

**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, 2010

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)

30328-3473
(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 30, 2010 was 79,675,656.

GLOBAL PAYMENTS INC.
FORM 10-Q
For the quarterly period ended August 31, 2010

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PART I – 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,	
	2010	2009
Revenues	\$ 440,138	\$ 409,932
Operating expenses:		
Cost of service	151,041	141,204
Sales, general and administrative	206,990	179,485
	<u>358,031</u>	<u>320,689</u>
Operating income	<u>82,107</u>	<u>89,243</u>
Other income (expense):		
Interest and other income	1,537	690
Interest and other expense	<u>(4,841)</u>	<u>(4,141)</u>
	<u>(3,304)</u>	<u>(3,451)</u>
Income from continuing operations before income taxes	78,803	85,792
Provision for income taxes	<u>(24,981)</u>	<u>(25,536)</u>
Income from continuing operations	53,822	60,256
(Loss) income from discontinued operations, net of tax	<u>(28)</u>	<u>2,188</u>
Net income including noncontrolling interests	53,794	62,444
Less: Net income attributable to noncontrolling interests, net of income tax provision of \$295 and \$332, respectively	<u>(4,426)</u>	<u>(4,613)</u>
Net income attributable to Global Payments	<u>\$ 49,368</u>	<u>\$ 57,831</u>
Amounts attributable to Global Payments:		
Income from continuing operations	\$ 49,396	\$ 55,643
(Loss) income from discontinued operations, net of tax	<u>(28)</u>	<u>2,188</u>
Net income attributable to Global Payments	<u>\$ 49,368</u>	<u>\$ 57,831</u>
Basic earnings per share attributable to Global Payments:		
Income from continuing operations	\$ 0.62	\$ 0.69
(Loss) income from discontinued operations	<u>—</u>	<u>0.03</u>
Net income attributable to Global Payments	<u>\$ 0.62</u>	<u>\$ 0.72</u>
Diluted earnings per share attributable to Global Payments:		
Income from continuing operations	\$ 0.61	\$ 0.68
(Loss) income from discontinued operations	<u>—</u>	<u>0.03</u>
Net income attributable to Global Payments	<u>\$ 0.61</u>	<u>\$ 0.71</u>
Dividends per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>

See Notes to Unaudited Consolidated Financial Statements.

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

	August 31, 2010 (Unaudited)	May 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 578,213	\$ 769,946
Accounts receivable, net of allowances for doubtful accounts of \$384 and \$269, respectively	150,777	131,817
Claims receivable, net of allowances for losses of \$4,618 and \$4,208, respectively	921	664
Settlement processing assets	43,333	13,741
Inventory, net of obsolescence reserves of \$887 and \$908, respectively	6,731	9,740
Deferred income taxes	4,028	2,752
Prepaid expenses and other current assets	21,266	39,604
Total current assets	<u>805,269</u>	<u>968,264</u>
Goodwill	582,252	569,090
Other intangible assets, net of accumulated amortization of \$153,820 and \$145,076, respectively	202,908	205,110
Property and equipment, net of accumulated depreciation of \$130,407 and \$119,402, respectively	202,928	183,938
Deferred income taxes	93,838	90,470
Other	21,550	22,454
Total assets	<u>\$1,908,745</u>	<u>\$2,039,326</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Lines of credit	\$ 84,135	\$ 79,187
Notes payable - current portion	137,898	148,169
Accounts payable and accrued liabilities	180,059	173,575
Settlement processing obligations	105,686	265,110
Income taxes payable	233	6,430
Total current liabilities	<u>508,011</u>	<u>672,471</u>
Notes payable	238,248	272,965
Deferred income taxes	89,858	88,265
Other long-term liabilities	35,317	31,436
Total liabilities	<u>871,434</u>	<u>1,065,137</u>
Commitments and contingencies (See Note 12)		
Redeemable noncontrolling interest	105,154	102,672
Equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued	—	—
Common stock, no par value; 200,000,000 shares authorized; 82,414,198 issued and 79,686,461 outstanding at August 31, 2010 and 82,028,945 issued and 79,646,055 outstanding at May 31, 2010	—	—
Paid-in capital	462,874	460,747
Retained earnings	592,439	544,772
Treasury stock; 2,727,737 and 2,382,890 shares at August 31, 2010 and May 31, 2010, respectively	(112,980)	(100,000)
Accumulated other comprehensive loss	(20,413)	(44,255)
Total Global Payments shareholders' equity	<u>921,920</u>	<u>861,264</u>
Noncontrolling interest	10,237	10,253
Total equity	<u>932,157</u>	<u>871,517</u>
Total liabilities and equity	<u>\$1,908,745</u>	<u>\$2,039,326</u>

See Notes to Unaudited Consolidated Financial Statements

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

	Three Months Ended August 31,	
	2010	2009
Cash flows from operating activities:		
Net income including noncontrolling interests	\$ 53,794	\$ 62,444
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization of property and equipment	9,030	9,002
Amortization of acquired intangibles	7,674	7,920
Provision for operating losses and bad debts	5,246	6,769
Share-based compensation expense	3,492	3,004
Deferred income taxes	3,518	1,596
Other, net	(676)	(158)
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	(18,960)	(2,883)
Claims receivable	(4,390)	(4,137)
Settlement processing assets and obligations, net	(190,129)	608,711
Inventory	3,096	(7,381)
Prepaid expenses and other assets	(2,796)	(58)
Accounts payable and other accrued liabilities	11,353	1,379
Payables to money transfer beneficiaries	—	(4,465)
Income taxes payable	15,371	14,765
Net cash (used in) provided by operating activities	<u>(104,377)</u>	<u>696,508</u>
Cash flows from investing activities:		
Business and intangible asset acquisitions, net of cash acquired	(2,489)	(249)
Capital expenditures	(24,785)	(11,101)
Net decrease in financing receivables	454	—
Proceeds from sale of investment and contractual rights, net	—	253
Net cash used in investing activities	<u>(26,820)</u>	<u>(11,097)</u>
Cash flows from financing activities:		
Net borrowings on lines of credit	4,948	1,948
Proceeds from notes payable	1,661	300,487
Principal payments under notes payable	(49,467)	(27,487)
Acquisition of redeemable noncontrolling interest	—	(307,675)
Proceeds from stock issued under employee stock plans, net of repurchases	(474)	4,048
Repurchase of common stock	(14,900)	—
Tax benefit from employee share-based compensation	118	2,599
Distributions to noncontrolling interest	(2,075)	(13,998)
Dividends paid	(1,586)	(1,616)
Net cash used in financing activities	<u>(61,775)</u>	<u>(41,694)</u>
Effect of exchange rate changes on cash	<u>1,239</u>	<u>1,697</u>
(Decrease) increase in cash and cash equivalents	(191,733)	645,414
Cash and cash equivalents, beginning of the period	769,946	426,935
Cash and cash equivalents, end of the period	<u>\$ 578,213</u>	<u>\$ 1,072,349</u>

See Notes to Unaudited Consolidated Financial Statements

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

	Number of Shares	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss		Total Global Payments Shareholders' Equity	Noncontrolling Interest	Total Equity
					Currency Translation Adjustments	Minimum Pension Liability			
Balance at May 31, 2010	79,646	\$460,747	(100,000)	\$544,772	\$ (41,306)	\$ (2,949)	\$ 861,264	\$ 10,253	\$871,517
Comprehensive income:									
Net income including noncontrolling interests				49,368			49,368	2,059	51,427
Foreign currency translation adjustment, net of tax of \$2,705					23,842		23,842		23,842
Total comprehensive income							73,210	2,059	75,269
Stock issued under employee stock plans, net	385	(474)					(474)		(474)
Tax benefit deficiency from employee share-based compensation, net		(891)					(891)		(891)
Share-based compensation expense		3,492					3,492		3,492
Distributions to noncontrolling interest								(2,075)	(2,075)
Redeemable noncontrolling interests valuation adjustment				(115)			(115)		(115)
Repurchase of common stock	(345)		(12,980)				(12,980)		(12,980)
Dividends paid (\$0.02 per share)				(1,586)			(1,586)		(1,586)
Balance at August 31, 2010	<u>79,686</u>	<u>\$462,874</u>	<u>(112,980)</u>	<u>\$592,439</u>	<u>\$ (17,464)</u>	<u>\$ (2,949)</u>	<u>\$ 921,920</u>	<u>\$ 10,237</u>	<u>\$932,157</u>

See Notes to Unaudited Consolidated Financial Statements.

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

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss		Total Global Payments Shareholders' Equity	Noncontrolling Interest	Total Equity
				Currency Translation Adjustments	Minimum Pension Liability			
Balance at May 31, 2009	80,445	\$405,241	\$273,090	\$ (8,987)	\$ (1,914)	\$ 667,430	\$ 10,813	\$678,243
Comprehensive income (loss):								
Net income including noncontrolling interests			57,831			57,831	2,143	59,974
Foreign currency translation adjustment, net of tax of \$5,327				10,910		10,910		10,910
Total comprehensive income						68,741	2,143	70,884
Stock issued under employee stock plans, net	564	4,048				4,048		4,048
Tax benefit from employee share- based compensation, net		2,599				2,599		2,599
Share-based compensation expense		3,004				3,004		3,004
Distributions to noncontrolling interest							(2,104)	(2,104)
Redeemable noncontrolling interest valuation adjustment			(14,336)			(14,336)		(14,336)
Deferred tax asset - arising from acquisition of noncontrolling interest			89,965			89,965		89,965
Dividends paid (\$0.02 per share)			(1,616)			(1,616)		(1,616)
Balance at August 31, 2009	<u>81,009</u>	<u>\$414,892</u>	<u>\$404,934</u>	<u>\$ 1,923</u>	<u>\$ (1,914)</u>	<u>\$ 819,835</u>	<u>\$ 10,852</u>	<u>\$830,687</u>

See Notes to Unaudited Consolidated Financial Statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business, consolidation and presentation— Global Payments Inc. is a high-volume processor of electronic transactions for merchants, multinational corporations, financial institutions, consumers, government agencies and other 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 business since 1967.

