

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended August 31, 2013

OR

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

For the transition period from to

Commission file number: 001-16111



GLOBAL PAYMENTS INC.

(Exact name of registrant as specified in charter)

Georgia

(State or other jurisdiction of
incorporation or organization)

58-2567903

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

10 Glenlake Parkway, North Tower, Atlanta, Georgia

(Address of principal executive offices)

30328

(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Yes No

The number of shares of the issuer's common stock, no par value outstanding as of September 18, 2013 was 72,888,911.

GLOBAL PAYMENTS INC.
FORM 10-Q
For the quarterly period ended August 31, 2013

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PART 1 - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

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

	Three Months Ended	
	August 31, 2013	August 31, 2012
Revenues	\$ 629,685	\$ 590,287
Operating expenses:		
Cost of service	230,745	204,391
Sales, general and administrative	291,556	281,419
Processing system intrusion	—	23,989
	522,301	509,799
Operating income	107,384	80,488
Other income (expense):		
Interest and other income	3,338	1,983
Interest and other expense	(7,879)	(3,545)
	(4,541)	(1,562)
Income before income taxes	102,843	78,926
Provision for income taxes	(31,135)	(24,764)
Net income	71,708	54,162
Less: Net income attributable to non-controlling interest, net of income tax provision of \$1,749 and \$1,620, respectively	(7,065)	(7,487)
Net income attributable to Global Payments	\$ 64,643	\$ 46,675
Earnings per share attributable to Global Payments:		
Basic	\$ 0.88	\$ 0.59
Diluted	\$ 0.87	\$ 0.59

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	August 31, 2013	August 31, 2012
Net income	\$ 71,708	\$ 54,162
Other comprehensive income (loss):		
Foreign currency translation adjustments	(2,288)	41,041
Income tax benefit (provision) related to foreign currency translation adjustments	2,536	(6,579)
Other comprehensive income, net of tax	248	34,462
Comprehensive income	71,956	88,624
Less: comprehensive income attributable to non-controlling interests	(9,627)	(10,451)
Comprehensive income attributable to Global Payments	<u>\$ 62,329</u>	<u>\$ 78,173</u>

See Notes to Unaudited Consolidated Financial Statements.

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

	<u>August 31,</u> <u>2013</u>	<u>May 31, 2013</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 725,887	\$ 680,470
Accounts receivable, net of allowances for doubtful accounts of \$518 and \$509, respectively	188,633	189,435
Claims receivable, net of allowances for losses of \$4,248 and \$3,144, respectively	1,100	1,156
Settlement processing assets	611,602	259,204
Inventory	6,677	11,057
Deferred income taxes	6,317	6,485
Prepaid expenses and other current assets	49,852	66,685
Total current assets	<u>1,590,068</u>	<u>1,214,492</u>
Goodwill	1,047,578	1,044,222
Other intangible assets, net	387,234	400,848
Property and equipment, net	355,370	348,064
Deferred income taxes	96,646	95,178
Other	22,594	22,252
Total assets	<u>\$ 3,499,490</u>	<u>\$ 3,125,056</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Lines of credit	\$ 328,487	\$ 187,461
Current portion of long-term debt	72,228	72,335
Accounts payable and accrued liabilities	224,100	262,890
Settlement processing obligations	400,887	162,558
Income taxes payable	19,118	18,870
Total current liabilities	<u>1,044,820</u>	<u>704,114</u>
Long-term debt	1,000,383	891,134
Deferred income taxes	173,573	170,723
Other long-term liabilities	76,025	72,478
Total liabilities	<u>2,294,801</u>	<u>1,838,449</u>
Commitments and contingencies (See Note 13)		
Equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued	—	—
Common stock, no par value; 200,000,000 shares authorized; 72,919,576 issued and outstanding at August 31, 2013 and 75,426,099 issued and outstanding at May 31, 2013	—	—
Paid-in capital	166,848	202,396
Retained earnings	917,550	958,751
Accumulated other comprehensive loss	(17,376)	(15,062)
Total Global Payments shareholders' equity	<u>1,067,022</u>	<u>1,146,085</u>
Non-controlling interest	137,667	140,522
Total equity	<u>1,204,689</u>	<u>1,286,607</u>
Total liabilities and equity	<u>\$ 3,499,490</u>	<u>\$ 3,125,056</u>

See Notes to Unaudited Consolidated Financial Statements.

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

	Three Months Ended	
	August 31, 2013	August 31, 2012
Cash flows from operating activities:		
Net income	\$ 71,708	\$ 54,162
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization of property and equipment	13,981	12,670
Amortization of acquired intangibles	14,393	11,225
Share-based compensation expense	4,788	4,222
Provision for operating losses and bad debts	5,234	6,012
Deferred income taxes	5,784	10,273
Other, net	(1,891)	(941)
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	802	3,087
Claims receivable	(3,864)	(3,272)
Settlement processing assets and obligations, net	(115,383)	(7,839)
Inventory	4,448	(2,992)
Prepaid expenses and other assets	16,772	(8,513)
Accounts payable and other accrued liabilities	(40,207)	(15,294)
Income taxes payable	248	5,827
Net cash (used in) provided by operating activities	<u>(23,187)</u>	<u>68,627</u>
Cash flows from investing activities:		
Business, intangible and other asset acquisitions, net of cash acquired	—	(190)
Capital expenditures	(20,263)	(29,237)
Net decrease in financing receivables	665	740
Proceeds from sale of investment	990	—
Net cash used in investing activities	<u>(18,608)</u>	<u>(28,687)</u>
Cash flows from financing activities:		
Net borrowings (payments) on short-term lines of credit	141,026	(6,137)
Proceeds from issuance of long-term debt	440,000	50,000
Principal payments under long-term debt	(331,515)	(30,080)
Proceeds from stock issued under employee stock plans	3,998	4,375
Common stock repurchased - share-based compensation plans	(4,604)	(6,348)
Repurchase of common stock	(143,700)	(3,249)
Tax benefit from employee share-based compensation	1,213	1,733
Distributions to non-controlling interests	(12,482)	(2,733)
Dividends paid	(1,456)	(1,578)
Net cash provided by financing activities	<u>92,480</u>	<u>5,983</u>
Effect of exchange rate changes on cash	(5,268)	14,133
Increase in cash and cash equivalents	45,417	60,056
Cash and cash equivalents, beginning of the period	680,470	781,275
Cash and cash equivalents, end of the period	<u>\$ 725,887</u>	<u>\$ 841,331</u>

See Notes to Unaudited Consolidated Financial Statements.

GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at May 31, 2013	75,426	\$ 202,396	\$ 958,751	\$ (15,062)	\$ 1,146,085	\$ 140,522	\$ 1,286,607
Net income			64,643		64,643	7,065	71,708
Foreign currency translation adjustment, net of tax of \$2,536				(2,314)	(2,314)	2,562	248
Stock issued under employee stock plans	886	3,998			3,998		3,998
Common stock repurchased - share-based compensation plans	(341)	(5,413)			(5,413)		(5,413)
Tax benefit from employee share-based compensation, net		1,088			1,088		1,088
Share-based compensation expense		4,788			4,788		4,788
Distributions to non-controlling interest						(12,482)	(12,482)
Repurchase of common stock	(3,051)	(40,009)	(104,388)		(144,397)		(144,397)
Dividends paid (\$0.02 per share)			(1,456)		(1,456)		(1,456)
Balance at August 31, 2013	72,920	\$ 166,848	\$ 917,550	\$ (17,376)	\$ 1,067,022	\$ 137,667	\$ 1,204,689

See Notes to Unaudited Consolidated Financial Statements.

GLOBAL PAYMENTS INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Global Payments Shareholders' Equity	Non-controlling Interest	Total Equity
Balance at May 31, 2012	78,551	\$ 358,728	\$ 843,456	\$ (30,000)	\$ 1,172,184	\$ 128,737	\$ 1,300,921
Net income			46,675		46,675	5,673	52,348
Foreign currency translation adjustment, net of tax of (\$6,579)				31,498	31,498	2,391	33,889
Stock issued under employee stock plans	615	4,375			4,375		4,375
Common stock repurchased - share-based compensation plans	(236)	(10,135)			(10,135)		(10,135)
Tax benefit from employee share-based compensation, net		1,395			1,395		1,395
Share-based compensation expense		4,222			4,222		4,222
Distributions to non-controlling interest						(2,733)	(2,733)
Redeemable non-controlling interest valuation adjustment			817		817		817
Repurchase of common stock	(110)	(4,493)			(4,493)		(4,493)
Commitment to purchase redeemable non-controlling interest		(96,008)			(96,008)		(96,008)
Dividends paid (\$0.02 per share)			(1,578)		(1,578)		(1,578)
Balance at August 31, 2012	78,820	\$ 258,084	\$ 889,370	\$ 1,498	\$ 1,148,952	\$ 134,068	\$ 1,283,020

See Notes to Unaudited Consolidated Financial Statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business, Consolidation and Presentation— Global Payments Inc. is a high-volume processor of electronic transactions for merchants, multinational corporations, financial institutions, consumers, government agencies and other 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 been in the payments business since 1967.

These unaudited consolidated financial statements include our accounts and those of our majority-owned subsidiaries and all intercompany balances and transactions have been eliminated. These unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with Rule 10-01 of Regulation S-X.

In the opinion of our management, all known adjustments necessary for a fair presentation of the results of the interim periods have been made. These adjustments consist of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. We suggest that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended May 31, 2013.

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

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

Cash and cash equivalents— Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased. Cash and cash equivalents include reserve funds collected from our merchants that serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement ("Merchant Reserves"). We record a corresponding liability in settlement processing assets and settlement processing obligations in our consolidated balance sheet. While this cash is not restricted in its use, we believe that designating this cash to collateralize Merchant Reserves strengthens our fiduciary standing with our member sponsors and is in accordance with guidelines set by the card networks. As of August 31, 2013 and May 31, 2013, our cash and cash equivalents included \$272.4 million and \$280.7 million, respectively, related to Merchant Reserves.

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

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

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Settlement processing assets and obligations— Settlement processing assets and obligations represent intermediary balances arising in our settlement process for direct merchants. In accordance with Accounting Standards Codification ("ASC") 210-20, *Offsetting*, we apply offsetting to our settlement processing assets and obligations where legal right of set-off exists. Please see Note 3 - Settlement Processing Assets and Obligations for further information.

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

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

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

As of August 31, 2013 and May 31, 2013, \$2.2 million and \$2.3 million, respectively, has been recorded to reflect the fair value of guarantees associated with merchant card processing. These amounts are included in settlement processing obligations in the accompanying consolidated balance sheets. The expense associated with the fair value of the guarantees of customer chargebacks is included in cost of service in the accompanying consolidated statements of income. For the three months ended August 31, 2013 and August 31, 2012, we recorded such expenses in the amounts of \$1.3 million and \$2.8 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 payor's bank in accordance with the merchant's agreement with us. The fair value of the check guarantee approximates cost and is equal to the fee charged for the guarantee service, and we defer this fee revenue until the guarantee is satisfied. We have the right to collect the full amount of the check from the payor but have not historically recovered 100% of the guaranteed checks. Our check guarantee loss reserve is comprised of estimated losses on returned checks and estimated incurred but not reported losses. We estimate the loss on returned checks by applying historical collection rates to our claims receivable balance. We estimate incurred but not reported losses by applying historical loss ratios to the face value of our guaranteed checks. As of August 31, 2013 and May 31, 2013, we had a check guarantee loss reserve of \$4.2 million and \$3.1 million, respectively, which is included in net claims receivable in the accompanying consolidated balance sheets. For the three months ended August 31, 2013 and August 31, 2012, we recorded expenses of \$3.9 million and \$3.2 million, respectively, which are included in cost of service in the accompanying consolidated statements of income. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the receivable valuation allowance.

As the potential for merchants' failure to settle individual reversed charges from consumers in our merchant credit card processing offering and the timing of individual checks clearing the payors' 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.

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Property and equipment— Property and equipment are stated at amortized cost. Depreciation and amortization are calculated using the straight-line method, except for certain technology assets discussed below. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the asset. Maintenance and repairs are charged to operations as incurred.

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

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

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

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

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

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

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

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

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

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

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.

