of any failure of the paying Party to make any such deduction or withholding. The paying Party shall promptly deliver to the receiving Party any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid. Such receipt, certificate or other proof must be either the original, a duplicate original, or a duly certified or authenticated copy. If it is in a foreign language, a certified translation thereof must be furnished to the party bearing the withholding.
- (b) Each of the Parties shall use their best endeavours, shall co-operate with, and implement the reasonable suggestions of the others to seek to ensure that the services each may provide to the Joint Venture are, to the greatest degree, properly exempt from or otherwise free from VAT under the relevant provisions of the VATA, and for the avoidance of doubt, such co-operation shall include the conclusion of an agreement at such time as may be agreed by the Parties (acting reasonably) and in pursuance of this Agreement, that certain service(s) as may be agreed between the Parties may be

provided to a recipient other than a Party with the aim of providing card processing services to the Joint Venture. For the avoidance of doubt, nothing in this paragraph shall oblige any Party to take any action which it deems in its absolute discretion (acting reasonably), would be materially prejudicial to its interests.

- (c) Notwithstanding any other provision of this Agreement, all sums payable by the Joint Venture are inclusive of any VAT which is chargeable on the supply or supplies for which such sums form the whole or part of the consideration for VAT purposes; Provided always that where under this Agreement any Party (the "Supplier") makes or is deemed to make a supply to the Joint Venture and VAT becomes properly chargeable on such supply either:
- (i) As a result of any change in law or published interpretation; or
 - (ii) As a result of a misinterpretation or misapprehension in respect of the applicable VAT law which is not due to the unilateral, wilful or proactive negligent conduct of the relevant Party;
- then any actual or deemed consideration for such supply shall be exclusive of any such VAT, and the Joint Venture shall pay to the Supplier, against the issue to the Joint Venture by the Supplier of a valid VAT invoice in respect of the relevant supply, an amount equal to the VAT chargeable thereon for which the Supplier is liable to account to HM Revenue and Customs, and the Supplier shall duly report and account for such sums to HM Revenue and Customs.
- (d) All sums payable by either the Bank or GPN as the case may be, to the other, shall be exclusive of any VAT chargeable on the supply or supplies for which such sums form the whole or part of the consideration for VAT purposes, and where one (the "**Supplier**") makes or is deemed to make a supply to the other (the "**Recipient**"), then the Recipient shall pay to the Supplier, on demand and against issue to it of a valid VAT invoice by the Supplier in respect of the relevant supply, an amount equal to the VAT for which the Supplier is liable to account to HM Revenue and Customs.
- (e) In the event that a Tax Authority, court or tribunal determines in writing that any amount paid as VAT on fees payable under this Agreement was not properly chargeable, the Supplier shall promptly provide a copy of such determination to the Joint Venture, or as the case may be, the Recipient, and the Supplier shall refund to the Joint Venture, or as the case may be, the Recipient, the amount of the VAT paid to it by the Joint Venture under this Section, provided that no such refund shall exceed the amount originally paid to the Supplier.
- (f) The Supplier shall make repayment of the amount of the VAT referred to in Section 22.18(e) above promptly after receiving the relevant determination unless it has already accounted to the Tax Authority for the VAT. In that case the Supplier will apply for a refund from the Tax Authority, use reasonable endeavours to obtain it as quickly as possible, and will repay it to the party receiving the supply when and to the extent received from the Tax Authority.