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

As a result of our May 2010 disposition of the money transfer business, this segment has been accounted for as a discontinued operation. Please see Note 3 – Discontinued Operations for further information.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X and do not include all of the information and footnotes required by accounting principles generally accepted in the United States (“GAAP”). However, 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 primarily of normal recurring accruals and estimates that impact the carrying value of assets and liabilities. Actual results may materially differ from these estimates. 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, 2010.

Reclassifications— Amounts related to our discontinued operations in our prior period statement of income have been reclassified to conform with the presentation in the current fiscal year.

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, 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. We use two basic business models to market our merchant services offerings. One model, referred to as “direct” merchant services, features a salaried and commissioned sales force, independent sales organizations (“ISOs”), and independent sales representatives, all of whom sell our end-to-end services directly to merchants. The other model, referred to as “indirect” merchant services, provides similar basic products and services as our direct model, primarily to financial institutions and a limited number of ISOs on an unbundled basis, that in turn resell our products and services to their clients. The primary difference between the models is under the “indirect” model we do not provide bank partner BIN sponsorship services for acquired transactions; that service is provided by other providers. Direct merchant services revenue is generated on services generally priced as a percentage of transaction value, whereas indirect merchant services revenue is generated on services primarily priced on a specified amount per transaction or per service rendered. In both merchant services models, we also charge other fees unrelated to the number of transactions or the transaction value.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Cash and cash equivalents—Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased. These amounts also include cash that we hold as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement (“Merchant Reserves”). We record corresponding liabilities 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, 2010 and May 31, 2010, our cash and cash equivalents included \$256.0 million and \$199.4 million, respectively, related to Merchant Reserves.

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

Settlement processing assets and obligations—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 of either organization (“Member”) sponsoring us and our adherence to the standards of the Visa and MasterCard networks. We have five primary financial institution sponsors in the United States, Canada, the United Kingdom, the Asia-Pacific region and the Russian Federation with whom we have sponsorship or depository and clearing agreements. These agreements allow us to route transactions under the member banks’ control and identification numbers to clear credit card transactions through Visa and MasterCard. Visa and MasterCard set the standards with which we must comply. Certain of the member financial institutions of Visa and MasterCard are our competitors.

We also provide credit card transaction processing for Discover Financial Services or Discover Card (“Discover”) and are designated as an acquirer by Discover. Our agreement with Discover allows us to acquire, process and fund transactions directly through Discover’s network without the need of a financial institution. Otherwise, we process Discover transactions similarly to how we process MasterCard and Visa transactions. Discover publishes acquirer operating regulations, with which we must comply. We use our Members to assist in funding merchants for Discover transactions.

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

For transactions processed on our systems, we use our internal network telecommunication infrastructure to provide funding instructions to the Members who in turn fund the merchants. In certain of our markets, merchant funding primarily occurs after the Member receives the funds from the card issuer through the card networks creating a net settlement obligation on our balance sheet. In our other markets, the Member funds the merchants before the Member receives the net settlement funds from the card networks, creating a net settlement asset on our balance sheet. In the United Kingdom and certain markets in the Asia-Pacific region, the Member provides the payment processing operations and related support services on our behalf under a transition services agreement. In such instances, we do not reflect the related settlement processing assets and obligations in our consolidated balance sheet. The Member will continue to provide these operations and services until the integration to our platform is completed. After our integration, the Member will continue to provide funds settlement services similar to the functions performed by our Members in the United States and Canada at which point the related settlement assets and obligations will be reflected in our consolidated balance sheet.

Timing differences, interchange expense, Merchant Reserves and exception items cause differences between the amount the Member receives from the card networks and the amount funded to the merchants. The standards of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant is funded. However, in practice and in accordance with the terms of our sponsorship agreements with our Members, we generally follow a net settlement process 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 assesses a funding cost, which is included in interest and other expense on the accompanying consolidated statements of income. Each participant in the transaction process receives compensation for its services.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Settlement processing assets and obligations represent intermediary balances arising in our settlement process for direct merchants. Settlement processing assets consist primarily of (i) our receivable from merchants for the portion of the discount fee related to reimbursement of the interchange expense (“Interchange reimbursement”), (ii) our receivable from the Members for transactions we have funded merchants on behalf of the Members in advance of receipt of card association funding (“Receivable from Members”), and (iii) exception items, such as customer chargeback amounts receivable from merchants (“Exception items”), all of which are reported net of (iv) Merchant Reserves held to minimize contingent liabilities associated with charges properly reversed by a cardholder (“Merchant Reserves”). Settlement processing obligations consist primarily of (i) Interchange reimbursement, (ii) our liability to the Members for transactions for which we have not funded merchants on behalf of the Members but for which we have received funding from the Members (“Liability to Members”), (iii) Exception items, (iv) Merchant Reserves, (v) the fair value of our guarantees of customer chargebacks (see *Reserve for operating losses* below), and (vi) the reserve for sales allowances. In cases in which the Member uses its own funds to satisfy a funding obligation to merchants that precedes the incoming amount from the card network, we reflect the amount of this funding as a component of “Liability to Members.”

As of August 31, 2010 and May 31, 2010, our settlement processing assets primarily related to our processing for direct merchants in certain Asia-Pacific markets and the Russian Federation, while our settlement processing obligations primarily related to our processing for direct merchants in the United States and other Asia-Pacific markets. Amounts related to settlement processing for direct merchants in Canada were included with assets as of August 31, 2010 and obligations as of May 31, 2010.

A summary of these amounts as of August 31, 2010 and May 31, 2010 is as follows:

	August 31, 2010	May 31, 2010
	(in thousands)	
Settlement processing assets:		
Interchange reimbursement	\$ 62,179	\$ 19
Receivable from Members, net	7,899	12,258
Exception items	1,404	1,748
Merchant reserves	(28,149)	(284)
Total	<u>\$ 43,333</u>	<u>\$ 13,741</u>
Settlement processing obligations:		
Interchange reimbursement	\$ 150,002	\$ 194,341
Liability to Members, net	(30,562)	(259,947)
Exception items	8,245	6,254
Merchant reserves	(227,809)	(199,077)
Fair value of guarantees of customer chargebacks	(4,694)	(5,810)
Reserves for sales allowances	(868)	(871)
Total	<u>\$(105,686)</u>	<u>\$(265,110)</u>

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

Our credit card processing merchant customers are liable for any charges 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, 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 known losses and a projection of future losses based on a percentage of direct merchant sales volumes processed. Historically, this estimation process has been materially accurate.

As of August 31, 2010 and May 31, 2010, \$4.7 million and \$5.8 million, respectively, have been recorded to reflect the fair value of guarantees associated with merchant card processing. These amounts are included in settlement processing obligations

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

in the accompanying unaudited 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, 2010 and 2009, we recorded such expenses in the amounts of \$0.9 million and \$1.8 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 checkwriter's bank in accordance with the merchant's agreement with us. The fair value of the check guarantee is equal to the fee charged for the guarantee service, and we defer this fee revenue until the guarantee is satisfied. We have the right to collect the full amount of the check from the checkwriter but have not historically recovered 100% of the guaranteed checks. Our check guarantee loss reserve is based on historical and projected loss experiences. As of August 31, 2010 and May 31, 2010, we have a check guarantee loss reserve of \$4.6 million and \$4.2 million, respectively, which is included in net claims receivable in the accompanying consolidated balance sheets. For the three months ended August 31, 2010 and 2009, we recorded expenses of \$4.1 million and \$3.9 million, respectively. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the receivable valuation allowance.

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

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

During fiscal 2010, we placed into service \$54.9 million of hardware and software associated with our next generation technology processing platform, referred to as G2. This platform is planned to be a new front-end operating environment for our merchant processing in the United States, Asia-Pacific, the United Kingdom, and Canada, and is intended to replace a number of legacy platforms that have higher cost structures. Depreciation and amortization associated with these costs is calculated based on transactions expected to be processed over the life of the platform. We believe that this method is more representative of the platform's use than the straight-line method. We are currently processing transactions on our G2 platform in seven markets in our Asia-Pacific region. As these markets represent a small percentage of our overall transactions, depreciation and amortization related to our G2 platform for the quarter ended August 31, 2010 was not significant. Depreciation and amortization expense will increase as we complete migrations of other markets to the G2 platform. We did not place any hardware or software costs associated with G2 into service during the three months ended August 31, 2010.

Goodwill and other intangible assets— We completed our most recent annual goodwill and indefinite-life intangible asset impairment test as of January 1, 2010 and determined that no impairment charges were required as of that date. 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 consists of two steps. In the first step the reporting unit's carrying amount, including goodwill, is compared to its fair value which is measured based upon, among other factors, a discounted cash flow analysis as well as market multiples for comparable companies. If the carrying amount of the reporting unit is greater than its fair value, step two must be performed. Step two measures the impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of fair value over the amounts allocated to the assets and liabilities of the reporting unit is the implied fair value of goodwill. The excess of the carrying amount over the implied fair value of goodwill is the impairment loss.

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

trademarks associated with acquisitions. Customer-related intangible assets, contract-based intangible assets and certain trademarks are amortized over their estimated useful lives of up to 30 years. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks are based on our plans to phase out the trademarks in the applicable markets.

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

Impairment of long-lived assets— We regularly evaluate whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-life intangible assets may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the potential impairment by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows, or external appraisals, as applicable. 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, 2010 and May 31, 2010.

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.

During fiscal 2010, we recorded a deferred tax asset of \$90.0 million (\$90.8 million at August 31, 2010) associated with the purchase of the remaining 49% interest in HSBC Merchant Services LLP. Please see Note 2 – Business Acquisitions for further information.

Our effective tax rates, reflected as the provision for income taxes divided by income from continuing operations before income tax, including the effect of noncontrolling interests, were 33.3% and 31.2% for the three months ended August 31, 2010 and 2009, respectively. Please see Note 6 – Income Tax for further information.