Our effective tax rates were 30.3% and 31.4% for the three months ended August 31, 2013 and August 31, 2012, respectively. The effective tax rates for the three months ended August 31, 2013 and August 31, 2012 reflect reductions to our U.K. deferred tax asset due to legislated enacted corporate tax rate reductions in the United Kingdom of 3% and 2%, respectively. Please see Note 7— Income Tax for further information.

Fair value measurements— GAAP requires disclosures about assets and liabilities that are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The reporting standard establishes consistency and comparability by providing a fair value hierarchy that prioritizes the inputs to valuation techniques into three broad levels. Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Level 2 inputs are based on other observable market data, such as quoted prices for similar assets and liabilities, and inputs other than quoted prices that are observable such as interest rates and yield curves. Level 3 inputs are developed from unobservable data reflecting our assumptions, and include situations where there is little or no market activity for the asset or liability.

Fair value of financial instruments— We consider that the carrying amounts of our financial instruments, including cash and cash equivalents, receivables, lines of credit, accounts payable and accrued liabilities, approximate their fair value given the short-term nature of these items. Our term loans include variable interest rates based on the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. At August 31, 2013, the carrying amount of our term loans approximates fair value, which is calculated using Level 2 inputs. Our subsidiary in the Russian Federation has notes payable with a fixed interest rate of 8.5% and maturity dates ranging from September 2013 through November 2016. At August 31, 2013, we believe the carrying amount of these notes approximates fair value, which is calculated using Level 3 inputs. Please see Note 6 – Long-Term Debt and Credit Facilities for further information.

Financing receivables— Our subsidiary in the Russian Federation purchases Automated Teller Machines ("ATMs") and leases those ATMs to our sponsor bank. We have determined these arrangements to be direct financing leases. Accordingly, we have \$5.6 million and \$6.3 million of financing receivables included in our August 31, 2013 and May 31, 2013 consolidated balance sheets, respectively.

There is an inherent risk that our customer may not pay the contractual balances due. We periodically review the financing receivables for credit losses and past due balances to determine whether an allowance should be recorded. Historically we have not

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had any credit losses or past due balances associated with these receivables, and therefore we do not have an allowance recorded. We have had no financing receivables modified as troubled debt restructurings nor have we had any purchases or sales of financing receivables.

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 three months ended August 31, 2013 and August 31, 2012, our transaction gains and losses were insignificant.

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

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

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period and the impact of securities that would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period are assumed to have a dilutive effect on earnings per share. The diluted share base for the three months ended August 31, 2012 excludes shares of 0.6 million related to stock options. These shares were not considered in computing diluted earnings per share because including them would have had an antidilutive effect. There were no excluded shares for the three months ended August 31, 2013 related to stock options. No additional securities were outstanding that could potentially dilute basic earnings per share.

The following table sets forth the computation of diluted weighted average shares outstanding for the three months ended August 31, 2013 and August 31, 2012:

	Three Months Ended	
	August 31, 2013	August 31, 2012
	(in thousands)	
Basic weighted average shares outstanding	73,765	78,604
Plus: dilutive effect of stock options and other share-based awards	524	439
Diluted weighted average shares outstanding	<u>74,289</u>	<u>79,043</u>

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

In July 2013, the FASB issued Accounting Standards Update ("ASU") 2013-11, "*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*" ("ASU 2013-11"). The amendments in ASU 2013-11 require an entity to present an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for an net operating loss ("NOL") carryforward, a similar tax loss, or a tax credit carryforward except when: (1) An NOL carryforward, a similar tax loss, or a tax credit carryforward is not available as of the reporting date under the governing tax law to settle taxes that would result from the disallowance of the tax position; or (2) The entity does not intend to use the deferred tax asset for this purpose (provided that the tax law permits a choice). If either of these conditions exists, an entity should present an unrecognized tax benefit in the financial statements as a liability and should not net the unrecognized tax benefit with a deferred tax asset. The amendment does not affect the recognition or measurement of uncertain tax positions under ASC 740.5. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments

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should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. We do not expect this ASU to have an impact to our consolidated financial statements.

In July 2013, the FASB issued ASU 2013-10, "*Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*" ("ASU 2013-10"). The amendments in ASU 2013-10 permit an entity to designate Fed Funds Effective Swap Rate, also referred to as the overnight index swap rate, as a benchmark interest rate for hedge accounting purposes. In addition, the amendment removes the restriction on using different benchmark interest rates for similar hedges. The amendment is applicable to all entities that elect to apply hedge accounting of the benchmark interest rate under ASC 815. The amendment is effective immediately. This amendment did not have an impact to our consolidated financial statements.

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

NOTE 2—PROCESSING SYSTEM INTRUSION

In early March of 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. Our investigation also revealed potential unauthorized access to servers containing personal information collected from merchants who applied for processing services. As a result of this incident, certain card networks removed us from their list of Payment Card Industry Data Security Standards ("PCI DSS") compliant service providers. We have since received reports on compliance covering all our systems that process, store, transmit or otherwise utilize card data and we have been returned to the network list of PCI compliant service providers. During the three months ended August 31, 2012, we recorded \$24.0 million of expense associated with this incident. To date, we have not experienced a material loss of revenue that we can confirm has been related to this incident. However, this incident and our related remediation efforts could potentially have a negative impact on future revenues.

During fiscal 2013 we received \$20.0 million in insurance recoveries associated with this incident. We anticipate that we may receive additional recoveries during fiscal 2014. We will record receivables for any additional recoveries in the periods in which we determine such recovery is probable and the amount can be reasonably estimated.

NOTE 3—SETTLEMENT PROCESSING ASSETS AND OBLIGATIONS

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

Funds settlement refers to the process of transferring funds for sales and credits between card issuers and merchants. For transactions processed on our systems, we use our internal network telecommunication infrastructure to provide funding instructions to the Members who in turn fund the merchants. The standards of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant is funded. However, in practice and in accordance with the terms of our sponsorship agreements with our Members, we generally follow a net settlement process whereby, if the incoming amount from the card networks precedes the Member's funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member in our account at the Member bank and record a corresponding liability. Conversely, if the Member's funding obligation to the merchant precedes the incoming amount from the card networks, the amount of the Member's net receivable position is either subsequently advanced to the Member by us or the Member satisfies this obligation with its own funds. If the Member uses its own funds, the Member may assess funding cost,

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which is included in interest and other expense on the accompanying consolidated statements of income. Each participant in the transaction process receives compensation for its services.

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

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

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

	August 31, 2013	May 31, 2013
	(in thousands)	
Settlement processing assets:		
Interchange reimbursement	\$ 68,572	\$ 70,348
Receivable from Members	249,590	117,404
Receivable from networks	355,222	126,136
Exception items	3,938	2,725
Merchant Reserves	(65,720)	(57,409)
Total	\$ 611,602	\$ 259,204
Settlement processing obligations:		
Interchange reimbursement	\$ 197,772	\$ 200,319
Liability to Members	(14,765)	(27,717)
Liability to merchants	(384,253)	(120,875)
Exception items	10,282	12,308
Merchant Reserves	(206,700)	(223,314)
Reserve for operating losses	(2,249)	(2,318)
Reserves for sales allowances	(974)	(961)
Total	\$ (400,887)	\$ (162,558)

NOTE 4—BUSINESS AND INTANGIBLE ASSET ACQUISITIONS

Fiscal 2013

Accelerated Payment Technologies

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

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

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

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

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

	Unaudited	
	August 31, 2012 (Actual)	August 31, 2012 (Pro forma)
	(in thousands, except per share data)	
Total revenues	\$ 590,287	\$ 593,673
Net income attributable to Global Payments	\$ 46,675	\$ 47,883
Net income per share attributable to Global Payments, basic	\$ 0.59	\$ 0.61
Net income per share attributable to Global Payments, diluted	\$ 0.59	\$ 0.61

Redeemable Non-controlling Interest Acquisition

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

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

Banca Civica

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

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

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Goodwill	\$ 4,445
Customer-related intangible assets	4,576
Contract-based intangible assets	13,858
Net assets acquired	<u>\$ 22,879</u>

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

NOTE 5—GOODWILL AND INTANGIBLE ASSETS

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

	August 31, 2013	May 31, 2013
(in thousands)		
Goodwill	<u>\$ 1,047,578</u>	<u>\$ 1,044,222</u>
Other intangible assets:		
Customer-related intangible assets	\$ 559,504	\$ 559,884
Trademarks	6,095	6,390
Acquired technology	15,000	15,000
Contract-based intangible assets	111,482	110,234
	<u>692,081</u>	<u>691,508</u>
Less accumulated amortization:		
Customer-related intangible assets	274,250	262,649
Trademarks	3,912	3,967
Acquired technology	1,716	1,248
Contract-based intangible assets	24,969	22,796
	<u>304,847</u>	<u>290,660</u>
	<u>\$ 387,234</u>	<u>\$ 400,848</u>

The following table discloses the changes in the carrying amount of goodwill for the three months ended August 31, 2013:

	North America merchant services	International merchant services	Total
(in thousands)			
Balance at May 31, 2013	\$ 519,175	\$ 525,047	\$ 1,044,222
Accumulated impairment losses	—	—	—
	<u>\$ 519,175</u>	<u>\$ 525,047</u>	<u>\$ 1,044,222</u>
Goodwill acquired	—	—	—
Effect of foreign currency translation	(1,450)	4,806	3,356
Balance at August 31, 2013	<u>\$ 517,725</u>	<u>\$ 529,853</u>	<u>\$ 1,047,578</u>

NOTE 6—LONG-TERM DEBT AND CREDIT FACILITIES

Outstanding debt consisted of the following:

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	August 31, 2013	May 31, 2013
	(in thousands)	
Lines of credit:		
Corporate Credit Facility - long-term	\$ 419,651	\$ 309,955
Short-term lines of credit:		
United Kingdom Credit Facility	75,307	74,146
Hong Kong Credit Facility	57,760	38,134
Spain Credit Facility	159,058	28,041
Malaysia Credit Facility	12,016	14,025
Taiwan Credit Facility	5,563	8,359
Canada Credit Facility	—	6,866
Singapore Credit Facility	7,535	6,459
Philippines Credit Facility	6,082	6,384
Sri Lanka Credit Facility	1,875	1,978
Macau Credit Facility	1,766	1,966
Maldives Credit Facility	942	741
Brunei Credit Facility	583	362
Total short-term lines of credit	\$ 328,487	\$ 187,461
Total lines of credit	748,138	497,416
Notes payable	5,460	6,014
Term loan	647,500	647,500
Total debt	\$ 1,401,098	\$ 1,150,930
Current portion	\$ 400,715	\$ 259,796
Long-term debt	1,000,383	891,134
Total debt	\$ 1,401,098	\$ 1,150,930

Lines of Credit

The Corporate Credit Facility is available for general corporate purposes and to fund future strategic acquisitions. As of August 31, 2013, the interest rate on the Corporate Credit Facility was 2.2% and the facility expires on December 7, 2015. Our short-term lines of credit are primarily used to fund settlement. For certain of our lines of credit, the line of credit balance is reduced by the amount of cash we have on deposit in specific accounts with the lender when determining compliance with the credit limit. Accordingly, the line of credit balance may exceed the stated credit limit at any given point in time, when in fact the combined position is less than the credit limit. The total available incremental borrowings at August 31, 2013 were \$330.3 million under our Corporate Credit Facilities. As of August 31, 2013, we had \$660.8 million available to fund settlement under our short-term lines of credit.

Term Loan

On September 28, 2012, we entered into a five-year unsecured \$700.0 million term loan agreement with a syndicate of banks. The term loan expires in September 2017 and bears interest, at our election, at the prime rate or London Interbank Offer Rate ("LIBOR"), plus a leverage based margin. As of August 31, 2013 the interest rate on the term loan was 2.2%. The term loan has scheduled quarterly principal payments of \$17.5 million at the end of each fiscal quarter through maturity. As of August 31, 2013, the outstanding balance of the term loan was \$647.5 million. The August 2013 scheduled principal payment was due on a weekend. As a result, the principal payment was made on the following business day, September 3, 2013.

Notes Payable

United Card Services, our subsidiary in the Russian Federation, has notes payable with a total outstanding balance of approximately \$5.5 million at August 31, 2013. These notes have a fixed interest rate of 8.5% with maturity dates ranging from September 2013 through November 2016.