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- (g) Where under this Agreement a Party (the “**Payor**”) is liable to indemnify, reimburse or pay any costs passed through to the Payer by another Party (the “**Recipient**”) and the cost or liability in respect of which the Recipient is to be so paid includes an element in respect of VAT for which the Recipient is liable, then the Payer shall pay to the Recipient a sum including an amount equal to the amount of any such VAT which the Recipient is not entitled to recover by way of credit or repayment from the relevant Tax Authority (the “**Irrecoverable VAT**”), such that the Recipient is put in the same position after receipt of the payment to be made by the Payer as if it had not incurred such Irrecoverable VAT in the first place, Provided Always That, this Section shall not apply to any such VAT which the Recipient is liable to pay in respect of a supply made to it by the Payer.
- (h) If an additional payment is made under Section 22.18(a) and the party receiving such payment (the “**Recipient**”), in its sole discretion (acting reasonably) determines that it has received or been granted (and has derived use and benefit from) a credit against, a relief or remission for or repayment of any Tax, then it will, having so determined, but on that occasion only, determine whether and, if so, to what extent it can then make a payment to party making the payment under Section 22.18(a) (the “**Payor**”) without thereby putting itself in a worse after-tax position than if the relevant additional amount had not been required to be paid. If the Recipient so determines that such a payment can be made, it will thereupon make the appropriate payment to the Payor accordingly. Any such payment shall be conclusive evidence of the amount due to the Payor hereunder and shall be accepted by the Payor in full and final settlement of its rights of reimbursement under this Section 22.18(h) in respect of such deduction or withholding.
- (i) If the Recipient makes any payment to the Payor pursuant to Section 22.18(h) and the Recipient subsequently determines that the credit, relief, remission or repayment in respect of which such payment was made was not available to it or has been withdrawn from it or that it was unable to use such credit, relief, remission or repayment in full, the Payor shall reimburse the Recipient to the extent the Recipient, in its sole opinion (acting reasonably), determines is necessary to place it in the same after-tax position as it would have been in if the relevant additional amount had not been required to be paid by the Recipient provided that no such reimbursement shall exceed the amount originally paid to the Payor pursuant to Section 22.18(h).
- (j) Notwithstanding any other provision in this Agreement, any product, service or other supply provided under this Agreement whether domestic or cross border by a Person who is considered related to or connected with another Person for the purposes of the applicable transfer pricing rules shall use best endeavours to ensure that at least the minimum fees or charges necessary to comply with the requirements of the applicable transfer pricing rules and in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, OECD, 2001 as amended from time to time (OECD Transfer Pricing Guidelines), as appropriate, are charged. The Parties further agree to ensure that appropriate documentation and supporting agreements are prepared, entered into and maintained where required to ensure compliance with the applicable transfer pricing rules and if appropriate the OECD Transfer Pricing Guidelines.

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- (k) To the extent a Tax Authority determines that the fees or charges are different than they should be in order to prevent the applicable transfer pricing rules from applying in circumstances where the Joint Venture is receiving a product, service or other supply under this Agreement, the Parties shall (or shall procure that) such fees or charges are altered prospectively to reflect the provision agreed with the Tax Authority. Notwithstanding the above, the Parties agree that there shall be a transfer pricing review in accordance with the principles of the OECD Transfer Pricing Guidelines of the fees and charges provided for under this Agreement if it is agreed between the Parties (each party acting reasonably) that such a review would be prudent on the basis of prevailing market practice from time to time and the Parties shall (and shall procure that) such fees and charges are altered prospectively to reflect the provision determined as a consequence of such transfer pricing review.
- (l) The Parties agree to act in good faith in connection with any dealings with a Tax Authority in relation to a transfer pricing enquiry in connection with any product, service or other supply provided under this Agreement and each party shall use its reasonable endeavours in relation to such enquiry to negotiate with the Tax Authority a settlement which minimises the level of any adjustment imposed in order to comply with the “arm’s length” requirements of the applicable transfer pricing rules and the OECD Transfer Pricing Guidelines, as appropriate. In addition, the parties agree to act in good faith and reasonably in relation to any transfer pricing review undertaken in accordance with Section 22.18(k).

SECTION 22.19 Countering Bribery.

- (a) The Joint Venture shall have exclusive control over its employees in the conduct of activities under this Agreement, and shall be regarded as an independent contractor. Except as may be otherwise expressly provided in any Joint Venture Agreements, the Joint Venture is not constituted an agent of the Bank or GPN for any purpose whatsoever and the Joint Venture is expressly prohibited from doing any acts which do or may create the impression or inference that the Joint Venture is an agent of the Bank or GPN, and the Joint Venture is not granted any right or authority to create any obligation or responsibility, express or implied, on behalf of, or in the name of the Bank or GPN in any manner whatsoever.
- (b) The Joint Venture represents to the Bank and GPN that in connection with the transactions contemplated by this Agreement, or in connection with other business transactions involving the Bank or GPN, it has not made and agrees that it shall not make any payment or transfer anything of value, directly or indirectly:
- (i) to any governmental official or employee (including employees of a government corporation or public international organisation) or to any political party or candidate for public office except for any legitimate purpose; or
 - (ii) to any other person or entity if such payments or transfers would violate the Laws of the jurisdiction in which made or the Laws of the United Kingdom.
- (c) It is the intent of the Parties that no payment or transfer of value shall be made by the Joint Venture in connection with the transactions contemplated by this Agreement or in

connection with other business transactions involving the Bank or GPN which has the purpose or effect of public or commercial bribery or acceptance of or acquiescence in extortion, kickbacks, or other unlawful or improper means of obtaining business.