Fair value of financial instruments— We consider that the carrying amounts of our financial instruments, including cash and cash equivalents, receivables, lines of credit, accounts payable and accrued liabilities, approximate their fair value given the short-term nature of these items. Our term loans include variable interest rates based on the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. We estimate the fair value of our 2009 term loan was \$218.5 million at August 31, 2010 (\$215.1 million carrying value) and \$247.0 million at May 31, 2010 (\$246.1 million carrying value). We estimate the fair value of our 2008 term loan was \$148.6 million at August 31, 2010 (\$150.0 million carrying value) and \$160.6 million at May 31, 2010 (\$165.0 million carrying value). Our subsidiary in the Russian Federation has notes payable with interest rates ranging from 8.0% to 10.5% and maturity dates ranging from March 2011 through July 2015. At August 31, 2010, we believe the carrying amount of these notes approximates fair value. Please see Note 5 – 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 certain of our customers. We have determined these arrangements to be direct financing leases. Accordingly, we have \$23.0 million and \$24.2 million of financing receivables included in prepaid and other current assets (current portion) and other assets (long-term portion) in our August 31, 2010 and May 31, 2010 consolidated balance sheets, respectively.

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

determining net income for the period. For the three months ended August 31, 2010 and 2009, 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 average rates prevailing during the period. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in shareholders' equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of other comprehensive income.

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

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period and the impact of securities that would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period are assumed to have a dilutive effect on earnings per share. The diluted share base for the three months ended August 31, 2010 and 2009 excludes incremental shares of 1.0 million and 0.9 million, respectively, related to stock options. These shares were not considered in computing diluted earnings per share because including them would have had an antidilutive effect. No additional securities were outstanding that could potentially dilute basic earnings per share.

The following table sets forth the computation of diluted weighted average shares outstanding for the three months ended August 31, 2010 and 2009 (in thousands):

	Three Months Ended	
	August 31,	
	2010	2009
Basic weighted average shares outstanding	79,597	80,554
Plus: dilutive effect of stock options and restricted stock awards	742	744
Diluted weighted average shares outstanding	<u>80,339</u>	<u>81,298</u>

New accounting pronouncements— In July 2010, the Financial Accounting Standards Board (“FASB”) issued ASU 2010-20, “Receivables – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses” (ASU 2010-20). ASU 2010-20 amends Topic 310 to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide new disclosures about its financing receivables and related allowance for credit losses. These provisions are effective for interim and annual reporting periods ending on or after December 15, 2010. ASU 2010-20 concerns disclosures only and will not have a material impact on our financial position or results of operations.

In December 2009, the FASB issued ASU 2009-17, “Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities” (ASU 2009-17). ASU 2009-17 amends prior accounting for variable interests and requires a company to perform an analysis to determine whether its interests give it a controlling financial interest in a variable interest entity. A company must also assess whether it has the power to direct the activities of the variable interest entity and whether it has the obligation to absorb losses or the right to receive benefits that could potentially be significant to the variable interest entity. ASU 2009-17 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity, eliminates the quantitative approach previously required for determining the primary beneficiary of a variable interest entity and expands required disclosures. ASU 2009-17 was effective for our fiscal year beginning June 1, 2010 and did not have an impact on our consolidated financial statements.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 2—BUSINESS ACQUISITIONS

Fiscal 2011

During the first quarter of fiscal year 2011, we acquired contract-based and customer related intangible assets in our United States merchant services channel for \$2.5 million. These intangible assets are being amortized on a straight-line basis over their estimated useful lives of 5 years.

*Fiscal 2010**HSBC Merchant Services LLP*

On June 12, 2009, we purchased the remaining 49% of HSBC Merchant Services LLP (the “LLP”) from HSBC Bank plc (“HSBC UK”) for \$307.7 million in cash. We acquired our initial 51% majority ownership interest in the LLP on June 30, 2008 for which we paid HSBC UK \$438.6 million for our 51% interest. We used existing lines of credit to complete the transaction of the remaining 49% of the LLP. In addition, HSBC extended our current ten-year exclusive marketing alliance agreement whereby the bank provides merchant referrals and bank sponsorship to Global Payments to June 2019. The purchase of the remaining 49% of the LLP was recorded as a reduction of redeemable noncontrolling interest. Accordingly, no additional value was ascribed to the assets of the LLP and there was no purchase price allocation for this transaction. As a result, our tax basis in the LLP exceeds our book basis and we recorded a deferred tax asset on the purchase date in the amount of \$90.0 million (\$90.8 million at August 31, 2010) with a corresponding increase to retained earnings. Additionally, the purchase of our 49% interest in the LLP is reflected as a financing cash outflow in our statement of cash flows because it was treated as an equity transaction.

On July 10, 2009, we entered into a new term loan to pay down the credit facility used to purchase the remaining 49% interest in the LLP. Please see Note 5 – Long-term Debt and Credit Facilities for further information.

Auctionpay, Inc.

On September 28, 2009, we completed the acquisition of Auctionpay, Inc., a provider of fully integrated payment processing and software solutions for fundraising activities for \$22.0 million in cash. The purpose of this acquisition was to expand our direct acquiring business into a vertical market that, to date, is still heavily dependent on cash and check as the primary means of payment. The purchase price was determined by analyzing the historical and prospective financial statements. This business acquisition was not material to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

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

Goodwill	\$11,827
Customer-related intangible assets	4,900
Contract-based intangible assets	1,200
Trademark	300
Property and equipment	4,815
Total assets acquired	23,042
Working capital, net	(201)
Liabilities	(841)
Net assets acquired	<u>\$22,000</u>

None of the goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 14 years. The contract-based intangible assets have estimated amortization periods of 2 years. The trademark has an estimated amortization period of 8 years.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)*HealthCard Systems*

On April 21, 2010, we completed an asset purchase agreement with HealthCard Systems and NationalCard Processing Systems. Under the terms of the agreement we paid a total of \$11.7 million. The purpose of this acquisition was to expand our merchant services portfolio in North America. The purchase price was determined by analyzing the historical and prospective financial statements. This business acquisition was not material to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

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

Goodwill	\$ 5,838
Customer-related intangible assets	5,710
Contract-based intangible assets	<u>120</u>
Net assets acquired	<u>\$11,668</u>

None of the goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 7 years.

Other

In addition, on March 31, 2010, we acquired a contract-based intangible asset in our United States merchant services channel for \$0.8 million. This intangible asset is being amortized on a straight-line basis over its estimated useful life of 5 years.

NOTE 3—DISCONTINUED OPERATIONS

On May 26, 2010, we completed the disposition of our DolEx and Europhil-branded money transfer businesses to an affiliate of Palladium Equity Partners, LLC for \$85.0 million. Under the terms of the sale and purchase agreement, we received net proceeds of \$60.2 million (\$85.0 million less \$24.8 million cash remaining in the business at closing), subject to final working capital adjustments.

The operating results of the money transfer segment for the three months ended August 31, 2009 have been reported as discontinued operations as follows (in thousands):

	<u>August 31,</u> <u>2009</u>
Revenues	\$ 31,378
Operating income	3,403
Other (expense) income	<u>11</u>
(Loss) income before income taxes	3,414
Income tax benefit (provision)	<u>(1,226)</u>
(Loss) income from discontinued operations, net of tax	<u>\$ 2,188</u>

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 4—GOODWILL AND INTANGIBLE ASSETS

As of August 31, 2010 and May 31, 2010, goodwill and intangible assets consisted of the following:

	August 31, 2010	May 31, 2010
	(in thousands)	
Goodwill	\$582,252	\$569,090
Customer-related intangible assets	325,990	322,053
Trademarks, finite life	8,131	8,046
Contract-based intangible assets	22,607	20,087
	<u>938,980</u>	<u>919,276</u>
Less accumulated amortization on:		
Customer-related intangible assets	143,279	136,333
Trademarks	3,033	2,691
Contract-based intangible assets	7,508	6,052
	<u>153,820</u>	<u>145,076</u>
	<u>\$785,160</u>	<u>\$774,200</u>

The following table discloses the changes in the carrying amount of goodwill for the three months ended August 31, 2010 (in thousands):

	North America merchant services	International merchant services	Total
Balance at May 31, 2010	\$210,065	\$ 359,025	\$569,090
Purchase price allocation adjustments	(30)	—	(30)
Effect of foreign currency translation	(1,870)	15,062	13,192
Balance at August 31, 2010	<u>\$208,165</u>	<u>\$ 374,087</u>	<u>\$582,252</u>

NOTE 5—LONG-TERM DEBT AND CREDIT FACILITIES

Outstanding debt consisted of the following:

	August 31, 2010	May 31, 2010
	(in thousands)	
Lines of credit:		
U.S. Credit Facility	\$ —	\$ —
Canada Credit Facility	—	—
National Bank of Canada Credit Facility	—	—
Macau Credit Facility	1,964	1,454
Sri Lanka Credit Facility	2,004	2,382
Philippines Credit Facility	7,350	9,064
Maldives Credit Facility	1,060	2,501
Hong Kong Credit Facility	71,757	63,786
Total credit facilities	84,135	79,187
Notes Payable	11,013	10,064
Term loans	365,133	411,070
Total debt	<u>\$460,281</u>	<u>\$500,321</u>
Current portion	\$222,033	\$227,356
Long-term debt	238,248	272,965
Total debt	<u>\$460,281</u>	<u>\$500,321</u>

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Lines of Credit

Our line of credit facilities are used to provide a source of working capital and for general corporate purposes, while the U.S. Credit Facility is additionally available to fund future strategic acquisitions. Certain of our line of credit facilities allow us to fund merchants for credit and debit card transactions prior to receipt of corresponding settlement funds from Visa, MasterCard, and debit networks.

Term Loans

On June 23, 2008, we entered into a five year unsecured \$200.0 million term loan agreement with a syndicate of banks in the United States to partially fund the purchase of our initial 51% interest in the LLP. The term loan bears interest, at our election, at the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. As of August 31, 2010, the interest rate on the term loan was 1.4%. The term loan requires quarterly principal payments of \$5.0 million beginning with the quarter ended August 31, 2008 and increasing to \$10.0 million beginning with the quarter ending August 31, 2010 and \$15.0 million beginning with the quarter ending August 31, 2011. As of August 31, 2010, the outstanding balance of this term loan was \$150.0 million.