Compliance with Covenants

There are certain financial and non-financial covenants contained in our various credit facilities and term loans. Our term loan agreements include financial covenants requiring a leverage ratio no greater than 3.25 to 1.00 and a fixed charge coverage ratio no less than 2.50 to 1.00. We complied with these covenants as of and for the three months ended August 31, 2013 and August 31, 2012.

NOTE 7—INCOME TAX

We have a deferred tax asset of \$87.9 million at August 31, 2013 primarily associated with the purchase of the remaining 49% interest in HSBC Merchant Services LLP in fiscal 2010.

Our effective tax rates were 30.3% and 31.4% for the three months ended August 31, 2013 and August 31, 2012, respectively. The effective tax rates for the three months ended August 31, 2013 and August 31, 2012 reflect reductions to our UK deferred tax asset due to legislated enacted corporate tax rate reductions in the United Kingdom of 3% and 2%, respectively.

As of August 31, 2013 and May 31, 2013, other long-term liabilities included liabilities for unrecognized income tax benefits of \$57.1 million and \$53.8 million, respectively. During the three months ended August 31, 2013, we recognized an increase in liabilities of \$3.3 million for unrecognized income tax benefits. During the three months ended August 31, 2013 and August 31, 2012, amounts recorded for accrued interest and penalty expense related to the unrecognized income tax benefits were insignificant.

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, United Kingdom and Canada. We are currently under audit with the United States Internal Revenue Service for fiscal years 2011 and 2010. We are no longer subject to income tax examinations for years ended May 31, 2006 and prior.

NOTE 8—SHAREHOLDERS' EQUITY

On July 25, 2013, our Board of Directors approved a share repurchase program that authorized the purchase of up to \$250.0 million of Global Payments' common stock. Pursuant to prior authorization and the authorization described above, we repurchased 3,051,070 shares of our common stock at a cost of \$144.4 million, or an average of \$47.33 per share, including commissions, during the three months ended August 31, 2013. We have \$230.3 million remaining under the share repurchase program.

NOTE 9—SHARE-BASED AWARDS AND OPTIONS

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

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

The 2011 Plan permits grants of equity to employees, officers, directors and consultants. A total of 7.0 million shares of our common stock was reserved and made available for issuance pursuant to awards granted under the 2011 Plan. Effective with the adoption of the 2011 Plan, there will be no future grants under the 2005 Plan.

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

	Three Months Ended	
	August 31, 2013	August 31, 2012
	(in millions)	
Share-based compensation expense	\$ 4.8	\$ 4.2
Income tax benefit	\$ 1.1	\$ 1.4

Restricted Stock

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

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

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

The following table summarizes the changes in non-vested restricted stock awards for the three months ended August 31, 2013 (share awards in thousands):

	Shares	Weighted Average Grant-Date Fair Value
Non-vested at May 31, 2013	1,096	\$ 44
Granted	491	46
Vested	(340)	43
Forfeited	(92)	44
Non-vested at August 31, 2013	<u>1,155</u>	<u>45</u>

The total fair value of share awards vested during the three months ended August 31, 2013 and August 31, 2012 was \$14.7 million and \$13.2 million, respectively.

We recognized compensation expense for restricted stock of \$4.3 million and \$3.6 million in the three months ended August 31, 2013 and August 31, 2012, respectively. As of August 31, 2013, there was \$51.3 million of total unrecognized compensation cost related to non-vested restricted stock awards that is expected to be recognized over a weighted average period of 2.8 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 our common 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 August 31, 2013, 1.1 million shares had been issued under this plan, with 1.3 million shares reserved for future issuance. We recognized compensation expense for the plan of \$0.1 million in both the three months ended August 31, 2013 and August 31, 2012.

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

Stock Options

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

The following is a summary of our stock option activity as of and for the three months ended August 31, 2013:

	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at May 31, 2013	1,765	\$ 35	3.5	\$ 23.9
Granted	—	—		
Forfeited	(56)	37		
Exercised	(176)	19		
Outstanding at August 31, 2013	<u>1,533</u>	37	3.5	\$ 16.9
Options vested and exercisable at August 31, 2013	<u>1,477</u>	37	3.3	\$ 16.2

The aggregate intrinsic value of stock options exercised during the three months ended August 31, 2013 and August 31, 2012 was \$5.0 million and \$4.9 million. As of August 31, 2013, we had \$0.8 million of total unrecognized compensation cost related to unvested options which we expect to recognize over a weighted average period of 0.77 years. We recognized compensation expense for stock options of \$0.3 million and \$0.5 million in the three months ended August 31, 2013 and August 31, 2012, respectively.

NOTE 10—SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures are as follows:

	Three Months Ended	
	August 31, 2013	August 31, 2012
	(in thousands)	
Supplemental cash flow information:		
Income taxes paid, net of refunds	\$ 10,625	\$ 5,155
Interest paid	\$ 6,993	\$ 2,866
Financing receivables:		
Principal collections from customers - financing leases	\$ 665	\$ 740
Net decrease in financing receivables	\$ 665	\$ 740

NOTE 11—NON-CONTROLLING INTERESTS

The following table details the components of redeemable non-controlling interests for the three months ended August 31, 2012:

	Three Month Ended	
	August 31, 2012	
	(in thousands)	
Beginning balance	\$ 144,422	
Net income attributable to redeemable non-controlling interest		1,814
Foreign currency translation adjustment		573
Decrease in the maximum redemption amount of redeemable non-controlling interest		(817)
Derecognition of redeemable non-controlling interest		(145,992)
Ending balance	\$	—

For the three months ended August 31, 2013 and August 31, 2012, net income included in the consolidated statements of changes in equity is reconciled to net income presented in the consolidated statements of income as follows:

	Three Months Ended	
	August 31, 2013	August 31, 2012
	(in thousands)	
Net income attributable to Global Payments	\$ 64,643	\$ 46,675
Net income attributable to nonredeemable non-controlling interests	7,065	5,673
Subtotal per statement of changes in equity	71,708	52,348
Net income attributable to redeemable non-controlling interest	—	1,814
Net income	\$ 71,708	\$ 54,162

The following table is the reconciliation of net income attributable to non-controlling interest to comprehensive income attributable to non-controlling interest for the three months ended August 31, 2013 and August 31, 2012:

	Three Months Ended	
	August 31, 2013	August 31, 2012
	(in thousands)	
Net income attributable to non-controlling interest, net of tax	\$ 7,065	\$ 7,487
Foreign currency translation attributable to nonredeemable non-controlling interests	2,562	2,391
Foreign currency translation attributable to redeemable non-controlling interests	—	573
Comprehensive income attributable to non-controlling interests, net of tax	<u>\$ 9,627</u>	<u>\$ 10,451</u>

NOTE 12—SEGMENT INFORMATION**General information**

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

Information about profit and assets

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

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

	Three Months Ended	
	August 31, 2013	August 31, 2012
(in thousands)		
Revenues:		
United States	\$ 363,833	\$ 345,898
Canada	86,672	80,897
North America merchant services	<u>450,505</u>	<u>426,795</u>
Europe	143,188	128,465
Asia-Pacific	35,992	35,027
International merchant services	<u>179,180</u>	<u>163,492</u>
Consolidated revenues	<u>\$ 629,685</u>	<u>\$ 590,287</u>
Operating income (loss) for segments:		
North America merchant services	\$ 69,699	\$ 67,217
International merchant services	61,541	57,140
Corporate ⁽¹⁾	(23,856)	(43,869)
Consolidated operating income	<u>\$ 107,384</u>	<u>\$ 80,488</u>
Depreciation and amortization:		
North America merchant services	\$ 13,455	\$ 9,256
International merchant services	13,343	13,624
Corporate	1,576	1,015
Consolidated depreciation and amortization	<u>\$ 28,374</u>	<u>\$ 23,895</u>

⁽¹⁾ Includes processing system intrusion costs of \$24.0 million for the three months ended August 31, 2012.

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

NOTE 13—COMMITMENTS AND CONTINGENCIES

BIN/ICA Agreements

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

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

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

For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this report. This management's discussion and analysis should also be read in conjunction with the management's discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2013.

General

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

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

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

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

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

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

Executive Overview

For the three months ended August 31, 2013, revenues increased 6.7% to \$629.7 million from \$590.3 million for the prior year's comparable period. This revenue growth was primarily due to strong growth in most of our markets in North America and Europe.

Consolidated operating income was \$107.4 million for the three months ended August 31, 2013 compared to \$80.5 million for the prior year's comparable period. Consolidated operating income for the three months ended August 31, 2012 includes processing system intrusion costs of \$24.0 million. Net income attributable to Global Payments increased \$18.0 million, or 38.5%, to \$64.6

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million for the three months ended August 31, 2013 from \$46.7 million in the prior year's comparable period, resulting in a \$0.28 increase in diluted earnings per share to \$0.87 for the three months ended August 31, 2013 from \$0.59 for the three months ended August 31, 2012.

North America merchant services segment revenue increased \$23.7 million, or 5.6%, to \$450.5 million for the three months ended August 31, 2013 from \$426.8 million for the three months ended August 31, 2012. North America merchant services segment operating income increased to \$69.7 million for the three months ended August 31, 2013 from \$67.2 million for the three months ended August 31, 2012, with operating margins of 15.5% and 15.7% for the three months ended August 31, 2013 and August 31, 2012. The growth in North America merchant services is primarily due to growth in our US sales channels, as well as in Canada.

International merchant services segment revenue increased \$15.7 million, or 9.6%, to \$179.2 million for the three months ended August 31, 2013 from \$163.5 million for the three months ended August 31, 2012. International merchant services operating income also increased to \$61.5 million for the three months ended August 31, 2013 from \$57.1 million for the three months ended August 31, 2012, with operating margins of 34.3% and 34.9% for the three months ended August 31, 2013 and August 31, 2012, respectively. The growth in the International merchant service segment is due to strong growth in most of our European markets.

CaixaBank, which owns 49% of Comercia Global Payments in Spain, has agreed to purchase 50% of our Brazil operation and will assume joint control of the business, which will be renamed Comercia Global Payments Brazil. This transaction is expected to close during the second quarter of fiscal 2014.

Results of Operations

The following table shows key selected financial data for the three months ended August 31, 2013 and August 31, 2012, this data as a percentage of total revenues, and the changes between three months ended August 31, 2013 and August 31, 2012, in dollars and as a percentage of the prior year's comparable period.

	Three Months Ended August 31, 2013	% of Revenue ⁽¹⁾	Three Months Ended August 31, 2012	% of Revenue ⁽¹⁾	Change	% Change
(dollar amounts in thousands)						
Revenues:						
United States	\$ 363,833	57.8%	\$ 345,898	58.6%	\$ 17,935	5.2 %
Canada	86,672	13.8%	80,897	13.7%	5,775	7.1 %
North America merchant services	450,505	71.5%	426,795	72.3%	23,710	5.6 %
Europe	143,188	22.7%	128,465	21.8%	14,723	11.5 %
Asia-Pacific	35,992	5.7%	35,027	5.9%	965	2.8 %
International merchant services	179,180	28.5%	163,492	27.7%	15,688	9.6 %
Total revenues	<u>\$ 629,685</u>	<u>100%</u>	<u>\$ 590,287</u>	<u>100%</u>	<u>\$ 39,398</u>	<u>6.7 %</u>
Consolidated operating expenses:						
Cost of service	\$ 230,745	36.6%	\$ 204,391	34.6%	\$ 26,354	12.9 %
Sales, general and administrative	291,556	46.3%	281,419	47.7%	10,137	3.6 %
Processing system intrusion	—	—%	23,989	4.1%	(23,989)	(100)%
Operating income	<u>\$ 107,384</u>	<u>17.1%</u>	<u>\$ 80,488</u>	<u>13.6%</u>	<u>\$ 26,896</u>	<u>33.4 %</u>
Operating income (loss) for segments:						
North America merchant services	\$ 69,699		\$ 67,217		\$ 2,482	3.7 %
International merchant services	61,541		57,140		4,401	7.7 %
Corporate ⁽²⁾	(23,856)		(43,869)		20,013	45.6 %
Operating income	<u>\$ 107,384</u>		<u>\$ 80,488</u>		<u>\$ 26,896</u>	<u>33.4 %</u>
Operating margin for segments:						
North America merchant services	15.5%		15.7%		(0.2)%	
International merchant services	34.3%		34.9%		(0.6)%	

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

⁽²⁾ Includes processing system intrusion costs of \$24.0 million in the three months ended August 31, 2012.