- (d) The Joint Venture further represents and agrees that it is familiar with the provisions of the US Foreign Corrupt Practices Act (**FCPA**) or the equivalent anti-corruption or prevention of bribery legislation applicable to it ("**Other Legislation**") and agrees that:
 - (i) it is not a government official (as the term is defined in the FCPA) or affiliated with any government official;
 - (ii) it has not previously engaged in conduct that would have violated the Other Legislation or FCPA (had the Joint Venture been subject to its terms); and
 - (iii) it shall not violate or cause the Bank or GPN to violate the FCPA or the Other Legislation in connection with the services to be provided by it under this Agreement.
- (e) In the event of termination of this Agreement in accordance with Section 15.4 as a result of a Default in the performance of the Joint Venture's obligations under this Section 22.19, without prejudice to any other rights that the Bank or its Affiliates may have, the Bank and its Affiliates may retain from or charge to the Joint Venture the amount of any costs, fines or penalties which the Bank or any of its Affiliates is required to pay as a consequence of acts by the Joint Venture during the Term.
- (f) In the event of termination of this Agreement in accordance with Section 15.4 as a result of a Default in the performance of the Joint Venture's obligations under this Section 22.19, without prejudice to any other rights that GPUK or its Affiliates may have, GPUK and its Affiliates may retain from or charge to the Joint Venture the amounts of any costs, fines or penalties which GPUK or any of its Affiliates is required to pay as a consequence of acts by the Joint Venture during the Term.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their respective signatories thereunto duly authorised, as of the date first above written.

HSBC BANK PLC

By: /s/ Mark Robinson
Name: _____
Title: _____

GLOBAL PAYMENTS INC.

By: /s/ Suellyn Tornay
Name: _____
Title: _____

HSBC MERCHANT SERVICES LLP

By: /s/ Darren Wilson
Name: _____
Title: _____

[Signature Page – First Amended and Restated Marketing Alliance Agreement]

INSTRUMENT OF TRANSFER

This Instrument of Transfer ("Instrument") is made on this day of June 2009,

BETWEEN

- (1) **HSBC Bank plc** a company incorporated with limited liability in England and Wales with company number 14259 whose registered office is at 8 Canada Square, London E14 5HQ (**Transferor**);
- (2) **Global Payments U.K. Limited** a company registered in England and Wales with company number 6588689 whose registered office is 51 De Montfort Street, Leicester LE1 7BB (**Transferee**); and
- (3) **HSBC Merchant Services LLP** a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000 (registered number OC337146) whose registered office is at 51 De Montfort Street, Leicester, LE1 7BB (**Joint Venture** or **HMS**).

WHEREAS

- (A) The Transferor is a member of the Joint Venture and is entitled under the terms of the Limited Liability Partnership Agreement to certain rights and benefits as a member of the Joint Venture. The Transferor will cease to be a member of the Joint Venture on completion of this Instrument.
- (B) The Transferor has agreed to sell and the Transferee has agreed to purchase 211,228,070 Membership Units (**Sale Membership Units**) on the terms and subject to the conditions of this Instrument and the Limited Liability Partnership Agreement.

IT IS AGREED

1 INTERPRETATION

- 1.1 In this Agreement the following definitions and rules of interpretation apply:

Consideration has the meaning given in clause 3.1.

Limited Liability Partnership Agreement is the agreement entered into between Global Payments U.K. Limited, HSBC Bank plc and the Joint Venture dated 30 June 2008.

Parties means each of the Transferor, the Transferee and the Joint Venture and their respective successors.

1.2 Capitalised terms used but not defined in this Agreement shall bear the same meanings as in the Limited Liability Partnership Agreement and Schedule 1.1 to the Purchase Agreement.

1.3 Clause headings do not affect the interpretation of this Instrument.

2 SALE AND PURCHASE AND COMPLETION

2.1 On the terms of this Instrument and the Limited Liability Partnership Agreement, the Transferor agrees to sell to the Transferee the Sale Membership Units with the same covenants as are implied by Part 1 of the Law of Property (Miscellaneous Provisions) Act 1994 where a disposition is expressed to be made with full title guarantee except that s.3(1) of such act shall apply as if the words “other than” to the end of the sub-section were deleted therefrom and together with all rights that attach, or may in the future attach, to them, including the amount standing to the credit of the Transferor’s Capital Contribution Account and Distribution Account (if any) in respect of the Sale Membership Units.