On July 10, 2009, we entered into a \$300.0 million term loan agreement (\$230.0 million and £43.5 million) with a syndicate of financial institutions. We used the proceeds of this term loan to pay down our then existing credit facility which had been used to initially fund the purchase of the remaining 49% interest in the LLP. This term loan expires in 2012 and has a variable interest rate based on the London Interbank Offered Rate plus a margin based on our leverage position. As of August 31, 2010, the interest rate on the term loan was 3.3% for the United States dollar borrowing facility and 3.6% for the British Pound Sterling borrowing facility. The term loan requires quarterly principal payments of \$11.5 million and £2.2 million beginning with the quarter ended August 31, 2009 and increasing to \$17.3 million and £3.3 million beginning with the quarter ending August 31, 2010. As of August 31, 2010, the outstanding balance of this term loan was \$166.8 million and £31.5 million (\$48.3 million equivalent).

New Overdraft Facilities

On September 22, 2010, we entered into a revolving overdraft facility with HSBC Bank Malaysia Berhad for 90 million Malaysian Ringgits (\$28.6 million at August 31, 2010) to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable interest rate plus a margin, and is subject to annual review.

On October 1, 2010, we entered into a revolving overdraft facility with The Hongkong and Shanghai Banking Corporation Limited for 25 million Singapore Dollars (\$18.4 million at August 31, 2010) to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable interest rate plus a margin, and is subject to annual review.

Notes Payable

In connection with our acquisition of UCS, we assumed notes payable with a total outstanding balance of approximately \$11.0 million at August 31, 2010. These notes have fixed interest rates ranging from 8.0% to 10.5% with maturity dates ranging from March 2011 through July 2013.

Compliance with Covenants

There are certain financial and non-financial covenants contained in our credit facilities and term loans. We are in compliance with these covenants as of August 31, 2010.

NOTE 6—INCOME TAX

As of August 31, 2010, other long-term liabilities included liabilities for unrecognized income tax benefits of \$25.0 million and accrued interest and penalties of \$0.4 million.

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During the three months ended August 31, 2010, we recognized additional liabilities of \$4.2 million for unrecognized income tax benefits. During the three months ended August 31, 2010 and 2009, amounts recorded for accrued interest and penalty expense related to the unrecognized income tax benefits were not significant.

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. With few exceptions, we are no longer subject to income tax examinations for years ended May 31, 2004 and prior.

NOTE 7—SHAREHOLDERS' EQUITY

On April 23, 2010, our Board of Directors approved a share repurchase program that authorized the purchase of up to \$100 million of Global Payments' stock in the open market or as otherwise may be determined by us, subject to market conditions, business opportunities and other factors. Under this authorization, we repurchased 2,382,890 shares of our common stock at a cost of \$100 million, or an average of \$41.97 per share, including commissions during the fourth quarter of fiscal 2010. Repurchased shares are held as treasury stock.

During the first quarter of fiscal 2011, we also used the \$13.0 million remaining under the authorization from our original share repurchase program initiated during fiscal 2007 to repurchase 344,847 shares of our common stock a cost of \$13.0 million, or an average of \$37.64 per share, including commissions. These repurchased shares are also held as treasury stock. The remaining shares repurchased under this authorization were retired and are available for future issuance.

NOTE 8—SHARE-BASED AWARDS AND OPTIONS

As of August 31, 2010, we have four share-based employee compensation plans: 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 Employee Stock Purchase Plan. For all share-based awards granted after June 1, 2006, compensation expense is recognized on a straight-line basis. The fair value of share-based awards granted prior to June 1, 2006 is amortized as compensation expense on an accelerated basis from the date of the grant.

Non-qualified stock options and restricted stock have been granted to officers, key employees and directors under the the 2000 Plan, the 2005 Plan, and the Director Plan (collectively, the "Plans"). Effective with the adoption of the 2005 Plan, there are no future grants under the 2000 Plan. Shares available for future grant as of August 31, 2010 are 1.6 million for the 2005 Plan and 0.4 million for the Director Plan.

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

	Three Months Ended	
	August 31, 2010	August 31, 2009
	(in millions)	
Share-based compensation cost	\$ 3.5	\$ 3.0
Income tax benefit	1.2	1.1

Stock Options

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following is a summary of our stock option plans as of and for the three months ended August 31, 2010:

	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at May 31, 2010	3,042	\$ 31		
Granted	296	38		
Forfeited	(85)	28		
Exercised	(91)	42		
Outstanding at August 31, 2010	<u>3,162</u>	32		
Options vested and exercisable at August 31, 2010	<u>2,435</u>	\$ 29	4.3	\$ 21

The aggregate intrinsic value of stock options exercised during the three months ended August 31, 2010 and 2009 was \$0.9 million and \$9.8 million, respectively. As of August 31, 2010, we had \$4.8 million of total unrecognized compensation cost related to unvested options which we expect to recognize over a weighted average period of 1.5 years.

The weighted average grant-date fair values of each option granted during the three months ended August 31, 2010 and 2009 were \$11 and \$14, respectively. The fair value of each option granted during the three months ended August 31, 2010 and 2009 was estimated on the date of grant using the Black-Scholes valuation model with the following weighted average assumptions for grants during the respective period:

	Three Months Ended August 31,	
	2010	2009
2005 Plan		
Risk-free interest rates	1.74%	2.72%
Expected volatility	31.96%	32.31%
Dividend yields	0.21%	0.21%
Expected lives	5 years	5 years

There were no options granted under the Director Plan during the three months ended August 31, 2010 and 2009.

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

Restricted Stock

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

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the changes in non-vested restricted stock awards for the three months ended August 31, 2010.

	<u>Share Awards</u> (in thousands)	<u>Weighted Average Grant-Date Fair Value</u>
Non-vested at May 31, 2010	713	\$ 42
Granted	453	38
Vested	(246)	42
Forfeited	(12)	42
Non-vested at August 31, 2010	<u>908</u>	40

The total fair value of shares vested during the three months ended August 31, 2010 was \$10.3 million. During the three months ended August 31, 2009, the weighted average grant-date fair value of shares vested was \$41 and the total fair value of shares vested was \$8.6 million.

We recognized compensation expenses for restricted stock of \$2.7 million and \$1.7 million in the three months ended August 31, 2010 and 2009, respectively. As of August 31, 2010, there was \$35.1 million of total unrecognized compensation cost related to unvested restricted stock awards that is expected to be recognized over a weighted average period of 3.1 years.

Employee Stock Purchase Plan

We have an Employee Stock Purchase Plan under which the sale of 2.4 million shares of our common stock has been authorized. Employees may designate up to the lesser of \$25,000 or 20% of their annual compensation for the purchase of stock. The price for shares purchased under the plan is 85% of the market value on the last day of the quarterly purchase period. As of August 31, 2010, 0.9 million shares had been issued under this plan, with 1.5 million shares reserved for future issuance.

The weighted average grant-date fair value of each designated share purchased under this plan during the three months ended August 31, 2010 and 2009 was \$5 and \$6, respectively, which represents the fair value of the 15% discount.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**NOTE 9—SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental cash flow disclosures are as follows:

	Three Months Ended August 31,	
	2010	2009
	(in thousands)	
Income taxes paid, net of refunds	\$ 2,538	\$ 1,231
Interest paid	5,460	3,334
Financing receivables:		
Investment in equipment for financing leases	\$ (54)	
Principal collections from customers – financing leases	508	
Net decrease in financing receivables	<u>\$ 454</u>	

NOTE 10—NONCONTROLLING INTERESTS

Effective June 1, 2009, we adopted the FASB guidance on noncontrolling interest. The following table details the components of redeemable noncontrolling interests for the three months ended August 31, 2010 and 2009:

	Three Months Ended August 31,	
	2010	2009
	(in thousands)	
Beginning balance	\$ 102,672	\$ 399,377
Acquisition of redeemable noncontrolling interest	—	(307,675)
Net income attributable to redeemable noncontrolling interest	2,367	2,470
Distributions to redeemable noncontrolling interest	—	(11,895)
Increase in the maximum redemption amount of redeemable noncontrolling interest	115	14,336
Ending balance	<u>\$ 105,154</u>	<u>\$ 96,613</u>

For the three months ended August 31, 2010 and 2009, net income included in the consolidated statements of changes in shareholders' equity is reconciled to net income presented in the consolidated statements of income as follows:

	Three Months Ended August 31,	
	2010	2009
	(in thousands)	
Net income attributable to Global Payments	\$ 49,368	\$ 57,831
Net income attributable to nonredeemable noncontrolling interest	2,059	2,143
Net income attributable to redeemable noncontrolling interest	2,367	2,470
Net income including noncontrolling interest	<u>\$ 53,794</u>	<u>\$ 62,444</u>

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 11—SEGMENT INFORMATION

General information

We have historically operated in three reportable segments, which were defined as North America Merchant Services, International Merchant Services, and Money Transfer. Beginning with the three months ended November 30, 2009, our Money Transfer segment has been reported as discontinued operations. We completed the disposition of our Money Transfer segment on May 26, 2010. The following tables reflect our segments included in continuing operations. 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 revenues by geographic distribution within segments, and reconciliations to consolidated revenues and consolidated operating income are as follows for the three months ended August 31, 2010 and 2009:

	Three Months Ended	
	August 31, 2010	August 31, 2009
	(in thousands)	
Revenues:		
United States	\$255,630	\$222,767
Canada	81,213	81,225
North America merchant services	336,843	303,992
Europe	73,796	80,467
Asia-Pacific	29,499	25,473
International merchant services	103,295	105,940
Consolidated revenues	<u>\$440,138</u>	<u>\$409,932</u>
Operating income for segments:		
North America merchant services	\$ 68,368	\$ 75,921
International merchant services	31,393	28,749
Corporate	(17,654)	(15,427)
Consolidated operating income	<u>\$ 82,107</u>	<u>\$ 89,243</u>
Depreciation and amortization:		
North America merchant services	\$ 7,664	\$ 7,092
International merchant services	8,919	8,869
Discontinued operations	—	820
Corporate	121	141
Consolidated depreciation and amortization	<u>\$ 16,704</u>	<u>\$ 16,922</u>