Processing System Intrusion

In early March of 2012, we identified and self-reported unauthorized access into a limited portion of our North America card processing system. Our investigation also revealed potential unauthorized access to servers containing personal information collected from merchants who applied for processing services. As a result of this incident, certain card networks removed us from their list of Payment Card Industry Data Security Standards ("PCI DSS") compliant service providers. We have since received reports on compliance covering all our systems that process, store, transmit or otherwise utilize card data and we have been returned to the network list of PCI compliant service providers. During the three months ended August 31, 2012, we recorded \$24.0 million of expense associated with this incident. To date, we have not experienced a material loss of revenue that we can confirm has been

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related to this incident. However, this incident and our related remediation efforts could potentially have a negative impact on future revenues.

During fiscal 2013 we received \$20.0 million in insurance recoveries associated with this incident. We anticipate that we may receive additional recoveries during fiscal 2014. We will record receivables for any additional recoveries in the periods in which we determine such recovery is probable and the amount can be reasonably estimated.

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

Revenues

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

For the three months ended August 31, 2013 revenues increased 6.7% to \$629.7 million compared to the prior year's comparable period. This revenue growth was primarily due to strong growth in most of our markets in North America and Europe.

North America Merchant Services Segment

For the three months ended August 31, 2013, revenue from our North America merchant services segment increased 5.6% to \$450.5 million compared to the prior year's comparable period. North America revenue growth was driven by our United States ISO and direct sales channels and growth in Canada.

We grow our United States revenue primarily by adding small and mid-market merchants in diversified vertical markets, largely through our ISO channel. For the three months ended August 31, 2013, our United States direct credit and debit card processed transactions grew 9% compared to the prior period.

For the three months ended August 31, 2013, our Canadian revenue increased 7.1% to \$86.7 million due to transaction growth and fee increases. Our credit and debit card processed transactions grew 3% compared to the prior year. These increases were somewhat offset by the impact of changes in exchange rates.

International Merchant Services Segment

For the three months ended August 31, 2013, International merchant services revenue increased 9.6% to \$179.2 million compared to the prior year's comparable period. Our Europe merchant services revenue for the three months ended August 31, 2013 increased 11.5% to \$143.2 million compared to the prior year's comparable period, driven primarily by strong transaction growth in all markets. Asia-Pacific merchant services revenue of \$36.0 million for the three months ended August 31, 2013 represents an increase of 2.8% compared to the prior year's comparable period.

Consolidated Operating Expenses

Cost of service consists primarily of the following costs: compensation or personnel expenses paid to operations and technology-related personnel; assessments and other fees paid to card networks; transaction processing expenses, including third-party services; network telecommunications capability; depreciation and occupancy costs associated with the facilities performing these functions; amortization of intangible assets; and provisions for operating losses. Cost of service increased 12.9% during the three months ended

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August 31, 2013, compared to the prior year's comparable period primarily driven by revenue growth and an increase intangible amortization expense related to APT. As a percentage of revenue, cost of service increased to 36.6% for the three months ended August 31, 2013 from 34.6% in the prior year's comparable period.

Sales, general and administrative expenses consist primarily of compensation or personnel expenses paid to sales personnel; non-revenue producing customer support functions, administrative employees and management; commissions paid to ISOs, independent contractors, and other third parties; advertising costs; share-based compensation expense and occupancy of leased space directly related to these functions. Sales, general and administrative expenses increased 3.6% for the three months ended August 31, 2013 compared to the prior year's comparable period. This increase is primarily due to an increase in commission payments to ISOs and costs associated with employee termination benefits. This increase was somewhat offset by the elimination of ISO commission payments previously made to APT as a result of our acquisition of APT on October 1, 2012. As a percentage of revenues, sales, general and administrative expenses decreased to 46.3% for the three months ended August 31, 2013 from 47.7% in the prior year's comparable period.

Operating Income and Operating Margin for Segments

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

North America Merchant Services Segment

Operating income in North America merchant services segment increased 3.7% for the three months ended August 31, 2013 compared to the prior year's comparable period. The increase in operating income was primarily due to the increase in transactions and volume in ISO and direct sales channels and growth in Canada. This increase was slightly offset by foreign currency translation. The operating margin was 15.5% and 15.7% for the three months ended August 31, 2013 and August 31, 2012, respectively.

International Merchant Services Segment

Operating income in International merchant services segment increased 7.7% to \$61.5 million for the three months ended August 31, 2013 compared to the prior year's comparable period. The operating margin was 34.3% and 34.9% for the three months ended August 31, 2013 and August 31, 2012, respectively.

Corporate

Our corporate expenses include costs associated with our Atlanta headquarters, global data security expenses, expenses related to our Global Service Center in Manila, Philippines that have not been allocated to our business segments, insurance, employee incentive programs, share-based compensation programs, and certain corporate staff, including finance, accounting, information technology, legal, human resources, marketing and executive. We also consider costs associated with the processing system intrusion to be a corporate expense. Our corporate costs decreased 45.6% to \$23.9 million for the three months ended August 31, 2013 compared to the prior year's comparable period. This decrease is primarily due to lower costs associated with the processing system intrusion.

Consolidated Operating Income

For the three months ended August 31, 2013, our consolidated operating income increased 33.4% to \$107.4 million from \$80.5 million in the prior year's comparable period. The increase in our consolidated operating income is primarily due to solid financial results in North America and Europe and lower costs associated with the processing system intrusion in the three months ended August 31, 2013 compared to the three months ended August 31, 2012.

Consolidated Other Income/Expense, Net

Other expense, net, increased to \$4.5 million for the three months ended August 31, 2013 compared to \$1.6 million in the prior year's comparable period. The increase was due to interest expense on higher debt balances.

Provision for Income Taxes

Our effective tax rates were 30.3% and 31.4% for the three months ended August 31, 2013 and August 31, 2012, respectively. The effective tax rates for the three months ended August 31, 2013 and August 31, 2012 reflect adjustments to our U.K. deferred tax asset due to legislated enacted corporate tax rate reductions in the United Kingdom of 3% and 2%, respectively. Our effective tax rates differ from U.S. statutory rates due to domestic and international tax planning initiatives and income generated in lower tax jurisdictions due to international expansion.

Non-controlling Interests, Net of Tax

Non-controlling interests, net of tax decreased to \$7.1 million from \$7.5 million for the three months ended August 31, 2013 and August 31, 2012, respectively. This decrease is primarily due to the fact that the three months ended August 31, 2012 includes noncontrolling interest related to Global Payments Asia-Pacific through July 26, 2012, the date of our agreement to purchase HSBC's interest.

Liquidity and Capital Resources

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

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

At August 31, 2013, we had cash and cash equivalents totaling \$725.9 million. Of this amount, we consider \$276.3 million to be available cash. Our available cash balance includes \$220.3 million of cash held by foreign subsidiaries whose earnings are considered permanently reinvested for U.S. tax purposes. These cash balances reflect our capital investments in these subsidiaries and the accumulation of cash flows generated by each subsidiary's operations, net of cash flows used to service debt locally and fund non-U.S. acquisitions. We believe that we are able to maintain a sufficient level of liquidity for our domestic operations and commitments without repatriation of the earnings of these foreign subsidiaries. If we were to repatriate some or all of the cash held by such foreign subsidiaries, we do not believe that the associated income tax liabilities would have a significant impact on our liquidity.

Available cash excludes settlement related and merchant reserve cash balances. Settlement related cash balances represent funds that we hold on behalf of our member sponsors when the incoming amount from the card networks precedes the member sponsors' funding obligation to the merchant. Settlement related cash balances are not restricted; however these funds are generally paid out in satisfaction of settlement processing obligations the following day. Merchant reserve cash balances represent funds collected from our merchants that serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement ("Merchant Reserves"). At August 31, 2013, our cash and cash equivalents included \$272.4 million related to Merchant Reserves. While this cash is not restricted in its use, we believe that designating this cash to collateralize Merchant Reserves strengthens our fiduciary standing with our member sponsors and is in accordance with the guidelines set by the card networks. See *Cash and cash equivalents* and *Settlement processing assets and obligations* under Note 1 and Note 3 in the notes to the consolidated financial statements for additional details.

Operating activities used net cash of \$23.2 million for the three months ended August 31, 2013. Operating activities provided net cash of \$68.6 million during the three months ended August 31, 2012. The decrease in cash flow from operating activities was primarily due to the change in net settlement processing assets and obligations of \$115.4 million driven by the timing of month end cut-off.

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Net cash used in investing activities decreased from \$28.7 million for the three months ended August 31, 2012 to \$18.6 million for the three months ended August 31, 2013, primarily due to the reduction in capital expenditures, specifically related to information technology related capital expenditures.

For the three months ended August 31, 2013, financing activities provided \$92.5 million in cash compared to \$6.0 million in cash in the prior year's comparable period. The increase in cash provided by financing activities was primarily related to net borrowings on short term lines of credit to fund settlement and net Corporate revolver borrowings. This increase was somewhat offset by share repurchases of \$143.7 million.

We believe that our current level of cash and borrowing capacity under our lines of credit described below, together with future cash flows from operations, are sufficient to meet the needs of our existing operations and planned requirements for the foreseeable future. During fiscal year 2014, we expect capital expenditures to approximate \$90.0 million.

Contractual Obligations

The operating lease commitments disclosed in our Annual Report on Form 10-K for the year ended May 31, 2013 have not changed significantly. Our remaining current contractual and other obligations are as follows:

Long-Term Debt and Credit Facilities

Outstanding debt consisted of the following:

	August 31, 2013	May 31, 2013
Lines of credit:	(in thousands)	
Corporate Credit Facility - long-term	\$ 419,651	\$ 309,955
Short-term lines of credit:		
United Kingdom Credit Facility	75,307	74,146
Hong Kong Credit Facility	57,760	38,134
Spain Credit Facility	159,058	28,041
Malaysia Credit Facility	12,016	14,025
Taiwan Credit Facility	5,563	8,359
Canada Credit Facility	—	6,866
Singapore Credit Facility	7,535	6,459
Philippines Credit Facility	6,082	6,384
Sri Lanka Credit Facility	1,875	1,978
Macau Credit Facility	1,766	1,966
Maldives Credit Facility	942	741
Brunei Credit Facility	583	362
Total short-term lines of credit	\$ 328,487	\$ 187,461
Total lines of credit	748,138	497,416
Notes payable	5,460	6,014
Term loan	647,500	647,500
Total debt	\$ 1,401,098	\$ 1,150,930
Current portion	\$ 400,715	\$ 259,796
Long-term debt	1,000,383	891,134
Total debt	\$ 1,401,098	\$ 1,150,930

Lines of Credit

The Corporate Credit Facility is available for general corporate purposes and to fund future strategic acquisitions. As of August 31, 2013, the interest rate on the Corporate Credit Facility was 2.2% and the facility expires on December 7, 2015. Our short-term lines of credit are primarily used to fund settlement. For certain of our lines of credit, the line of credit balance is reduced by the amount of cash we have on deposit in specific accounts with the lender when determining compliance with the credit limit. Accordingly, the line of credit balance may exceed the stated credit limit at any given point in time, when in fact the combined position is less than the credit limit. The total available incremental borrowings at August 31, 2013 was \$330.3 million under our Corporate Credit Facilities. As of August 31, 2013, we had \$660.8 million available to fund settlement under our short-term lines of credit.

During the quarter ended August 31, 2013, the maximum and average borrowings under our lines of credit were \$792.5 million and \$574.9 million, respectively. The weighted-average interest rates on these borrowings were 1.6% and 1.9%, respectively. Our maximum borrowed amount was greater than our average and period end borrowings due to the timing of settlement funding.