3 CONSIDERATION

3.1 The consideration payable to the Transferor by the Transferee for sale and purchase of the Sale Membership Units is US\$307,675,375 (**€Consideration**”).

3.2 The Consideration (excluding any profit share) will be allocated by the parties, for the purposes of any relevant tax reporting requirements, on a fair value basis, which is to be agreed between the parties, each party acting reasonably and which shall not be inconsistent with previous valuations.

4 THIRD PARTY RIGHTS

4.1 This Instrument is made for the benefit of the Parties and their successors and is not intended to benefit, or be enforceable by, anyone else.

5 SUCCESSORS

5.1 The rights and obligations of the Transferor and the Transferee under this Instrument shall continue for the benefit of and shall be binding on their respective successors.

6 GOVERNING LAW AND JURISDICTION

6.1 This Instrument shall be governed by and construed in accordance with English Law.

6.2 Any dispute, controversy or claim arising out of or in connection with this Agreement, including any question regarding its existence, validity or termination (**adDispute**) that is not amicably settled by the Parties shall at the request of any Party be referred to and finally resolved by arbitration under the LCIA Rules, which Rules are deemed to be incorporated by reference into this clause.

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- 6.3 The number of arbitrators shall be three. Subject to Article 8 of the LCIA Rules, the Claimant and the Respondent shall each nominate an arbitrator. The LCIA Court shall select and appoint the third arbitrator.
- 6.4 The seat and legal place of arbitration shall be London, England.
- 6.5 The language to be used in the arbitral proceedings shall be English.
- 6.6 If any Dispute raises issues which are substantially the same as or connected with issues raised in a Dispute which has already been referred to arbitration or a dispute under one of the other Operative Documents which has already been referred to arbitration (in either case an “**Existing Dispute**”), or arises out of substantially the same facts as are the subject of an Existing Dispute (in either case, a “**Related Dispute**”), and whether such Existing Dispute involves only the Parties to this Instrument or parties to the other Operative Documents (“**Related Parties**”), subject to the prior agreement in each case of the Parties involved in the Related Dispute, the Arbitral Tribunal appointed or to be appointed in respect of such Existing Dispute shall also be appointed as the Arbitral Tribunal in respect of the Related Dispute. In such case, the Arbitral Tribunal may, subject to the prior agreement of all Parties and other parties involved in the Existing Dispute and the Related Dispute, having regard to the stage of the proceedings of the Existing Dispute and other relevant circumstances, consolidate the proceedings arising out of the Existing Dispute and the Related Dispute. Where one or more members of the Arbitral Tribunal appointed in relation to the Existing Dispute declines appointment in relation to the Related Dispute, replacement arbitrator(s) shall be selected and appointed by the LCIA Court.
- 6.7 The Arbitral Tribunal, once constituted, may, having regard to the stage of the proceedings and other relevant circumstances, upon the application of any Party join any one or more of the Related Parties to arbitration proceedings commenced under this Clause, subject to the agreement of such Related Party or Parties. The Arbitral Tribunal may, upon the request of any Related Party so joined to arbitration proceedings commenced under this Clause, join any one or more of the remaining Related Parties to such arbitration proceedings, subject to the agreement of such Related Party or Parties.

7 EXPENSES

- 7.1 Each Party shall pay its own costs and expenses in connection with this Agreement, any related agreements and the transactions contemplated hereby, including its own attorney’s fees, accounting fees and other expenses.
- 7.2 Each Party will be responsible for its own taxes related in connection with this Agreement.

Executed as a deed by the parties or their duly authorised representatives and delivered on the date of this Agreement.

Signed as a deed by _____ as attorney
for and on behalf of **HSBC Bank plc**
in the presence of a witness:

) /s/ Mark Robinson
) Attorney
)
)

Signature of witness

Name _____

Address _____

Executed as a deed by
Global Payments U.K. Limited
acting by a director in the presence of

)
) /s/ Darren Wilson
) Director

Signature of witness

Name of witness _____

Address of witness _____

Executed and delivered as a deed by
HSBC Merchant services LLP
acting by HSBC Bank Plc and Global Payments
U.K. Ltd, as Designated Members

) /s/ Mark Robinson
) Duly authorised by _____
as attorney on behalf of HSBC Bank Plc
)
) /s/ Darren Wilson
) Duly authorised on behalf of Global Payments U.K. Ltd

EMPLOYMENT AGREEMENT

BETWEEN

CARL J. WILLIAMS

AND

GLOBAL PAYMENTS INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of the 23rd day of July, 2009 by and between Global Payments Inc., a Georgia corporation (the "Company"), and Carl J. Williams ("Executive") and supersedes the Employment Agreement dated March 15, 2004, as amended on December 31, 2008.