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 12—COMMITMENTS AND CONTINGENCIES

We have a redeemable noncontrolling interest associated with our Asia-Pacific merchant services business channel. Global Payments Asia-Pacific Limited, or GPAP, is the entity through which we conduct our merchant acquiring business in the Asia-Pacific region. We own 56% of GPAP and HSBC Asia Pacific owns the remaining 44%. The GPAP shareholders agreement includes provisions pursuant to which HSBC Asia Pacific may compel us to purchase, at the lesser of fair value or a net revenue multiple, additional GPAP shares from HSBC Asia Pacific (the “Put Option”). HSBC Asia Pacific may exercise the Put Option on the fifth anniversary of the closing of the acquisition (July 2011) and on each anniversary thereafter. By exercising the Put Option, HSBC Asia Pacific can require us to purchase, on an annual basis, up to 15% of the total issued shares of GPAP. We estimate the maximum total redemption amount of the redeemable noncontrolling interest under the Put Option would be \$105.2 million as of August 31, 2010. We have adjusted our redeemable noncontrolling interest to reflect the maximum redemption amount as of August 31, 2010 in our consolidated balance sheet.

During fiscal 2009, we sold a 20% interest in Global Payments Credit Services (“GPCS”), a leading credit information company in Russia, to Equifax Decision Systems, BV (“Equifax”) for \$3.0 million in cash (the “GPCS sale”). Due to capital contribution requirements included in the GPCS shareholders agreement, we deferred the gain on the sale of the interest. The capital contributions requirement expired on September 1, 2010. The total deferred gain as of August 31, 2010 was \$2.6 million and will be recognized during the second quarter of fiscal year 2011.

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, 2010.

General

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

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

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

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

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 rapid adoption of, and transition to, card based payments by expanding market share in our existing markets through our distribution channels or through acquisitions in North America, the Asia-Pacific region and Europe, and investing in and leveraging technology and people, thereby maximizing shareholder value. We may also seek to enter new markets through acquisitions in the Asia-Pacific region, Europe and South America.

Executive Overview

On May 26, 2010, we completed the disposition of our DolEx and Europhil-branded money transfer businesses to an affiliate of Palladium Equity Partners, LLC for \$85.0 million. We recognized an estimated pre-tax loss on disposal of \$24.6 million. We also recognized \$15.7 million of tax benefits associated with the disposition. As a result of our May 2010 disposition of the money transfer businesses, this segment has been accounted for as a discontinued operation. Amounts related to our discontinued operations in our prior fiscal years' statements of income have been reclassified to conform with the presentation in the current fiscal year. Please see Note 3 – Discontinued Operations in the notes to the unaudited consolidated financial statements for further information.

Revenues increased \$30.2 million during the three months ended August 31, 2010 compared to the prior year's comparable period. Macroeconomic conditions have caused our average dollar per transaction (average ticket) amounts to decline across our geographic regions compared to the prior year. Revenue growth was driven by our North America merchant services segment as a result of our direct ISO channel which continues to gain market share in the United States as evidenced by our 19% transaction growth compared to the prior year's comparable period. Revenues decreased by 2% in our International merchant services segment compared to the prior year's comparable period. This decrease is primarily driven by an unfavorable variance in the

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United Kingdom as we exited certain high risk, low margin international acquiring businesses to better align with our overall approach to risk management. This was partially offset by solid growth in the Asia-Pacific region.

Operating income decreased \$7.1 million during the three months ended August 31, 2010 compared to the prior year's comparable period. Operating margins for the three months ended August 31, 2010 declined to 18.7% compared to 21.8% during the three months ended August 31, 2009. The consolidated operating income decline was primarily driven by our North America business, specifically Canada which has recently become a more price competitive market. Our international merchant segment partially offset this and experienced further margin expansion. Corporate costs increased \$2.2 million, or 14% due to employee termination benefits, relocation benefits and expenses related to a new Global Service Center in Manila Philippines.

For the three months ended August 31, 2010 currency exchange rate fluctuations increased our revenues by \$1.0 million and our earnings by \$0.01 per diluted share. To calculate this impact, we converted our fiscal 2010 actual revenues and expenses from continuing operations at fiscal 2009 currency exchange rates. Further fluctuations in currency exchange rates or decreases in consumer spending could cause our results to differ from our current expectations.

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Results of Operations

The following table shows key selected financial data for the three months ended August 31, 2010 and 2009, this data as a percentage of total revenue, and the changes between three months ended August 31, 2010 and 2009, in dollars and as a percentage of the prior year's comparable period.

	Three Months Ended August 31, 2010	% of Revenue ⁽¹⁾	Three Months Ended August 31, 2009	% of Revenue ⁽¹⁾	Change	% Change
(dollar amounts in thousands)						
Revenues:						
United States	\$255,630	58%	\$222,767	54%	\$32,863	15%
Canada	81,213	18	81,225	20	(12)	—
North America merchant services	<u>336,843</u>	<u>77</u>	<u>303,992</u>	<u>74</u>	<u>32,851</u>	<u>11</u>
Europe	73,796	17	80,467	20	(6,671)	(8)
Asia-Pacific	29,499	7	25,473	6	4,026	16
International merchant services	<u>103,295</u>	<u>23</u>	<u>105,940</u>	<u>26</u>	<u>(2,645)</u>	<u>(2)</u>
Total revenues	<u>\$440,138</u>	<u>100%</u>	<u>\$409,932</u>	<u>100%</u>	<u>\$30,206</u>	<u>7%</u>
Consolidated operating expenses:						
Cost of service	\$151,041	34.3%	\$141,204	34.4%	\$ 9,837	7%
Sales, general and administrative	206,990	47.0	179,485	43.8	27,505	15
Operating income	<u>\$ 82,107</u>	<u>18.7%</u>	<u>\$ 89,243</u>	<u>21.8%</u>	<u>\$ (7,136)</u>	<u>(8)%</u>
Operating income for segments:						
North America merchant services	\$ 68,368		\$ 75,921		\$ (7,553)	(10)%
International merchant services	31,393		28,749		2,644	9
Corporate	(17,654)		(15,427)		(2,227)	(14)
Operating income	<u>\$ 82,107</u>		<u>\$ 89,243</u>		<u>\$ (7,136)</u>	<u>(8)%</u>
Operating margin for segments:						
North America merchant services	20.3%		25.0%		(4.7)%	
International merchant services	30.4%		27.1%		3.3%	

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

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Revenues

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

For the three months ended August 31, 2010, revenues increased 7% to \$440.1 million compared to the prior year's comparable period. For the three months ended August 31, 2010, currency exchange rate fluctuations increased our revenues by \$1.0 million.

North America Merchant Services Segment

For the three months ended August 31, 2010, revenue from our North America merchant services segment increased 11% to \$336.8 million compared to the prior year's comparable period.

We grow our United States revenue by adding small and mid-market merchants in diversified vertical markets, primarily through our ISO channel. For the three months ended August 31, 2010, our United States direct credit and debit card processed transactions grew 19%, and our total United States revenue grew 15% compared to the prior year period. For the three months ended August 31, 2010 compared to the prior year's comparable period, our United States average ticket decreased approximately 4%. We believe this decline is due to a combination of lower consumer spending as a result of a weakened economy, the industry shift to increasing debit transactions, as well as a shift toward smaller merchants added through our ISO channel. Smaller merchants tend to have lower average tickets than larger merchants. The effect of consumers replacing cash-based payments with debit card transactions also lowers our overall United States average ticket amounts. Based on our mix of merchants, slightly more than half of our United States transactions are comprised of a combination of signature- and PIN-based debit, with PIN-based debit representing less than 10% of our total transactions. Aside from the impact of changes in our average ticket, the remaining differences between our transaction growth and revenue growth are due to our service fees, equipment fees, check-related services, and our domestic indirect revenue.

For the three months ended August 31, 2010, our Canadian revenue remained flat compared to the prior year period. Favorable foreign currency trends in Canada were offset by challenging macroeconomic conditions that resulted in reduced spreads due to market-driven pricing pressure as compared to the prior year's comparable period.

International Merchant Services Segment

For the three months ended August 31, 2010, International merchant services revenue decreased 2% to \$103.3 million compared to the prior year period.

Our Europe merchant services revenue for the three months ended August 31, 2010 decreased 8% to \$73.8 million compared to the prior year period due to unfavorable fluctuations in foreign currency exchange rates and an unfavorable variance in the United Kingdom as we exited certain high risk, low margin international acquiring businesses to better align with our overall approach to risk management.

Asia-Pacific merchant services revenue for the three months ended August 31, 2010 increased 16% to \$29.5 million compared to the prior year period. The growth was due to solid business performance in the Asia Pacific region driven in part by the increasing penetration of dynamic currency conversion products in the region.

Consolidated Operating Expenses

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

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Cost of service increased 7% to \$151.0 million for the three months ended August 31, 2010 compared to the prior year's comparable period. As a percentage of revenue, cost of service decreased to 34.3% of revenue for the three months ended August 31, 2010 from 34.4% for the prior year's comparable period.

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

Sales, general and administrative expenses increased 15% to \$207.0 million for the three months ended August 31, 2010 compared to the prior year's comparable period. As a percentage of revenue, these expenses increased to 47.0% for the three months ended August 31, 2010 compared to 43.8% in the prior year's comparable period primarily due to employee termination benefits, relocation benefits and expenses related to a new Global Service Center in Manila Philippines, and a proportional increase in commission payments to ISOs as a percentage of ISO revenues.