Term Loan

On September 28, 2012, we entered into a five-year unsecured \$700.0 million term loan agreement with a syndicate of banks. The term loan expires in September 2017 and bears interest, at our election, at the prime rate or LIBOR, plus a leverage-based margin. As of August 31, 2013, the annual interest rate on the term loan was 2.2%. The term loan has scheduled principal payments of \$17.5 million at the end of each fiscal quarter through maturity. As of August 31, 2013, the outstanding balance of the term loan was \$647.5 million. The August 2013 scheduled principal payment was due on a weekend. As a result the principal payment was made on the following business day, September 3, 2013.

Notes Payable

United Card Services, our subsidiary in the Russian Federation, has notes payable with a total outstanding balance of approximately \$5.5 million at August 31, 2013. These notes have fixed annual interest rates of 8.5% with maturity dates ranging from September 2013 through November 2016.

Compliance with Covenants

There are certain financial and non-financial covenants contained in our various credit facilities and term loans. Our term loan agreements include financial covenants requiring a leverage ratio no greater than 3.25 to 1.00 and a fixed charge coverage ratio no less than 2.50 to 1.00. We complied with these covenants as of and for the three months ended August 31, 2013 and August 31, 2012.

Critical Accounting Estimates

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

Accounting estimates necessarily require subjective determinations about future events and conditions. During the three months ended August 31, 2013, we have not adopted any new critical accounting policies, have not changed any critical accounting policies and have not changed the application of any critical accounting policies from the year ended May 31, 2013. You should read the Critical Accounting Estimates in Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 1A – Risk Factors included in our Annual Report on Form 10-K for the year ended May 31, 2013 and our summary of significant accounting policies in Note 1 of our notes to the unaudited consolidated financial statements in this Form 10-Q.

Special Cautionary Notice Regarding Forward-Looking Statements

We believe that it is important to communicate our plans and expectations about the future to our shareholders and to the public. Investors are cautioned that some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements and are made pursuant to the “safe-harbor” provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve a number of risks and uncertainties, are predictive in nature, and depend upon or refer to future events or conditions. You can sometimes identify forward-looking statements by our use of the words “believes,” “anticipates,” “expects,” “intends,” “plans” and similar expressions. Actual events or results might differ materially from those expressed or forecasted in these forward-looking statements.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions, estimates, projections or plans that are inherently subject to significant risks, uncertainties, and contingencies that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth and margins, other results of operations and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors. We advise you to review the risk factors presented in Item 1A – Risk Factors of our Annual Report on Form 10-K for the fiscal year ended May 31, 2013 for information on some of the matters which could adversely affect our business and results of operations.

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

Where to Find More Information

We file annual and quarterly reports, proxy statements and other information with the SEC. You may read and print materials that we have filed with the SEC from their website at www.sec.gov. 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 and specified exhibits and these corporate governance materials are also available, free of charge, by writing or calling us using the address or phone number on the cover of this Form 10-Q. You may also telephone our investor relations office directly at (770) 829-8234. We are not including the information on our website as a part of, or incorporating it by reference into, this report.

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

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

NYSE Euronext
20 Broad Street
New York, NY 10005

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

Item 4. Controls and Procedures

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

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

Part II - OTHER INFORMATION**Item 1. Legal Proceedings**

None.

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

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

The shares repurchased in the first quarter of fiscal 2014, the approximate average price paid, including commissions, and the approximate dollar value remaining available for purchase are as follows:

Plan category	Total Number of Shares (or Units) Purchased	Approximate Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
June 1, 2013 - June 30, 2013	1,423,375	\$ 47.24	1,423,375	
July 1, 2013 - July 31, 2013	1,312,164	\$ 47.20	1,312,164	
August 1, 2013 - August 31, 2013	315,531	\$ 48.23	315,531	
Total	3,051,070	\$ 47.33	3,051,070	\$ 230,255,515

Note: On July 25, 2013, our Board of Directors approved a share repurchase program that authorized the purchase of up to \$250.0 million of Global Payments' stock. Pursuant to prior authorization and the authorization described above, we repurchased 3,051,070 shares of our common stock at a cost of \$144.4 million, or an average of \$47.33 per share, including commissions, during the three months ended August 31, 2013. We have \$230.3 million remaining under this authority.

Item 6. Exhibits

List of Exhibits

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Exhibits marked with an asterisk (*) are incorporated by reference to exhibits or appendices previously filed with the SEC, as indicated by the references in brackets. All other exhibits are filed or furnished herewith.

- 3.1 Second Amended and Restated Articles of Incorporation of Global Payments Inc. filed as Exhibit 3.1 to the Registrant's Annual Report on Form 10-K dated July 25, 2013, File No. 001-16111.
- 3.2 Sixth Amended and Restated By-laws of Global Payments Inc. filed as Exhibit 3.2 to the Registrant's Annual Report on Form 10-K dated July 25, 2013, File No. 001-16111.
- 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 Amended and Restated Employment Agreement, dated as of August 23, 2013, between Global Payments Inc. and Morgan M. Schuessler, Jr.
- 10.2 Non-Competition and Non-Solicitation Agreement, dated as of October 1, 2013, between Global Payments Inc. and Daniel C. O'Keefe.
- 18 Preferability Letter from Independent Registered Public Accounting Firm dated October 11, 2011, filed as Exhibit 18 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2011, File No. 001-16111 and incorporated herein by reference.
- 21* List of Subsidiaries
- 31.1* Rule 13a-14(a)/15d-14(a) Certification of CEO
- 31.2* Rule 13a-14(a)/15d-14(a) Certification of CFO
- 32.1* CEO and CFO Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
- 101 The following financial information from the Quarterly Report on Form 10-Q for the first quarter ended August 31, 2013, formatted in XBRL ("Extensible Business Reporting Language") and furnished electronically herewith: (i) the Consolidated Statements of Income; (ii) the Consolidated Balance Sheets; (iii) the Consolidated Statements of Cash Flows; (iv) the Consolidated Statements of Changes in Equity; and (v) the Notes to the Consolidated Financial Statements.

SIGNATURES

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

Global Payments Inc.
(Registrant)

Date: October 1, 2013

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

Date: October 1, 2013

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

**AMENDED AND RESTATED
Employment AGREEMENT**

BETWEEN

MORGAN M. Schuessler, JR.

AND

global payments inc.

Dated as of August 23, 2013

Employment AGREEMENT
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**AMENDED AND RESTATED
Employment AGREEMENT**

This AMENDED AND RESTATED EMPLOYMENT Agreement (this "Agreement") is made and entered into this 23rd day of August, 2013 by and between Global Payments Inc., a Georgia corporation (the "Company"), and Morgan M. Schuessler, Jr. ("Executive"), to be effective as of the Effective Date, as defined in Section 1.

BACKGROUND

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

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

1. Effective Date. The effective date of this Agreement (the "Effective Date") is August 23, 2013. This Agreement supersedes and replaces Executive's prior Employment Agreement dated May 1, 2007 and all amendments thereto.

2. Employment. Executive is employed as the President-International with responsibility for overseeing all of the Company's businesses outside of North America and South America. In such capacity, Executive shall have the responsibilities as shall be assigned to him by the Company.

3. Employment Period. Subject to Section 7, Executive's initial employment period under this Agreement shall be the period which starts on August 23, 2013 and then continues without interruption until August 22, 2016; provided, Executive's initial employment period shall automatically be extended for one additional year on August 22, 2015 and on each subsequent anniversary of such date unless either the Company or Executive provides notice (in accordance with Section 17(f)) before such anniversary date that there will be no such extension. Executive's initial employment period and any subsequent extension of the initial Employment Period shall be referred to collectively as Executive's "Employment Period." A failure to extend Executive's Employment Period shall not be treated for any reason whatsoever as a termination of Executive's employment under Section 7.

Subject to Section 7, Executive will be assigned, and Executive agrees to be assigned, to work in Hong Kong for Company's affiliate beginning on July 31, 2013 and ending on the date which is two (2)

years thereafter, unless the assignment is extended by mutual agreement (the "HK Assignment"). During the HK Assignment, Executive will be based in the Company's Hong Kong office and his US-based work during that time period will not exceed 30% of his total hours worked for the Company. Upon the conclusion of the HK Assignment, Executive will return to the Company's Corporate Offices in Atlanta, Georgia.

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

5. Compensation and Benefits.

(a) **Base Salary** During the Employment Period, the Company will pay to Executive a base salary in the amount of U.S. \$425,000 per year ("Base Salary"), less normal withholdings, payable in equal bi-weekly or other installments as are customary under the Company's payroll practices from time to time. Executive's Base Salary will be reviewed periodically and the Company may change Executive's Base Salary from time to time. The periodic review of Executive's salary will consider, among other things, Executive's own performance and the Company's performance.

(b) **Incentive and Savings Plans** During the Employment Period, Executive shall be entitled to participate in incentive and savings plans, practices, policies and programs applicable generally to employees of the Company.

(i) **Annual Bonus**. Each year the Company and the Executive shall establish Executive's annual bonus opportunity, based on achievement of agreed-upon financial and performance objectives. The Executive's annual bonus opportunity as determined pursuant to the foregoing shall be referred to herein as the "Bonus Opportunity". The annual Bonus Opportunity and specific performance and financial objectives will be set forth in Executive's individual performance and incentive plan for each year. The Executive must be an active employee on the date the annual bonuses are paid on a Company wide basis in order to be eligible to receive any bonus payment.

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

(iii) **Clawback Policy**. Notwithstanding anything contained in this Agreement, in the event that the Company institutes a clawback policy with respect to its bonus benefit or long term incentive benefits, any bonuses or long-term incentive benefits provided will be subject to such policy and Executive hereby agrees to comply with such policy.

(c) Welfare Benefit Plans During the Employment Period, Executive and Executive's family shall be eligible for participation in, and shall receive all benefits under, the welfare benefit plans, practices, policies and programs provided by the Company (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) ("Welfare Plans"). During the HK Assignment, Executive and his dependents shall be eligible to participate in the CIGNA international plan for medical, prescription, dental, vision, group life, accidental death and dismemberment, and long term disability, and the Company shall pay all premiums for such coverage for Executive and his covered dependants.

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

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

(f) Relocation Assistance In connection with Executive's relocation to Hong Kong for the HK Assignment, the Company will pay reasonable transportation and moving costs for Executive's transfer of his personal property to Hong Kong at the commencement of the HK Assignment and back to the United States at the end of the HK Assignment or, earlier, if Executive's employment is terminated by the Company without Cause before the end of the HK Assignment or Executive voluntarily terminates employment for Good Reason before the end of the HK Assignment. As for any of the above referenced relocation expenses that are taxable to the Executive, the Company shall "gross up" the amount paid to ensure that Executive receives 100% of the amount to be reimbursed. Notwithstanding anything else contained in this Agreement to the contrary, if Executive voluntarily terminates employment within twenty four (24) months from the date of his relocation to Hong Kong without Good Reason, Executive shall reimburse the Company for all amounts received pursuant to this section 5(f) on a pro-rata basis. For purposes of the foregoing sentence, all amounts paid to the Executive in accordance with this section 5(f) shall be added together and divided by 730 (which is the number of calendar days in a two year period). In order to determine the amount to be re-paid by Executive, the resulting quotient shall be multiplied by the number of days remaining in Executive's two year HK Assignment.

(g) Other Benefits and Allowances

(i) Expatriate Allowance. During the HK Assignment, the Company will pay Executive an additional \$40,000 stipend annually. This amount will be paid to Executive in August of each year of the HK Assignment.

(ii) Housing Expenses. During the HK Assignment, the Company will pay up to HK\$155,138 per month for Executive's costs of renting a house or apartment in Hong Kong, and Company will also pay Executive's costs for utilities, insurance and taxes related to such rental. This rental payment will be made by Company directly to the landlord. Executive's housing allowance limit will be reviewed by Company annually, commencing July 2014, and increased by the Hong Kong annual inflation rate. In the event that, during the HK Assignment, the landlord fails to meet his obligations under the lease or the lease is terminated through no fault of the Executive, the Company will ensure that the Executive receives temporary housing comparable to the terminated lease and the Company will pay for the reasonable costs incurred by Executive in relocating to other equivalent housing in Hong Kong.

(iii) Transportation Allowance. During the HK Assignment, the Company will pay Executive a transportation allowance in the amount of HK\$15,000 per month. This allowance will be paid to either to Executive or the leasing company, at Executive's sole option.