BACKGROUND

Executive shall serve as Advisor-Business Development and International Operations. Executive and the Company desire to memorialize the terms of such employment in this Agreement. The terms of this Agreement replace any terms that might have been contained in any previous agreement, letter or other verbal or written 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 January 1, 2009.
2. Employment. Executive is hereby employed as Advisor-Business Development and International Operations, but may be reassigned to such other advisory position as the Chief Executive Officer shall designate. In such capacity, Executive shall have the responsibilities commensurate with such position as shall be assigned to him by the Chief Executive Officer of the Company. During the Regular Employment Period, Executive shall be located in Atlanta, Georgia. During the Extended Employment Period, Executive may elect to relocate at his own expense to any location, which shall be considered Executive's place of business for purposes of business-related travel required of him during the Extended Employment Period.
3. Employment Period. Executive's employment pursuant to the terms of this Agreement shall begin on the Effective Date and continue until August 31, 2010, unless earlier terminated in accordance with Section 7 hereof (the "Employment Period"). The time period between the Effective Date and May 31, 2009 shall be referred to as the "Regular Employment Period" and the time period between June 1, 2009 and August 31, 2010 shall be referred to as the "Extended Employment Period"
4. Extent of Service. During the Employment Period, Executive shall render his services to the Company (or to its successor following a change in control) in conformity with professional standards, in a prudent and workmanlike manner. 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. During the Regular Employment Period, Executive agrees to devote his business time, attention, skill and efforts exclusively to the faithful performance of his duties hereunder; and during the Extended Employment Period, Executive shall be available as is reasonably necessary to provide advisory services to the Company, provided, however, that it shall not be a violation of this Agreement for Executive to (i) devote reasonable periods of time to charitable and community activities and, with the approval of the Company, industry or professional activities, and/or (ii) manage personal business interests and investments, so long as such activities do not materially interfere with the performance of Executive's responsibilities under this Agreement. The foregoing shall apply both before and after a change in control.

5. Compensation and Benefits.

(a) Base Salary. During the Regular Employment Period, the Company will pay to Executive a base salary in the amount of U.S. \$500,000 per year and, during the Extended Employment Period, the Company will pay to Executive a base salary of \$250,000 pro-rated over the fifteen month period (in each case the applicable "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, except as set forth in the next sentence. Notwithstanding the foregoing, for the first six (6) months of the Extended Employment Period, any such payments shall be accumulated and paid to Executive on the first payroll date in the seventh (7th) month following the termination date of the Regular Employment Period. The Executive's Base Salary (as described above) shall not be subject to change during the Employment Period.

(b) Incentive Plans. During the Regular Employment Period, Executive shall be entitled to participate in the annual bonus plan and shall be guaranteed an annual bonus of \$500,000 to be paid at the time annual bonuses are paid to other executives of the Company on or about July of 2009. Also, on or about July of 2009, the Compensation Committee shall review the Company's performance under the performance unit agreement and Executive's performance units originally granted in July of 2008 shall be converted to a restricted stock award on the same calculation as the other executives (which may include a forfeiture of performance units) based on the Company's actual results during the Performance Cycle (as defined in the performance unit agreement). Except as specifically set forth in this Paragraph 5(b), Executive shall not be entitled to receive any salary increases, additional bonuses or any additional incentive plan awards of any kind (including, but not limited to, performance unit awards, stock option awards, or restricted stock awards) after the Effective Date hereunder.

(c) Welfare Benefit Plans. During the Regular 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") and during the Extended Employment Period, Executive and

Executive's family shall be eligible for participation in, and shall receive only the benefits under the plans, practices, policies and programs provided by the Company in connection with medical, prescription, vision, and dental only.

(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.

6. Intentionally omitted.

7. Termination of Employment

(a) Termination by the Company. The Company may terminate Executive's employment without cause at any time during the Employment Period. This Agreement shall automatically terminate upon Executive's death.