Operating Income and Operating Margin for Segments

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

North America Merchant Services Segment

Operating income in the North America merchant services segment decreased 10% to \$68.4 million for the three months ended August 31, 2010 compared to the prior year's comparable period. The operating margin was 20.3% and 25.0% for the three months ended August 31, 2010 and 2009, respectively. Growth in the U.S. ISO channel reduced margins for the three months ended August 31, 2010. The ISO channel generally has a dilutive effect on our operating margin compared to our other channels due to the ongoing commission payments to the ISOs. North America margins were also unfavorably affected by the competitive pricing pressure in Canada.

International Merchant Services Segment

Operating income in the International merchant services segment increased 9% to \$31.4 million for the three months ended August 31, 2010 compared to the prior year's comparable period. The operating margin was 30.4% and 27.1% for the three months ended August 31, 2010 and 2009, respectively. The increase in operating margin is due to higher operating margins in the United Kingdom and in the Asia-Pacific region.

Corporate

Our corporate expenses primarily include costs associated with our Atlanta headquarters, insurance, employee incentive programs, and certain corporate staffing areas, including finance, accounting, legal, human resources, marketing, and executive. Corporate also includes expenses associated with our share-based compensation programs. Our corporate costs increased 14% to \$17.7 million for the three months ended August 31, 2010 compared to the prior year's comparable period due to start up expenses related to a new Global Service Center in Manila Philippines and the restructuring costs incurred to relocate operations.

Consolidated Operating Income

During the three months ended August 31, 2010, our consolidated operating income decreased \$7.1 million to \$82.1 million compared to the prior year's comparable period. The decrease in our consolidated operating income is due to the decline in our North America merchant services segment, offset by our International merchant services segment as discussed above.

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Consolidated Other Income/Expense, Net

Other income and expense consists primarily of interest income and interest expense. Other expense, net, decreased slightly to \$3.3 million for the three months ended August 31, 2010 compared to expense of \$3.5 million in the prior year's comparable period.

Provision for Income Taxes

Our effective tax rates, reflected as the provision for income taxes divided by income from continuing operations before income tax, including the effect of noncontrolling interest, were 33.3% and 31.2% for the three months ended August 31, 2010 and 2009, respectively. The increase in our effective tax rates is due to a one-time legislated corporate tax rate reduction of 1% in the United Kingdom which affected our UK deferred tax asset.

Noncontrolling Interests, Net of Tax

Noncontrolling interests, net of tax decreased to \$4.4 million from \$4.6 million for the three months ended August 31, 2010 and 2009, respectively.

Liquidity and Capital Resources

A significant portion of our liquidity comes from operating cash flows, which are generally sufficient to fund operations, planned capital expenditures, debt service and various strategic investments in our business. 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 off debt and repurchase our 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 the 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, 2010, we had cash and cash equivalents totaling \$578.2 million. Of this amount, we consider \$237.6 million to be available cash, which generally excludes settlement related and merchant reserve 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 business 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. At August 31, 2010, our cash and cash equivalents included \$256.0 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 in the notes to the unaudited consolidated financial statements for additional details.

Operating activities used net cash of \$104.3 million during the three months ended August 31, 2010 compared to providing net cash of \$696.5 million during the prior year's comparable period. The decrease in cash flow from operating activities was primarily due to the change in net settlement processing assets and obligations of \$798.8 million. Net settlement processing assets and obligations were unusually high at August 31, 2009 due to the timing of month end cut-off. See *Settlement processing assets and obligations* under Note 1 in the notes to the unaudited consolidated financial statements for additional details.

Net cash used in investing activities increased \$15.7 million to \$26.8 million for the three months ended August 31, 2010 from the prior year's comparable period, primarily due to our capital expenditures of \$24.8 million for investments in software and infrastructure during the three months ended August 31, 2010.

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For the three months ended August 31, 2010, we used \$61.8 million in cash for financing activities as we paid down debt of \$49.5 million. See *Long-Term Debt and Credit Facilities* below for a more detailed discussion of our borrowing activities. Additionally, in the three months ended August 31, 2010 we paid \$14.9 million in cash for repurchases, \$1.9 million of which represents the cash settlement of purchases executed during the fiscal year ended May 31, 2010. We repurchased an additional 344,847 shares of our common stock using the remaining \$13.0 million of our fiscal 2007 \$100 million authorization for an average share price of \$37.64.

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 2011, we expect capital expenditures to approximate \$85 million. We anticipate spending approximately \$55 million in ongoing capital expenditures primarily for our global terminal replacement program and infrastructure investments, \$12 million in start-up expenses related to a new Global Service Center in Manila, Philippines which will support customer and operational functions and \$17 million for a new data center.

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

[Table of Contents](#)**Contractual Obligations**

The operating lease commitments disclosed in our Annual Report on Form 10-K for the year ended May 31, 2010 have not changed significantly. Our remaining current contractual and other obligations are as follows:

Redeemable Noncontrolling interest

We have a redeemable noncontrolling interest associated with our Asia-Pacific merchant services business channel. Global Payments Asia-Pacific, Limited, or GPAP, is the entity through which we conduct our merchant acquiring business in the Asia-Pacific region. We own 56% of GPAP and HSBC Asia Pacific owns the remaining 44%. The GPAP shareholders agreement includes provisions pursuant to which HSBC Asia Pacific may compel us to purchase, at the lesser of fair value or a net revenue multiple, additional GPAP shares from HSBC Asia Pacific (the "Put Option"). HSBC Asia Pacific may exercise the Put Option on the fifth anniversary of the closing of the acquisition (July 2011) and on each anniversary thereafter. By exercising the Put Option, HSBC Asia Pacific can require us to purchase, on an annual basis, up to 15% of the total issued shares of GPAP. We estimate the maximum total redemption amount of the redeemable noncontrolling interest under the Put Option would be \$105.2 million as of August 31, 2010. We have adjusted our redeemable noncontrolling interest to reflect the maximum redemption amount as of August 31, 2010 on our consolidated balance sheet.

Long-Term Debt and Credit Facilities

Outstanding debt consisted of the following:

	August 31, 2010	May 31, 2010
	(in thousands)	
Lines of credit:		
U.S. Credit Facility	\$ —	\$ —
Canada Credit Facility	—	—
National Bank of Canada Credit Facility	—	—
Macau Credit Facility	1,964	1,454
Sri Lanka Credit Facility	2,004	2,382
Philippines Credit Facility	7,350	9,064
Maldives Credit Facility	1,060	2,501
Hong Kong Credit Facility	71,757	63,786
Total credit facilities	84,135	79,187
Notes Payable	11,013	10,064
Term loans	365,133	411,070
Total debt	<u>\$460,281</u>	<u>\$500,321</u>
Current portion	\$222,033	\$227,356
Long-term debt	238,248	272,965
Total debt	<u>\$460,281</u>	<u>\$500,321</u>

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Lines of Credit

Our line of credit facilities are used to provide a source of working capital and for general corporate purposes, while the U.S. Credit Facility is additionally available to fund future strategic acquisitions. Certain of our line of credit facilities allow us to fund merchants for credit and debit card transactions prior to receipt of corresponding settlement funds from Visa, MasterCard, and debit networks.

Term Loans

On June 23, 2008, we entered into a five year unsecured \$200.0 million term loan agreement with a syndicate of banks in the United States to partially fund the purchase of our initial 51% interest in the LLP. The term loan bears interest, at our election, at the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. As of August 31, 2010, the interest rate on the term loan was 1.4%. The term loan requires quarterly principal payments of \$5.0 million beginning with the quarter ended August 31, 2008 and increasing to \$10.0 million beginning with the quarter ending August 31, 2010 and \$15.0 million beginning with the quarter ending August 31, 2011. As of August 31, 2010, the outstanding balance of this term loan was \$150.0 million.

On July 10, 2009, we entered into a \$300.0 million term loan agreement (\$230.0 million and £43.5 million) with a syndicate of financial institutions. We used the proceeds of this term loan to pay down our then existing credit facility which had been used to initially fund the purchase of the remaining 49% interest in the LLP. This term loan expires in 2012 and has a variable interest rate based on the London Interbank Offered Rate plus a margin based on our leverage position. As of August 31, 2010, the interest rate on the term loan was 3.3% for the United States dollar borrowing facility and 3.6% for the British Pound Sterling borrowing facility. The term loan requires quarterly principal payments of \$11.5 million and £2.2 million beginning with the quarter ended August 31, 2009 and increasing to \$17.3 million and £3.3 million beginning with the quarter ending August 31, 2010. As of August 31, 2010, the outstanding balance of this term loan was \$166.8 million and £31.5million (\$48.3 million equivalent).

New Overdraft Facilities

On September 22, 2010, we entered into a revolving overdraft facility with HSBC Bank Malaysia Berhad for 90 million Malaysian Ringgits (\$28.6 million at August 31, 2010) to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable interest rate plus a margin, and is subject to annual review.

On October 1, 2010, we entered into a revolving overdraft facility with The Hongkong and Shanghai Banking Corporation Limited for 25 million Singapore Dollars (\$18.4 million at August 31, 2010) to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable interest rate plus a margin, and is subject to annual review.

Notes Payable

In connection with our acquisition of UCS, we assumed notes payable with a total outstanding balance of approximately \$11.0 million at August 31, 2010. These notes have fixed interest rates ranging from 8.0% to 10.5% with maturity dates ranging from March 2011 through July 2013.

Compliance with Covenants

There are certain financial and non-financial covenants contained in our credit facilities and term loans. We are in compliance with these covenants as of August 31, 2010.

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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, 2010, 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, 2010. 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, 2010 and our summary of significant accounting policies in Note 1 of our notes to the unaudited consolidated financial statements in this Form 10-Q.

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Special Cautionary Notice Regarding Forward-Looking Statements

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

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions, estimates, projections or plans that are inherently subject to significant risks, uncertainties, and contingencies that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth and margins, other results of 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, 2010 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.

Although the majority of our operations are conducted in U.S. dollars, some 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. For the three months ended August 31, 2010, currency rate fluctuations increased our revenues by \$1.0 million and our diluted earnings per share by \$0.01. To calculate this we converted our fiscal 2010 actual revenues and expenses from continuing operations at fiscal 2009 currency exchange rates.