(iv) Tuition Allowance. During the HK Assignment, the Company will reimburse Executive for his dependents' tuition costs and fees (such as technology fees, activity fees, and transportation fees) that exceed the tuition costs and fees (such as technology fees, activity fees, and transportation fees) Executive would have paid for his dependents to attend the private school in which they were enrolled immediately prior to the HK Assignment during that same time period. In addition, the Company will reimburse Executive for any initial school fees and/or deposits required for his children to enroll in school in Hong Kong.

(v) Travel Expenses. During the HK Assignment, the Company will pay or reimburse Executive for the costs of business class round-trip airfare between Hong Kong and any destination within the United States for up to two (2) trips per family member per year. Executive will make his best efforts to purchase the airfare in such a way as to take advantage of discounts and minimize the costs of the airfare. As used in this paragraph, family member only includes Executive, his spouse and dependent children.

(vi) Relocation Allowance. Within thirty (30) days of the commencement of the HK Assignment, the Company will pay Executive a one-time allowance in the amount of \$25,000 to cover any and all miscellaneous relocation expenses which are not otherwise covered under the relocation benefits provided to Executive under this Agreement.

(vii) Club Membership Fees. During the HK Assignment, the Company will lease or purchase a debenture and cover all other annual fees associated with a family membership in the Hong Kong American Club for Executive and his family members. If possible, the Company will pay these costs directly to the Hong Kong American Club.

(viii) Costs of Visa. The Company will pay for all costs involved in securing any visa or work permits required under the laws of Hong Kong for Executive and his accompanying family members to relocate to Hong Kong.

(ix) Tax Preparation. The Company will pay or reimburse Executive for reasonable expenses incurred by Executive in meeting with a specialist to assist with any tax issues that might arise as a result of Executive's relocation to Hong Kong, including assisting Executive with completing and filing his annual tax returns.

(x) Taxes. The Company will bear the costs for any Hong Kong income taxes owed by Executive during the term of the HK Assignment, and Executive will cooperate with Company and/or its specialists in preparing and submitting all required Hong Kong tax filings. The Company's hired specialists will also prepare Executive's individual U.S. tax returns for each year of the HK Assignment. The Company will bear the cost of all US taxes payable with regard to the benefits and allowances as detailed in Sections 5(g)(ii) to 5(g)(x), while all US tax savings attributable to the foreign earned income exclusion and the foreign tax credit will be for the Company's benefit. As a part of the annual US tax filing process, the Company's hired specialists will prepare a reconciliation of the US tax liability, to determine any amounts payable between the parties based upon the tax sharing agreement as detailed in this Section. Any required prepayment of future years' Hong Kong income taxes will be paid by the Company and reimbursed to the Company by Executive within thirty (30) days of refund from the Hong Kong authorities.

As for any of the above referenced expenses in Section 5(g) that are taxable to the Executive, the Company shall "gross up" the amount paid to ensure that Executive receives 100% of the amount to be

reimbursed. In the event Executive's employment is terminated without Cause during the HK Assignment or Executive voluntarily terminates employment for Good Reason during the HK Assignment, the benefits and allowances set forth in Section 5(g) shall continue to be provided to Executive until the end of his childrens' then-current school semester.

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

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

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

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

7. Termination of Employment.

(a) Death, Retirement or Disability(a) Death, Retirement or Disability. Executive's employment and the Employment Period shall terminate automatically upon Executive's death or Retirement. For purposes of this Agreement, "Retirement" shall mean normal retirement as defined in the Company's then-current retirement plan, or if there is no such retirement plan, "Retirement" shall mean voluntary termination after age 65 with at least ten years of service. If the Company determines in good faith that the Disability of Executive has occurred (pursuant to the definition of Disability set forth below), it may give to

Executive written notice of its intention to terminate Executive's employment. In such event, Executive's employment with the Company shall terminate effective on the 30th day after receipt of such written notice by Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, Executive shall not have returned to full-time performance of Executive's duties. For purposes of this Agreement, "Disability" shall mean a mental or physical disability as determined by the Board in accordance with standards and procedures similar to those under the Company's employee long-term disability plan, if any. At any time that the Company does not maintain such a long-term disability plan, Disability shall mean the inability of Executive, as determined by the Board, to substantially perform the essential functions of his regular duties and responsibilities due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six consecutive months.

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

"Cause" shall mean:

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

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

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

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

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

(c) Termination by Executive Prior to a Change in Control Prior to a Change in Control and on or after the second anniversary of the date of a Change in Control, Executive's employment may be terminated by Executive for Good Reason or no reason and, in respect of such termination occurring prior to a Change in Control or on or after the second anniversary of the date of a Change in Control, "Good Reason" shall mean:

(i) a reduction by the Company in Executive's Base Salary or Bonus Opportunity as in effect on the Effective Date or as the same may be increased from time to time, or a material reduction by the Company in Executive's long term incentive opportunity (material for this purpose being defined as 20% or more from the baseline value which will be determined by reference to the value of Executive's long term

compensation granted in the immediately preceding year, with value determined in accordance with typically used and accepted valuation methods applied in a consistent manner), in any case unless a similar reduction is made in the salary and incentives of similarly-situated employees which reduction is not rescinded within ten (10) days after the Company receives written notice from Executive that he believes that the reduction constitutes Good Reason and that he intends to resign if it is not rescinded; or

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

(iii) except during the HK Assignment, a requirement that Executive be based in any office or location more than 50 miles from Company's Atlanta corporate office location as of the Effective Date and, during the HK Assignment, a requirement that Executive be based in any office or location other than in Hong Kong; or

(iv) without the written consent of Executive, the assignment to a position materially different from the President - International, as contemplated by Section 2, of a publicly traded corporation having a class of securities registered pursuant to the Exchange Act and which assignment is not rescinded within ten (10) days after the Company receives written notice from Executive that he believes that the assignment constitutes Good Reason and that he intends to resign if it is not rescinded; or

(v) without the written consent of Executive, the Company changes its reporting structure such that Executive no longer reports directly and exclusively to the Chief Executive Officer of a publicly traded company having a class of securities registered pursuant to the Securities Exchange Act of 1934, as amended, which reporting change is not rescinded within ten (10) days after the Company receives written notice from Executive that he believes that the assignment constitutes Good Reason and that he intends to resign if it is not rescinded.

(d) Termination by Executive After a Change in Control On or after a Change in Control and before the second anniversary of the date of such Change in Control, Executive's employment may be terminated by Executive for Good Reason or no reason and, in respect of such termination occurring on or after a Change in Control and before the second anniversary of the date of a Change in Control, "Good Reason" shall mean:

(i) a reduction by the Company without the written consent of Executive: (a) in Executive's Base Salary as in effect on the Effective Date or as the same may be increased from time to time; or (b) in Executive's Bonus Opportunity at target level as the same may be increased from time to time; or (c) in Executive's long term incentive opportunities, as determined by reference to the value of Executive's long term compensation granted in the immediately preceding year, with value determined in accordance with typically used and accepted valuation methods applied in a consistent manner; or (d) in the benefits pursuant to the Welfare Plans, and which reduction is not rescinded within ten (10) days after the Company receives written notice from Executive that he believes that the reduction constitutes Good Reason and that he intends to resign if it is not rescinded; or

(ii) the reason set forth in 7(c)(ii); or

(iii) the reason set forth in 7(c)(iii); or

(iv) the reason set forth in Section 7(c)(iv); or

(v) without the written consent of Executive, the assignment to Executive of duties inconsistent with Executive's position (including status, titles, and reporting requirements), authority, duties,

responsibilities as contemplated by Section 2, or any action by the Company that results in a diminution in such position, authority, duties or responsibilities (whether or not occurring solely as a result of the Company's ceasing to be a publicly traded entity) which, in either case, is not rescinded within ten (10) days after the Company receives written notice from Executive that he believes that the assignment constitutes Good Reason and that he intends to resign if it is not rescinded; or

(vi) the reason set forth in Section 7(c)(v).

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

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

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

8. Obligations of the Company upon Termination.

(a) Prior to a Change in Control: Termination by Executive for Good Reason; Termination by the Company Other Than for Cause or Disability If, prior to a Change in Control, the Company shall terminate Executive's employment other than for Cause or Disability, or Executive shall terminate employment for Good Reason within a period of 90 days after the occurrence of the event giving rise to Good Reason, then as consideration for the Restrictive Covenants as defined in Section 13 hereof (and with respect to the payments and benefits described in clauses (ii) through (ix) 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) on the day following the six (6) month anniversary of the Date of Termination (the "Pay Date"), the Company shall pay the Executive a lump sum equal to one-half of the amount of the Executive's annual Base Salary; provided however, that the Company shall have no obligation to make such payment if Executive has violated any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and failed to remedy such violation to the satisfaction of the Chief Executive Officer within 10 days of notice of such violation; and

(iii) thereafter, for up to twelve (12) additional months, the Company will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive becomes employed with a subsequent employer or earns an income which will be reportable as non-employee compensation on a 1099 form provided such non-employee compensation is reasonably anticipated to be more than \$100,000 a year or if Executive violates any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

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

(v) all grants of restricted stock of the Company held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination except for restricted stock which is subject to the next sentence. As for any outstanding grant of performance-based restricted stock which represent a right to receive Company stock contingent on the satisfaction of the related performance requirements and for which the Date of Termination falls during a Performance Cycle (as defined in the applicable award agreement), the Compensation Committee shall certify the results and shall deliver to Executive 50% of the number of whole number of the shares of Company stock, if any, that vested based on the actual satisfaction of such performance requirements no later than 2½ months after the last day of the period in which such Performance Cycle ends; and

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

(vii) all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(a)(vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 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; and

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

(ix) the Company will pay Executive a pro-rated annual bonus for the fiscal-year in which the Date of Termination occurs equal to (i) the amount Executive would have earned, if any, under Section 5(b)(i) for the year of termination based on actual financial performance for such fiscal year, times (ii) a fraction, the numerator of which is the number of full months in the fiscal year preceding the Date of Termination and the denominator of which is 12; provided that such bonus shall be paid only if the pre-established performance targets are in fact certified by the Committee to have been met, and such bonus shall be paid in a single lump sum cash payment no later than 2½ months after the end of the fiscal year in which the bonus is earned.

(b) Intentionally Omitted

(c) After or in Connection with a Change in Control: Termination by Executive for Good Reason; Termination by the Company Other Than for Cause or Disability If there occurs a Change in Control and, within 24 months following such Change in Control (or if Executive can reasonably show that such termination by the Company was in anticipation of the Change in Control), the Company shall terminate Executive's employment other than for Cause or Disability, or Executive shall terminate employment for Good Reason, then as consideration for the Restrictive Covenants as defined in Section 13 hereof (and with respect to the payments and benefits described in clauses (ii) through (ix) below, only if Executive executes (and does not revoke) the Release within 60 days of the Date of Termination):

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

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

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

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

(v) all grants of restricted stock of the Company held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination except for restricted stock which is subject to the next sentence. As for any outstanding grant of performance-based restricted stock which represent a right to receive Company stock contingent on the satisfaction of the related performance requirements and for which the Date of Termination falls during a Performance Cycle (as defined in the applicable award agreement), the Compensation Committee shall certify the results and shall deliver to

Executive 100% of the number of whole number of the shares of Company stock, if any, that vested based on the actual satisfaction of such performance requirements no later than 2½ months after the last day of the period in which such Performance Cycle ends; and

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

(vii) all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(c)(vi) above) shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 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; and

(viii) the Company (or its successor) will pay Executive a pro-rated annual bonus for the fiscal-year in which the Date of Termination occurs equal to (i) the amount Executive would have earned, if any, under Section 5(b)(i) for the year of termination based on actual financial performance for such fiscal year, times (ii) a fraction, the numerator of which is the number of full months in the fiscal year preceding the Date of Termination and the denominator of which is 12; provided that such bonus shall be paid only if the pre-established performance targets are in fact certified by the Compensation Committee to have been met, and such bonus shall be paid in a single lump sum cash payment no later than 2½ months after the end of the fiscal year in which the bonus is earned; and, as additional severance, the Company (or its successor) will pay Executive a lump sum equal to two (2) times the amount of Executive's target Bonus Opportunity (as in effect on the Date of Termination) on the date that is nine (9) months and one (1) day after the Date of Termination; provided however, that the Company shall have no obligation to make any payment under this §8(c)(viii) if Executive has violated any of the Restrictive Covenants (as defined in §13) and failed to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

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

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

8(d) shall include, without limitation, and Executive or his estate and/or beneficiaries shall be entitled to receive, benefits under such plans, programs, practices and policies relating to death, disability or retirement benefits, if any, as are applicable to Executive on the Date of Termination.