(b) Notice of Termination. Any termination by the Company shall be communicated by Notice of Termination to the Executive given in accordance with Section 17(f) of this Agreement.

(c) Date of Termination. "Date of Termination" means (i) the date of death or (2) the date specified in the letter of termination. In no event shall the Date of Termination be later than August 31, 2010.

(d) 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.

8. Obligations of the Company upon Termination

(a) Termination by the Company. If the Company shall terminate Executive's employment, then, (and with respect to the payments and benefits described in clauses (ii) through (v) below, 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):

(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) the Company shall continue to pay Executive his Base Salary as described in Section 5(a), until August 31, 2010 (the "Severance Period"),

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 shall be 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, if required pursuant to Section 409A, for the first six (6) months after the Date of Termination any such payments shall be accumulated and paid to Executive on the first payroll date in the seventh (7th) month following the Date of Termination (the "Pay Date"); and

(iii) 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 reimburse all premiums for such COBRA coverage for Executive and his covered dependents through no later than August 31, 2010, *provided, however*, the obligation of the Company to reimburse 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 the Company's obligation to provide such reimbursement 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

(iv) all of Executive's options to acquire Common Stock of the Company ("Options") that would have become vested (by lapse of time) on or before August 31, 2010 and all of Executive's Restricted Stock that would have had the restrictions lifted (by lapse of time) prior to August 31, 2010 had Executive remained employed during such period will become immediately vested as of the Date of Termination unless Executive has violated any of the Restrictive Covenants (as set forth in Section 13 of this Agreement); and

(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 90th day following the Date of Termination; or (C) the date that is the 10th anniversary of the original date of grant of the Option.

(vi) if the Date of Termination occurs prior to the payment of the bonus and the receipt of the restricted stock award referred to in Section 5(b), then Executive shall also be entitled to receive the annual bonus payment and the restricted stock award set forth in Section 5(b) at the time referred to therein, provided that if the bonus does not qualify for an exemption under Section 409A, the bonus payment will be made on the first business day of the seventh (7th) month following the Date of Termination.

(b) Death. If Executive's employment is terminated by reason of Executive's death, 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 bonus provided for in Section 5(b) if not already paid. 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.

(c) Executive Termination. If Executive terminates employment, this Agreement shall terminate without further obligations to Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits.

9. Non-exclusivity of Rights. Except as set forth herein, 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 modified by this Agreement ("Other Benefits").

10. Intentionally omitted.

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 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).

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 purposes of Section 13 the Company shall be deemed to include its parents, affiliates, and subsidiaries.

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

"Competitive Position" means any employment with a Competitor in which Executive will use or is likely to use any Confidential Information or Trade Secrets, or in which Executive has duties for such Competitor that relate to Competitive Services and that are the same or similar to those services actually performed by Executive for the Company;

"Competitive Services" means the provision of products and services to facilitate or assist with the movement of electronic commerce, including without limitation, payment and financial information, merchant and cardholder processing, credit and debit transaction processing, check guarantee and verification, electronic authorization and capture, terminal management services, portfolio risk management, purchase card services, financial electronic data interchange, and cash management services, including internet applications of any of the foregoing.

"Competitor" means any 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, and MoneyGram Payment Systems, Inc.

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

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

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

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

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

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

“Restricted Period” means the Employment Period and a period extending two (2) years from August 31, 2010.

“Restricted Territory” means countries other than the United States.

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

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

(c) Restrictive Covenants.

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

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

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

(iii) Restriction on Relationships with Protected Customers. Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that, during the Restricted Period, Executive shall not, without the prior written consent of the Company, directly or indirectly, on Executive's own behalf or as a Principal or Representative of any Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom Executive had Material Contact on the Company's behalf during the twelve (12) months immediately preceding the termination of his employment hereunder. For purposes of this Agreement, Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company's behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer; or (c) he obtained Trade Secrets or Confidential Information about the customer as a result of his association with the Company.

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

(d) Enforcement of Restrictive Covenants.

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

(A) the right and remedy to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

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

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

14. Arbitration. Any claim or dispute arising under this Agreement (other than under Section 13) shall be subject to arbitration, and prior to commencing any court action, the parties agree that they shall arbitrate all such controversies.