Our Annual Report on Form 10-K for the fiscal year ended May 31, 2010 contains additional information regarding our exposure to market risk.

Item 4. Controls and Procedures

As of August 31, 2010, 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, 2010, 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.

We have and plan to continue to rely on HSBC Bank plc to provide financial data, such as revenue billed to merchants, to assist us with compiling our accounting records until we can fully integrate the LLP's financial reporting functions into our own. Accordingly, our internal controls over financial reporting could be materially affected, or are reasonably likely to be materially affected, by HSBC's internal controls and procedures. In order to mitigate this risk, we have implemented internal controls over financial reporting which monitor the accuracy of the financial data being provided by HSBC.

There were no changes in our internal control over financial reporting during the quarter ended August 31, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

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 2011, the average price paid, including commissions, and the dollar value remaining available for purchase are as follows:

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased</u> (a)	<u>Average Price Paid per Share (or Unit)</u> (b)	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</u> (c)	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</u> (d)
June 1, 2010 – June 30, 2010	—	—	—	\$ 12,980,136
July 1, 2010 – July 31, 2010	191,600	\$ 37.13	191,600	5,866,136
August 1, 2010 – August 31, 2010	<u>153,247</u>	<u>38.28</u>	<u>153,247</u>	10
Total	<u>344,847</u>	<u>\$ 37.64</u>	<u>344,847</u>	\$ 10

Note: On April 5, 2007, we issued a press release announcing that our Board of Directors has approved a share repurchase program that authorized the purchase of up to \$100 million of Global Payments' stock in the open market or as otherwise may be determined by us, subject to market conditions, business opportunities, and other factors. Shares repurchased in the first quarter of fiscal 2011 under this authorization are held as treasury stock.

Item 6. Exhibits

List of Exhibits

- 3.1 Amended and Restated Articles of Incorporation of Global Payments Inc., filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K dated January 31, 2001, File No. 001-16111, and incorporated herein by reference.
- 3.2 Fourth Amended and Restated By-laws of Global Payments Inc., filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2003, File No. 001-16111, and incorporated herein by reference.
- 10.1 Key Position Agreement for Paul R. Garcia, filed as Exhibit 10.1 to the Registrant's Form 8-K dated January 6, 2010, File No. 001-16111, and incorporated herein by reference.
- 10.2 Employment Agreement for Morgan Schuessler, filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2010, File No. 001-16111.
- 10.3 Amendment to Employment Agreement for Morgan Schuessler (Section 409A of the Internal Revenue Code), filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2010, File No. 001-16111.
- 10.4 Second Amendment to the Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, filed as Exhibit 10.4 to the Registrant's Annual Report on Form 10-Q dated August 31, 2010, File No. 001-16111.
- 10.5 Third Amendment to the Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-Q dated August 31, 2010, File No. 001-16111.
- 10.6 Form of Global Payments Inc. 2010 Non-Employee Director Compensation Plan (Director Subplan), filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q dated August 31, 2010, File No. 001-16111.
- 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 fiscal quarter ended August 31, 2010, 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 12, 2010

/s/ DAVID E. MANGUM

David E. Mangum
Chief Financial Officer

Date: October 12, 2010

/s/ DANIEL C. O'KEEFE

Daniel C. O'Keefe
Chief Accounting Officer

**EMPLOYMENT AGREEMENT
BETWEEN
MORGAN M. SCHUESSLER, JR.**

**AND
GLOBAL PAYMENTS INC.**

Dated as of May 1, 2007

EMPLOYMENT AGREEMENT

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into this 1st day of May, 2007 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 Senior Vice President of Human Resources and Marketing. 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 May 1, 2007.
2. Employment. Executive is employed as the Senior Vice President of Human Resources and Marketing, or such other position as may be assigned to him from time to time. In such capacity, Executive shall have the responsibilities as shall be assigned to him by the Company.
3. Employment Period. Executive's employment hereunder shall continue until terminated in accordance with Section 7 hereof (the "Employment Period").
4. Extent of Service. During the Employment Period, Executive shall render his services to the Company (or to its successor following a Change in Control) in conformity with professional standards, in a prudent and workmanlike manner and in a manner consistent with the obligations imposed on officers of corporations under applicable law. Executive shall promote the interests of the Company and its subsidiaries in carrying out

Executive's duties and shall not deliberately take any action which could, or fail to take any action which failure could, reasonably be expected to have a material adverse effect upon the business of the Company or any of its subsidiaries or any of their respective affiliates. Executive agrees to devote his business time, attention, skill and efforts exclusively to the faithful performance of his duties hereunder (both before and after a Change in Control); provided, however, that it shall not be a violation of this Agreement for Executive to (i) devote reasonable periods of time to charitable and community activities and, with the approval of the Company, industry or professional activities, and/or (ii) manage or participate in personal business interests and investments, so long as such activities do not materially interfere with the performance of Executive's responsibilities under this Agreement and comply with all Company policies and codes.

5. Compensation and Benefits.

(a) Base Salary. Thereafter, during the Employment Period, the Company will pay to Executive a base salary in the amount of U.S. \$210,000 per year ("Base Salary"), less normal withholdings, payable in equal bi-weekly or other installments as are customary under the Company's payroll practices from time to time. The Executive's Base Salary will be reviewed periodically and the Company may increase 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.

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

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

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

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

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

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

from such Business Combination) beneficially owns, directly or indirectly, 35% or more of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; provided, however, that

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

7. Termination of Employment.

(a) Death, Retirement or Disability. Executive's employment and the Employment Period shall terminate automatically upon Executive's death or Retirement. For purposes of this Agreement, "Retirement" shall mean normal retirement as defined in the Company's then-current retirement plan, or if there is no such retirement plan, "Retirement" shall mean voluntary termination after age 65 with 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 for Poor Performance or with or without Cause. For purposes of this Agreement:

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

"Cause" shall mean:

(i) the failure of Executive to perform substantially Executive's duties with the Company (other than any such failure resulting from incapacity due to physical or mental illness, and specifically excluding any failure by Executive, after reasonable efforts, to meet performance expectations), after a written demand for substantial performance is delivered to Executive by the 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. Executive's employment may be terminated by Executive for Good Reason or no reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) a reduction by the Company in Executive's Base Salary as in effect on the Effective Date or as the same may be increased from time to time, unless a similar reduction is made in the salary of similarly-situated 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) a requirement that Executive be based in any office or location other than in the greater metropolitan area of Atlanta, Georgia; or

(iv) within two years after a Change in Control and, without the written consent of Executive, the assignment to Executive to a position which is not comparable to his current position, 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.

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

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

8. Obligations of the Company upon Termination

(a) Prior to a Change in Control: Termination by Executive for Good Reason; Termination by the Company Other Than for Poor Performance, Cause or Disability. If, prior to a Change in Control, the Company shall terminate Executive's employment other than for Poor Performance, Cause or Disability, or Executive shall terminate employment for Good Reason within a period of 90 days after the occurrence of the event giving rise to Good Reason, then (and with respect to the payments and benefits described in clauses (ii) through (viii) below, only if Executive executes a Release in substantially the form of Exhibit A hereto (the "Release")):

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

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

(iii) thereafter, for up to three (3) 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 \$25,000 a year or if Executive violates any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company’s group health plan in accordance with “COBRA,” and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first nine (9) such months, *provided, however*, that (A) 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 (B) if and to the extent required to prevent a violation of Section 409A of the Code, Executive will pay the entire cost of such coverage for the first six (6) months after the Date of Termination and the Company will reimburse Executive for the Company’s share of such costs on the six-month anniversary of Executive’s “separation from service” as defined in Section 409A of the Code; and

(v) all grants of restricted stock of the Company but not performance units (“Restricted Stock”) held by Executive as of the Date of Termination whose restrictions would lapse within the 12-month period following the Date of Termination will become immediately vested as of the Date of Termination and, if the Date of Termination occurs during a Performance Cycle (as defined in any applicable performance unit award certificate and terms and conditions) the Company may, but shall not be required to, determine that some or all of the performance units shall be earned at the end of the Performance Cycle based on actual performance as of the end of the Performance Cycle; 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 earlier of (A) the original expiration date of the Option, or (B) the 90th day following the Date of Termination; 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").

(b) Prior to a Change in Control: Termination by the Company for Poor Performance. If, prior to the occurrence of a Change in Control, the Company shall terminate Executive's employment for Poor Performance, then (and with respect to the payments and benefits described in clauses (ii) through (v) below, only if Executive executes the Release):

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

(ii) on the six month anniversary of the Date of Termination (the "Pay Date"), the Company shall pay the Executive a lump sum equal to six (6) months of the Executive's 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) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company's group health plan in accordance with "COBRA," and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first six (6) such months, *provided, however*, that (A) 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 (B) if and to the extent required to prevent a violation of Section 409A of the Code, Executive will pay the entire cost of such coverage for the first six (6) months after the Date of Termination and the Company will reimburse Executive for the Company's share of such costs on the six-month anniversary of Executive's "separation from service" as defined in Section 409A of the Code; and

(iv) all of Executive's vested but unexercised Options as of the Date of Termination shall remain exercisable through the earlier of (A) the original expiration date of the Option, or (B) the 90th day following the Date of Termination; and

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

(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 (and with respect to the payments and benefits described in clauses (ii) through (ix) below, only if Executive executes the Release):

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

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

(iii) thereafter, for up to six (6) additional months, the Company (or its successor) will continue to pay Executive an amount equal to his monthly Base Salary, payable in equal monthly or more frequent installments as are customary under the Company's payroll practices from time to time; provided, however that the Company's obligation to make or continue such payments shall cease if Executive violates any of the Restrictive Covenants (as defined in Section 13 of this Agreement) and fails to remedy such violation to the satisfaction of the Board within 10 days of notice of such violation; and