(e) Cause or Voluntary Termination without Good Reason Regardless of whether or not a Change in Control shall have occurred, if Executive's employment shall be terminated for Cause, or if Executive voluntarily terminates employment without Good Reason, this Agreement shall terminate without further obligations to Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. For a period of eighteen (18) months after the Date of Termination for Cause or for the voluntary termination by Executive, Executive shall have the right to elect continuation of healthcare coverage under the Company's group plan in accordance with "COBRA" provided the Executive shall pay the entire cost of such coverage.

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

10. Mandatory Reduction of Payments in Certain Events.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, prior to the making of any Payment to Executive, a calculation shall be made comparing (i) the net benefit to Executive of the Payment after payment of the Excise Tax, to (ii) the net benefit to Executive if the Payment had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (i) above is less than the amount calculated under (ii) above, then the Payment shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). The reduction of the Payments due hereunder, if applicable, shall be made by reducing Payments in the following order: (A) the cash Payment under Section 8(a)(ii) or 8(c)(ii), as the case may be; (B) cash Payments under Section 8(a)(iii) or 8(c)(iii), as the case may be; (C) the cash Payment under Section 8(a)(ix) or 8(c)(viii), as the case may be; and (D) then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value to actual present value of such Payments as of the date of the change of control, as determined by the Determination Firm (as defined in Section 10(b) below). For purposes of this Section 10, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Section 10, the "Parachute Value" of a Payment means the present value as of the date of the change of control of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(b) The determination of whether an Excise Tax would be imposed, the amount of such Excise Tax, and the calculation of the amounts referred to Section 10(a)(i) and (ii) above shall be made by an independent, nationally recognized accounting firm or compensation consulting firm mutually acceptable to the Company and Executive (the "Determination Firm") which shall provide detailed supporting calculations. Any determination by the Determination Firm shall be binding upon the Company and

Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments which Executive was entitled to, but did not receive pursuant to Section 10(a), could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of Executive but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

(c) In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 10 shall be of no further force or effect.

11. Costs of Enforcement. Unless otherwise provided by the arbitrator(s) in an arbitration proceeding pursuant to Section 14 hereof, in any action taken in good faith relating to the enforcement of this Agreement or any provision herein, Executive shall be entitled to be paid any and all costs and expenses incurred by him in enforcing or establishing his rights thereunder, including, without limitation, reasonable attorneys' fees, whether suit be brought or not, and whether or not incurred in trial, bankruptcy or appellate proceedings, but only if Executive is successful on at least one material issue raised in the enforcement proceeding. Any costs or expenses that otherwise meet the requirements for reimbursement under this Section 11 shall be reimbursed within 60 days of submission by Executive for a request for reimbursement, but in no event later than March 15 of the year following the 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(a) General. Executive and the Company understand and agree that the purpose of the provisions of this Section 13 is to protect legitimate business interests of the Company, as more fully described below, and is not intended to eliminate Executive's post-employment competition with the Company per se, nor is it intended to impair or infringe upon Executive's right to work, earn a living, or acquire and possess property from the fruits of his labor. Executive hereby acknowledges that the post-employment restrictions set forth in this Section 13 are reasonable and that they do not, and will not, unduly impair his ability to earn a living after the termination of this Agreement. Therefore, subject to the limitations of reasonableness imposed by law, Executive shall be subject to the restrictions set forth in this Section 13. For the purposes of this Section 13, "Company" shall be deemed to include Company and all of its parents, affiliates and subsidiaries.

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

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

"Competitive Services" means the provision of products and services to facilitate merchant processing and merchant acquiring.

"Competitor" means any individual, corporation, partnership, joint venture, limited liability, company, associate, or other entity or enterprise which is engaged, wholly or in part, in Competitive Services, including but not limited to the following companies and all of their parents, affiliates, subsidiaries, or successors-in-interest who engage in Competitive Services: Chase Paymentech Solutions, First Data Corporation, Elavon Inc., Total System Services, Inc., and Vantiv.

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

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

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

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

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

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

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

"Restricted Territory" means the entire 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 Employment Period or during the two (2) years immediately following the end of the Employment Period for any reason reveal, divulge, or disclose to any Person not expressly authorized by the Company any Confidential Information, and Executive shall not, directly or indirectly, at any time during the Employment Period or during the two (2) years immediately following the end of the Employment Period for any reason use or make use of any Confidential Information in connection with any business activity other than that of the Company. Throughout the term of this Agreement and at all times after the date that this Agreement terminates for any reason, Executive shall not directly or indirectly transmit or disclose any Trade Secret of the Company to any Person, and shall not make use of any such Trade Secret, directly or indirectly, for himself or for others, without the prior written consent of the Company. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's rights or Executive's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices.

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

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

(iii) Restriction on Relationships with Protected Customers. Executive understands and agrees that the relationship between the Company and each of its Protected Customers constitutes a valuable asset of the Company and may not be converted to Executive's own use. Accordingly, Executive hereby agrees that, during the Restricted Period, Executive shall not, without the prior written consent of the Company, directly or indirectly, on Executive's own behalf or as a Principal or Representative of any Person, solicit, divert, take away or attempt to solicit, divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; provided, however, that the prohibition of this covenant shall apply only to Protected Customers with whom Executive had Material Contact on the Company's behalf during the twelve (12) months immediately preceding the termination of his employment hereunder. For purposes of this Agreement, Executive had "Material Contact" with a Protected Customer if (a) he had business dealings with the Protected Customer on the Company's behalf; (b) he was responsible for supervising or coordinating the dealings between the Company and the Protected Customer.

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

(d) Enforcement of Restrictive Covenants

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

(A) the right and remedy to enjoin, preliminarily and permanently, Executive from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company; and

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

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

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

Initials of parties as to this Section 14:

Company: ST

Executive: MS

15. Rabbi Trust In order to ensure the payment of the severance benefit provided for in Section 8(c)(ii) and (iii) of this Agreement, immediately following the commencement of any action by a third party with the aim of effecting a Change in Control of the Company, or the publicly-announced threat by a third party to commence any such action, the Company shall fully fund through the Global Payments Inc. Benefit Security Trust, or similar "rabbi trust," the amount of the severance payment that would have been paid to Executive under Section 8(c)(ii) and (iii) if the Date of Termination had occurred on the date of commencement, or publicly-announced threat of commencement, of such action by the third party. Amounts shall be paid to Executive from such trust as provided under this Agreement and the trust. The right of Executive to receive payments under this Agreement shall be an unsecured claim against the general assets of the Company and Executive shall have no rights in or against any specific assets of the Company. For greater certainty, the foregoing trust shall be a revocable trust in the event the potential Change in Control which precipitated the funding of such trust is not consummated.

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.
10 Glenlake Parkway- North Tower
Atlanta, Georgia 30328
Office of the Corporate Secretary

To Executive: Morgan M. Schuessler, Jr.
101 Blackland Road, NW
Atlanta, Georgia 30342

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

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

(h) Section 409A This Agreement is intended to comply with Section 409A of the Code and applicable regulations. The Agreement shall be interpreted in such a way so as to comply, to the extent necessary, with Section 409A and the regulations thereunder. Whenever in this Agreement a payment or benefit is conditioned on Executive's execution of a Release, such Release must be executed and all revocation periods shall have expired within 60 days after the Date of Termination; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes non-exempt deferred compensation for purposes of Section 409A of the Code, and if such 60-day period begins in one calendar year and ends in the next calendar year, the payment or benefit shall not be made or commence before the second such calendar year,

even if the Release becomes irrevocable in the first such calendar year. In other words, Executive is not permitted to influence the calendar year of payment based on the timing of his signing of the Release.

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

GLOBAL PAYMENTS INC.

Date: September 30, 2013

By: /s/ Suellyn P. Tornay

Name: Suellyn P. Tornay

Title: Executive Vice President and General Counsel

EXECUTIVE:

Date: August 26, 2013

/s/ Morgan M. Schuessler

Morgan M. Schuessler, Jr.

EXHIBIT A
Form of Release

This Release is granted effective as of the ____ day of _____, 20__, by Morgan M. Schuessler, Jr. ("Executive") in favor of Global Payments Inc. (the "Company"). This is the Release referred to that certain Employment Agreement effective as of _____, 20__ by and between the Company and Executive (the "Employment Agreement"). Executive gives this Release in consideration of the Company's promises and covenants as recited in the Employment Agreement, with respect to which this Release is an integral part.

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

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

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

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

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

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

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

**NON-COMPETITION AND NON-SOLICITATION
AGREEMENT**

In consideration of his or her employment with Global Payments Inc. or its affiliate (“Company”), his or her continued employment with the Company, and the mutual covenants and agreements contained herein, Daniel C. O’Keefe (hereinafter “Employee”) and Company hereby as of October 1, 2013 (the “Effective Date”) agree as follows:

1. **Definitions.** The following definitions shall apply to this Change in Control, Non-competition and Non-solicitation Agreement (the “Agreement”) and shall have the following meanings:

(a) “Cause” shall mean:

(i) the failure of Employee to perform substantially Employee’s duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to Employee by the Company which specifically identifies the manner in which the Company believes that Employee has not substantially performed Employee’s duties; or

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

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

(iv) Employee’s violation of any laws, agreements or Company policies or codes prohibiting employment discrimination, harassment, conflicts of interest, retaliation, bribery, competition with the Company, solicitation of Company customers or employees on behalf of anyone other than Company, improper use or disclosure of trade secrets, confidential information or other proprietary information of the Company; or

(v) Employee’s commission of, conviction for, or plea of guilty or *nolo contendere* to, a felony or a misdemeanor involving moral turpitude.

(a) “Change in Control” means:

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

(ii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (x) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Company common stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or

all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the outstanding Company common stock and Outstanding Company Voting Securities, as the case may be, and (y) no Person (excluding the Company or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; provided, however, that

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

(c) "*Company*" shall be deemed to include Global Payments Inc. and all of its affiliates and subsidiaries.

(d) "*Competitive Position*" means any employment or independent contractor relationship with a Competitor in which Employee has duties for (or provides services to) such Competitor that relate to Competitive Services and that are the same or similar to those services actually performed by Employee for the Company.

(e) "*Competitive Services*" means the provision of products and services to facilitate or assist with the movement of electronic commerce of payment and financial information, merchant processing, credit and debit transaction processing, check guarantee and verification, electronic authorization and capture, terminal management services, purchase card services, financial electronic data interchange, cash management services, and wire transfer services.

(f) "*Competitor*" means any individual, corporation, partnership, joint venture, limited liability company, associate or other entity or enterprise which is engaged, wholly or in part, in Competitive Services, including but not limited to the following companies and all of their parents, subsidiaries, affiliates, and successors-in-interest who engage in Competitive Services: Chase Paymentech Solutions, First Data Corporation, Elavon Inc., Total System Services, Inc., and Vantiv.

(g) "*Date of Termination*" means the date of termination of Employee's employment with the Company for any reason whatsoever.

(h) "*Disability*" means the inability of Employee, as determined by the Company, to substantially perform the essential functions of his or her regular duties and responsibilities with or without reasonable accommodation due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six (6) consecutive months.

(i) "*Good Reason*" shall mean:

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

(ii) a reduction by the Company in Employee's annual bonus opportunity as in effect on the Effective Date or as the same may be increased from time to time, unless a similar reduction is made in the annual bonus opportunity of similarly-situated senior executives which reduction is not rescinded within ten (10) days after the Company receives written notice from Employee that he or she believes that the reduction constitutes Good Reason and that he or she intends to resign if it is not rescinded, provided, however that, notwithstanding the foregoing, this clause shall not be triggered where Employee receives an annual bonus payout below his or her total bonus opportunity and such payout is based on the Company's and/or Employee's performance as determined in the sole discretion of the Company; or

(iii) a requirement that Employee be based in any office or location other than in the greater metropolitan area of Atlanta, Georgia which requirement is not rescinded within ten (10) days after the Company receives written notice from Employee that he or she believes that the requirement constitutes Good Reason and that he or she intends to resign if it is not rescinded.