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

Initials of parties as to this Section 14:

Company: _____

Executive: _____

15. Intentionally Omitted.

16. Assignment and Successors.

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

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

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

17. Miscellaneous.

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

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

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

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

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

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

To Company:	Global Payments Inc. 10B Glenlake Parkway Atlanta, Georgia 30328 Office of the Corporate Secretary
To Executive:	Carl J. Williams 1561 Cave Road Atlanta, Georgia 30327

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 409. 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 separation or severance from service as defined in Section 409A.

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

GLOBAL PAYMENTS INC.

By: /s/ Suellen P. Tornay
Name: Suellen P. Tornay
Title: General Counsel and Executive Vice President

Date: July 23, 2009

EXECUTIVE:

/s/ Carl J. Williams
Carl J. Williams

EXHIBIT A Form of Release

This Release is granted effective as of the day of , , by Carl J. Williams (“Executive”) in favor of Global Payments Inc. (the “Company”). This is the Release referred to that certain Employment Agreement effective as of February , 2009 by and between the Company and Executive (the “Employment Agreement”). Executive gives this Release in consideration of the Company’s promises and covenants as recited in the Employment Agreement, with respect to which this Release is an integral part.

1. Release of the Company. Executive, for himself, his successors, assigns, attorneys, and all those entitled to assert his rights, now and forever hereby releases and discharges the Company and its respective officers, directors, stockholders, trustees, employees, agents, parent corporations, subsidiaries, affiliates, estates, successors, assigns and attorneys (“the Released Parties”), from any and all claims, actions, causes of action, sums of money due, suits, debts, liens, covenants, contracts, obligations, costs, expenses, damages, judgments, agreements, promises, demands, claims for attorney’s fees and costs, or liabilities whatsoever, in law or in equity, which Executive ever had or now has against the Released Parties, including any claims arising by reason of or in any way connected with any employment relationship which existed between the Company or any of its parents, subsidiaries, affiliates, or predecessors, and Executive. It is understood and agreed that this Release is intended to cover all actions, causes of action, claims or demands for any damage, loss or injury, which may be traced either directly or indirectly to the aforesaid employment relationship, or the termination of that relationship, that Executive has, had or purports to have, from the beginning of time to the date of this Release, whether known or unknown, that now exists, no matter how remotely they may be related to the aforesaid employment relationship. You acknowledge and agree that this release includes, but is not limited to, claims arising under federal, state, or local laws prohibiting employment discrimination and claims growing out of any legal restrictions of Company’s rights to terminate employees or to take any other employment action, whether statutory, contractual or arising under common law or case law. You specifically acknowledge and agree that you are releasing any and all rights/claims under federal, state and local employment laws, including, without limitation, the Civil Rights Act of 1964 (“Title VII”), as amended (including amendments made through the Civil Rights Act of 1991), 42 U.S.C. Section 2000e, et seq., 42 U.S.C. Section 1981, as amended, the Americans With Disabilities Act (“ADA”), as amended, 42 U.S.C. Section 12101, et. Seq., the Rehabilitation Act of 1973, as amended, 29 U.S.C. Section 701, et seq., the Employee Retirement Income Security Act of 1974 (“ERISA”) as amended, 29 U.S.C. Section 301, et seq., the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Section 2101, et seq., the Family and Medical Leave Act of 1993 (“FMLA”), as amended, 29 U.S.C. Section 2601 et. seq., the Fair Labor Standards Act (“FLSA”), as amended, 29 U.S.C. Section 201 et seq., the Employee Polygraph Protection Act of 1988, 29 U.S.C. Section 2001, et. seq., the Age Discrimination in Employment Act of 1967 (“ADEA”) as amended, 29 U.S.C. Section 621, et seq., and any other state or federal law or regulation relating to employment, employment discrimination, emotional and/or mental distress, defamation,

privacy, breach of contract, workers' compensation, claims for attorney's fees, expenses and costs; claims for defamation; claims for wages or vacation pay; claims for benefits, and provided, however, that nothing herein shall release the Company of its obligations to Executive under the Employment Agreement or any other contractual obligations between the Company or its affiliates and Executive, or any indemnification obligations to Executive under the Company's bylaws, certificate of incorporation, Delaware law or otherwise.

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

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

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

LIST OF SUBSIDIARIES

Global Payments Inc. has the following subsidiaries and ownership interests.

<u>Name</u>	<u>Jurisdiction of Organization</u>
DolEx Belgium, S.P.R.L	Belgium
DolEx Dollar Express, Inc.	Texas
DolEx Envios de Guatemala, S.A. de C.V.	Guatemala
DolEx Envios, S.A. de C.V.	Mexico
DolEx Europe, S.L.	Spain
Equifax Credit Services, LLC	Russian Federation (1)
Global Payment Holding Company	Delaware
Global Payment Systems Asia Pacific (Malaysia) Sdn. Bhd.	Malaysia
Global Payment Systems LLC	Georgia
Global Payment Systems of Canada, Ltd.	Canada
Global Payments Acquisition Corp 1 B.V.	Netherlands
Global Payments Acquisition Corp 2 B.V.	Netherlands
Global Payments Acquisition Corp 3 B.V.	Netherlands
Global Payments Acquisition Corp 4 B.V.	Netherlands
Global Payments Acquisition Corporation 2 S.á.r.l.	Luxembourg
Global Payments Acquisition Corporation 3 S.á.r.l.	Luxembourg
Global Payments Acquisition Corporation 4 S.á.r.l.	Luxembourg
Global Payments Acquisition PS 1 C.V.	Netherlands
Global Payments Acquisition PS 2 C.V.	Netherlands
Global Payments Acquisition PSI – Global Payments Direct S.e.n.c.	Luxembourg
Global Payments Asia Pacific (Hong Kong) Limited	Hong Kong
Global Payments Asia Pacific (Hong Kong Holding) Limited	Hong Kong
Global Payments Asia Pacific India Private Limited	India
Global Payments Asia Pacific Lanka (Private) Limited	Sri Lanka
Global Payments Asia Pacific Limited	Hong Kong
Global Payments Asia Pacific Philippines Incorporated	Philippines
Global Payments Asia Pacific Processing Company Limited	Hong Kong
Global Payments Asia Pacific (Shanghai) Limited	People's Republic of China
Global Payments Asia Pacific (Singapore) Private Limited	Singapore
Global Payments Asia Pacific (Singapore Holding) Limited	Singapore
Global Payments Canada GP	Canada
Global Payments Canada Inc.	Canada
Global Payments Card Processing Malaysia Sdn. Bhd	Malaysia
Global Payments Check Recovery Services, Inc.	Georgia
Global Payments Check Services, Inc.	Illinois
Global Payments Comerica Alliance, LLC	Delaware (2)
Global Payments Direct, Inc.	New York
Global Payments Europe, d.o.o.	Bosnia and Herzegovina
Global Payments Europe, s.r.o.	Czech Republic
Global Payments Gaming International, Inc.	Georgia
Global Payments Gaming Services, Inc.	Illinois
Global Payments U.K. Ltd.	United Kingdom
Global Payments Ukraine LLC	Ukraine
GP Finance, Inc.	Delaware
GPS Holding Limited Partnership	Georgia
HSBC Merchant Services LLP	United Kingdom
Latin America Money Services, LLC	Delaware
Merchant Services U.S.A., Inc.	North Carolina
Modular Data, Inc.	Delaware
NDC Holdings (UK) Ltd.	Georgia
NDPS Holdings, Inc.	Delaware
OOO UCS-Terminal	Russian Federation
United Card Service Private Company	Russian Federation
United Europhil UK, Ltd.	United Kingdom
United Europhil, S.A.	Spain

(1) Equifax Credit Services LLC has a member unrelated to Global Payments Inc. which owns a 50% interest.

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

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-53774 and 333-120640 on Form S-8 and in Registration Statements No. 333-113696 and 333-111768 on Forms S-3 and S-3/A of our report dated July 28, 2009 relating to the consolidated financial statements and financial statement schedule of Global Payments Inc. and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the change in method of accounting for uncertainty in income taxes to conform to Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on June 1, 2007) and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended May 31, 2009.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

July 28, 2009

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

I, Paul R. Garcia, certify that:

1. I have reviewed this annual report on Form 10-K of Global Payments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2009

By: _____ /s/ PAUL R. GARCIA
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 annual report on Form 10-K of Global Payments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2009

By: _____ /s/ **DAVID E. MANGUM**
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 Annual Report of Global Payments Inc. (the "Company") on Form 10-K for the period ended May 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul R. Garcia, Chief Executive Officer of the Company, and David E. Mangum, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ PAUL R. GARCIA

Paul R. Garcia
Chief Executive Officer
Global Payments Inc.
July 28, 2009

/s/ DAVID E. MANGUM

David E. Mangum
Chief Financial Officer
Global Payments Inc.
July 28, 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.