(j) “*Protected Customer*” means any person, corporation, partnership, joint venture, limited liability company, association or other entity or enterprise to whom the Company has sold or provided or attempted to sell or provide its products or services during the twelve (12) months prior to the Date of Termination.

(k) “*Protected Employees*” means employees of the Company who were employed by the Company at any time during the twelve (12) months immediately preceding the Date of Termination.

(l) “*Restricted Area*” means the entire United States.

2. Termination. If there occurs a Change in Control and, within twelve (12) months following such Change in Control, the Company or its successor terminates Employee’s employment other than for Cause or Disability or Employee terminates his or her employment for Good Reason within twelve (12) months following such Change in Control, then (and with respect to the payments and benefits described in subsections (a) through (f) below, only if Employee executes (and does not revoke) a Release in substantially the form of Exhibit A hereto (the “Release”) within 60 days of the Date of Termination):

(a) on the day that follows the six (6) month anniversary of the Date of Termination (the “Pay Date”), the Company shall pay Employee a lump sum equal to the amount of the base salary (as in effect on the Date of Termination) Employee would have earned if he or she had been continuously employed by Company from the Date of Termination until the Pay Date provided, however, that the Company shall have no obligation to make the payment described in this section if Employee has violated Sections 3, 4 or 5 of this Agreement or Sections 5 or 6 of the attached Confidentiality Agreement and failed to remedy such violation to the satisfaction of the Company within ten (10) days of notice of such violation;

(b) commencing on the Pay Date, the Company will continue to pay Employee an amount equal to his or her monthly base salary for a period of up to three (3) consecutive months, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company’s obligation to make or continue such payments shall cease if Employee becomes employed with a subsequent employer or earns an income which will be reportable as non-employee compensation on a 1099 form provided that such non-employee compensation is reasonably anticipated to be more than \$100,000 per year or if Employee violates Section 3, 4 or 5 of this Agreement or Sections 5 or 6 of the attached Confidentiality Agreement and fails to remedy such violation to the satisfaction of the Company within 10 days of notice of such violation; and

(c) on the Pay Date, the Company shall pay Employee a pro-rated bonus for the Company’s fiscal year in which the Date of Termination occurs equal to (i) 100% of Employee’s annual bonus opportunity, times (ii) a fraction, the numerator of which is the number of full or partial months elapsed in the Company’s fiscal year in which the Date of Termination occurs as of the Date of Termination and the denominator of which is 12; and

(d) if the Date of Termination occurs after the end of one of Company’s fiscal years but before annual bonuses are paid for such preceding fiscal year, the Company shall, within sixty (60) of the Date of Termination, also pay Employee a bonus equal to the greater of (i) the actual amount earned by Employee for such preceding fiscal year or (ii) 75% of Employee’s annual bonus opportunity applicable for such preceding fiscal year; and

(e) all grants of restricted stock of the Company held by Employee as of the Date of Termination will become immediately vested as of the Date of Termination; and,

(f) all of Employee’s options to acquire common stock of the Company (“Options”) held by Employee as of the Date of Termination will become immediately vested and exercisable as of the Date of Termination; and,

(g) all of Employee's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 2(f) above) shall remain exercisable through the earliest of (i) the original expiration date of the Option, or (ii) the 90th day following the Date of Termination, or (iii) the date that is the 10th anniversary of the original date of grant of the Option.

3. Non-competition with the Company. During the term of Employee's employment with the Company and for a period of nine (9) months immediately following the Date of Termination, Employee agrees that he or she will not, without prior written consent of the Company, directly or indirectly seek or obtain a Competitive Position in the Restricted Area; provided, however, that nothing in this Section 3 shall prohibit Employee from acquiring or holding, for investment purposes only, less than five percent (5%) of the outstanding publicly traded securities of any corporation which may compete directly or indirectly with the Company. This section (and definitions incorporated herein) shall survive the termination of Employee's employment with the Company.

4. Non-solicitation of Employees. During the term of Employee's employment with the Company and for a period of nine (9) months immediately following the Date of Termination, Employee agrees that he or she will not, directly or indirectly, on his or her own behalf or on behalf of any other individual, corporation, partnership, joint venture, limited liability company, association or other entity or otherwise, solicit or induce any Protected Employees with whom he or she worked or otherwise had material contact with through employment with the Company to terminate his or her employment relationship with the Company or to enter into employment with any other individual, corporation, partnership, joint venture, limited liability company, association or other entity. This section (and definitions incorporated herein) shall survive the termination of Employee's employment with the Company.

5. Non-solicitation of Customers. During the term of Employee's employment with the Company and for a period of nine (9) months immediately following the Date of Termination, Employee agrees that he or she will not, directly or indirectly, on his or her own behalf or on behalf of any other individual, corporation, partnership, joint venture, limited liability company, association or other entity or otherwise, solicit, divert or take away or attempt to solicit divert or take away a Protected Customer for the purpose of providing or selling Competitive Services; provided however, that the non-solicitation restriction contained in this section shall only apply to those Protected Customers (a) with whom Employee, alone or in conjunction with others, had business dealings with on behalf of the Company during the twelve (12) month period immediately preceding the Date of Termination or (b) for whom Employee was responsible for supervising or coordinating the dealings between the Company and the Protected Customer during the twelve (12) month period immediately preceding the Date of Termination. This section (and definitions incorporated herein) shall survive the termination of Employee's employment with the Company.

6. Relief. Employee agrees that the breach of the covenants or promises contained in Sections 3, 4, or 5 of this Agreement or Sections 5 or 6 of the attached Confidentiality Agreement will leave the Company with no adequate remedy at law and will cause the Company to suffer irreparable damage and injury. Employee further agrees that the breach of these covenants and promises will entitle the Company to injunctive relief in any court of competent jurisdiction without the necessity of posting any bond. Employee also agrees that any such injunctive relief shall be in addition to any damages that may be recoverable by the Company as a result of such breach. Employee agrees that he or she will be liable to the Company for all reasonable attorney's fees and expenses which might be incurred by the Company in enforcing its rights hereunder. Employee further agrees that no failure or delay by Company in exercising, enforcing or asserting any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise of any such right, power or privilege.

7. Severability of Covenants. Employee acknowledges and agrees that the covenants set forth in Sections 3, 4, and 5 of this Agreement and Sections 5 and 6 of the attached Confidentiality Agreement are reasonable and valid in time and scope and in all other respects. These covenants 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 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 Employee 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.

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

9. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Georgia.

10. Entire Agreement(d) Entire Agreement. This Agreement contains the entire agreement between the Company and Employee with respect to the subject matter hereof and shall supersede any other agreement between the parties with respect to the subject matter hereof.

11. 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.

12. Waiver. No waiver shall be effective against Company or Employee unless such waiver is in writing and signed by the waiving party. The Company's failure to insist upon strict compliance with any of the terms or conditions of this Agreement at any one time shall not be deemed a waiver of such term or condition at any other time; nor shall any waiver or relinquishment of any right or power granted herein at any time be deemed a waiver or relinquishment of the same or any other right or power at any other time.

AGREED TO BY:

/s/ Daniel O'Keefe

Name: Daniel O'Keefe

Date: October 1, 2013

GLOBAL PAYMENTS INC.

By: /s/ Suellyn P. Tomay

Signature

Name: Suellyn P. Tomay

Date: October 1, 2013

EXHIBIT A

Form of Release

This Release is granted effective as of the ____ day of _____, 20____, by _____ (“Employee”) in favor of Global Payments Inc. (the “Company”). This is the Release referred to in the Change in Control, Non-competition and Non-solicitation Agreement (the “Agreement”) signed by Employee on _____, 2012. Employee gives this Release in consideration of the Company’s promises and covenants as recited in the Agreement, with respect to which this Release is an integral part.

1. Release of the Company. Employee, for himself or herself, his or her successors, assigns, attorneys, and all those entitled to assert his or her 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 Employee ever had or now has against the Released Parties, including, without limitation, any claims arising by reason of or in any way connected with any employment relationship which existed between the Company or any of its parents, subsidiaries, affiliates, or predecessors, and Employee. It is understood and agreed that this Release is intended to cover all actions, causes of action, claims or demands for any damage, loss or injury, whether known or unknown, of any nature whatsoever, including those which may be traced either directly or indirectly to the aforesaid employment relationship, or the termination of that relationship, that Employee has, had or purports to have, from the beginning of time to the date of this Release, and including but not limited to claims for employment discrimination under federal or state law, except as provided in Paragraph 2 below; claims arising under the Age Discrimination in Employment Act, 29 U.S.C. § 621, et seq., Title VII of the Civil Rights Act, 42 U.S.C. § 2000(e), et seq. or the Americans With Disabilities Act, 42 U.S.C. § 12101 et seq.; claims for statutory or common law wrongful discharge; claims arising under the Fair Labor Standards Act, 29 U.S.C. § 201 et seq.; claims for attorney’s fees, expenses and costs; claims for defamation; claims for emotional distress; claims for wages or vacation pay; claims for benefits, including any claims arising under the Employee Retirement Income Security Act, 29 U.S.C. § 1001, et seq.; and claims under any other applicable federal, state or local laws or legal concepts.

2. Release of Claims Under Age Discrimination in Employment Act. Without limiting the generality of the foregoing, Employee agrees that by executing this Release, he or she has released and waived any and all claims he or she 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. (“ADEA”). Employee acknowledges and agrees Employee has been, and hereby is, advised by Company to consult with an attorney prior to executing this Release. Employee further acknowledges and agrees that Company has offered Employee the opportunity, before executing this Release, to consider this Release for a period of twenty-one (21) calendar days; and that the consideration he or she receives for this Release is in addition to amounts to which he or she 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 Employee may revoke this Release within seven (7) calendar days from the date of execution hereof.

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

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

5. No Revocation After Seven Days. Employee acknowledges and agrees that this Release may not be revoked at any time after the expiration of the seven (7) day revocation period and that he or she will not institute any suit, action, or proceeding, whether at law or equity, challenging the enforceability of this Release. Employee further acknowledges and agrees that, with the exception of an action to challenge the waiver of claims under the ADEA, Employee shall not ever attempt to challenge the terms of this Release, attempt to obtain an order declaring this Release to be null and void, or institute litigation against the Company or any other Releasee based upon a claim that is covered by the terms of the release contained herein. Furthermore, with the exception of an action to challenge his or her waiver of claims under the ADEA, if Employee does not prevail in an action to challenge this Release, to obtain an order declaring this Release to be null and void, or in any action against the Company or any other Releasee based upon a claim that is covered by the release set forth herein, Employee shall pay to the Company and/or the appropriate Releasee all their costs and attorneys' fees incurred in their defense of Employee's action.

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

EMPLOYEE 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. EMPLOYEE ACKNOWLEDGES THAT HE OR SHE HAS HAD A FULL OPPORTUNITY TO CONSULT WITH AN ATTORNEY OR OTHER ADVISOR OF HIS OR HER CHOOSING CONCERNING HIS OR HER EXECUTION OF THIS RELEASE AND THAT HE OR SHE IS SIGNING THIS RELEASE VOLUNTARILY AND WITH THE FULL INTENT OF RELEASING THE COMPANY FROM ALL SUCH CLAIMS.

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

I, Paul R. Garcia, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Payments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Paul R. Garcia

Date: October 1, 2013

Paul R. Garcia
Chief Executive Officer

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

I, David E. Mangum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Global Payments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ David E. Mangum

Date: October 1, 2013

David E. Mangum
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Global Payments Inc. on Form 10-Q for the period ended August 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Paul R. Garcia, Chief Executive Officer of Global Payments Inc. (the "Company"), and David E. Mangum, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Paul R. Garcia

Paul R. Garcia
Chief Executive Officer
Global Payments Inc.

October 1, 2013

/s/ David E. Mangum

David E. Mangum
Chief Financial Officer
Global Payments Inc.

October 1, 2013

A signed original of this written statement required by Section 906 has been provided to Global Payments Inc. and will be retained by Global Payments Inc. and furnished to the Securities and Exchange Commission upon request.