(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company's group health plan in accordance with "COBRA," and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first twelve (12) month period, *provided, however*, that (A) 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 (B) if and to the extent required to prevent a violation of Section 409A of the Code, Executive will pay the entire cost of such

coverage for the first six (6) months after the Date of Termination and the Company will reimburse Executive for the Company's share of such costs on the six-month anniversary of Executive's "separation from service" as defined in Section 409A of the Code; and

(v) all grants of restricted stock of the Company but not performance units ("Restricted Stock") held by Executive as of the Date of Termination will become immediately vested as of the Date of Termination and, if the Date of Termination occurs during a Performance Cycle (as defined in any applicable performance unit award certificate and terms and conditions) 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; 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 the Section 8(c)(vi) above) shall remain exercisable through the earlier of (A) the original expiration date of the Option, or (B) the 90th day following the Date of Termination; and

(viii) not later than 30 days after the Date of Termination, Executive will be paid a bonus for the year in which the Date of Termination occurs in an amount equal to 100% of his bonus opportunity for the then current year at target levels; 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 foregoing sentence) shall remain exercisable through the earlier of (A) the original expiration date of the Option, or (B) the 90th day following the Date of Termination or such longer period as specified in the plan document governing the applicable award. 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 healthcare 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. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 10) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including,

without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 10(a), if it shall be determined that Executive is entitled to a Gross-Up Payment, but that Executive, after taking into account the Payments and the Gross-Up Payment, would not receive a net after-tax benefit of at least \$25,000 (taking into account both income taxes and any Excise Tax) as compared to the net after-tax proceeds to Executive resulting from an elimination of the Gross-Up Payment and a reduction of the Payments, in the aggregate, to an amount (the "Reduced Amount") such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount. In that event, Executive shall direct which Payments are to be modified or reduced.

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

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is

requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

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

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

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.

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

13. Restrictions on Conduct of Executive.

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

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

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

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

“Competitor” means any of the following companies, all of whom engage in Competitive Services and all of their parents, affiliates, or subsidiaries who engage in Competitive Services and all of the successors in interest to any of the foregoing: Vital, First Data Corporation, Total System Services, Inc., US Bank, Western Union, First USA, Inc., First USA Paymentech, Inc., Heartland Payment Systems, MoneyGram Payment Systems, Inc., Chase Merchant Services, I Payments, and Nova.

“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 States of California, Florida, Georgia, Illinois, Maryland, Michigan, New York, Pennsylvania, Texas and Massachusetts.

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

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

(c) Restrictive Covenants.

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

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

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

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

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

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

(d) Enforcement of Restrictive Covenants.

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

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

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

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

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

Initials of parties as to this Section 14:

Company: _____
Executive: _____

15. Letter of Credit. 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 establish an irrevocable standby Letter of Credit issued by a national banking association in favor of Executive in 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. Such Letter of Credit shall provide that the issuer thereof, subject only to Executive's written certification to such issuer that Executive is entitled to payment of the severance benefit pursuant to Section 8(c)(ii) and (iii) of this Agreement and that the Company shall have failed to commence payment of such benefit to Executive, shall have the unconditional obligation to pay the amount of such Letter of Credit to Executive in 24 equal monthly installments commencing on the first day of the month following the Date of Termination. In the event that subsequent to commencement of such installment payments to Executive pursuant to such Letter of Credit (i) the Company and Executive shall mutually agree that Executive shall not have been entitled to payment of the severance benefit pursuant to Section 8(c)(ii) and (iii) of this Agreement or (ii) a court of competent jurisdiction shall finally adjudge Executive not to have been entitled to payment of such severance benefit and such judgment shall have been affirmed on appeal or shall not have been appealed within any time period specified for the filing of an appeal, Executive shall promptly pay to the Company the total amount previously paid to Executive by the issuer of such Letter of Credit and no further payment shall be made to Executive pursuant to such Letter of Credit.

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.
 3889 St. Elisabeth Square
 Duluth, Georgia 30096

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.

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

GLOBAL PAYMENTS INC.

By: _____ /s/ Suellyn P. Tomay

Name: _____ Suellyn P. Tomay

Title: _____ General Counsel

Date: _____ May 1, 2007

EXECUTIVE:

_____ /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.

**AMENDMENT TO EMPLOYMENT AGREEMENT
BETWEEN
MORGAN M. SCHUESSLER, JR.
AND GLOBAL PAYMENTS INC. DATED AS OF MAY 1, 2007**

Effective January 1, 2009, Global Payments Inc., a Georgia corporation (the "Company"), and Morgan M. Schuessler, Jr. ("Executive") agree to amend the Employment Agreement (dated as of May 1, 2007) (the "Agreement") between the parties as hereinafter set forth in order to clarify certain provisions of the Agreement and to comply with Section 409A of the Internal Revenue Code (the "Code") and the regulations thereunder. The terms of this Amendment supersede any inconsistent terms in the Agreement. Words and phrases that are defined in the Agreement have the same meaning when used in this Amendment.

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

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

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

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

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

"(iv) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company's group health plan in accordance with "COBRA," and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first nine (9) such months, *provided, however*, that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive's obtaining other employment to the extent that such health care coverage is provided by the new employer, and"

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

"(vii) all of Executive's vested but unexercised Options as of the Date of Termination (including those with accelerated vesting pursuant to Section 8(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”

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

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

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

“(iii) for a period of eighteen (18) months after the Date of Termination, Executive shall have the right to elect continuation of health care coverage under the Company’s group health plan in accordance with “COBRA,” and the Company shall pay all premiums for such COBRA coverage for Executive and his covered dependents for the first six (6) such months, *provided, however*, that the obligation of the Company to pay the cost for such COBRA coverage shall terminate upon Executive’s obtaining other employment to the extent that such health care coverage is provided by the new employer, and”

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

“(iv) all of Executive’s vested but unexercised Options as of the Date of Termination shall remain exercisable through the earliest of (A) the original expiration date of the Option, (B) the 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”

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

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

9. Section 8(c)(iv) is amended to read as follows:

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

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

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

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

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

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

“(d) Death, Disability, or Retirement. Upon the Date of Termination due to Executive’s death, Disability (as defined in Section 7(a)), or Retirement (as defined in Section 7(a)), (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.”

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

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

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

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

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

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

16. Section 15 is revised to read as follows:

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

**SECOND AMENDMENT TO THE
GLOBAL PAYMENTS INC.
THIRD AMENDED AND RESTATED
2000 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN**

This Second Amendment to the Global Payments Inc. Third Amended and Restated 2000 Non-Employee Director Stock Option Plan (the "Director Plan"), is hereby adopted this 24th day of July, 2007, by the Board of Directors of Global Payments Inc. (the "Company").

WHEREAS, the Company adopted the Director Plan for the purposes set forth therein; and

WHEREAS, pursuant to Section 9 of the Director Plan, the Board of Directors of the Company has the right to amend the Director Plan with respect to certain matters; and

WHEREAS, the Board of Directors has approved and authorized this Amendment to the Director Plan;

NOW, THEREFORE, the Director Plan is hereby amended, effective as of the date hereof, in the following particulars:

By deleting the first paragraph of Section 5(a) in its entirety and replacing it with the following:

"(a) Grant. Each person who becomes a Non-Employee Director shall be granted on the date that he or she first becomes a Non-Employee Director an option to purchase that number of shares of the Company's Common Stock having a value of \$80,000 pursuant to the Black-Scholes option pricing model on the date of the grant (utilizing the same assumptions as the Company utilizes for its proxy disclosure), multiplied by a fraction, the numerator of which is the number of full months before the next regularly scheduled annual shareholders meeting of the Company, and the denominator of which is 12. In addition, as of the day following each annual meeting of the Company's public shareholders, each Non-Employee Director serving as such on that date shall be granted an option to purchase that number of shares of the Company's Common Stock having a value of \$80,000 pursuant to the Black-Scholes option pricing model on the date of the grant (utilizing the same assumptions as the Company utilizes for its proxy disclosure). Each such day that options are to be granted under the Plan is referred to hereinafter as a "Grant Date." "

All other provisions of the Director Plan shall remain the same.

IN WITNESS WHEREOF, Global Payments Inc., by a duly authorized officer, has executed this Amendment to the Director Plan, as of the 24th day of July, 2007.

GLOBAL PAYMENTS INC.

By: _____ /s/ Suellyn P. Tornay

**THIRD AMENDMENT TO THE
GLOBAL PAYMENTS INC.
THIRD AMENDED AND RESTATED
2000 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN**

This Third Amendment to the Global Payments Inc. Third Amended and Restated 2000 Non-Employee Director Stock Option Plan (the "Director Plan"), is hereby adopted as of 30th day of September, 2010, by the Board of Directors of Global Payments Inc. (the "Company").

WHEREAS, the Company adopted the Director Plan for the purposes set forth therein; and

WHEREAS, pursuant to Section 9 of the Director Plan, the Board of Directors of the Company has the right to amend the Director Plan with respect to certain matters; and

WHEREAS, the Board of Directors has approved and authorized this Amendment to the Director Plan;

NOW, THEREFORE, the Director Plan is hereby amended, effective as of the date hereof, in the following particulars:

By deleting the first paragraph of Section 5(a) in its entirety and replacing it with the following:

"(a) Grant. Each person who becomes a Non-Employee Director shall be granted on the date that he or she first becomes a Non-Employee Director an option to purchase that number of shares of the Company's Common Stock having a value of \$45,000 pursuant to the Black-Scholes option pricing model on the date of the grant (utilizing the same assumptions as the Company utilizes for its proxy disclosure), multiplied by a fraction, the numerator of which is the number of full months before the next regularly scheduled annual shareholders meeting of the Company, and the denominator of which is 12. In addition, as of the day following each annual meeting of the Company's public shareholders, each Non-Employee Director serving as such on that date shall be granted an option to purchase that number of shares of the Company's Common Stock having a value of \$45,000 pursuant to the Black-Scholes option pricing model on the date of the grant (utilizing the same assumptions as the Company utilizes for its proxy disclosure). Each such day that options are to be granted under the Plan is referred to hereinafter as a "Grant Date." "

All other provisions of the Director Plan shall remain the same.

IN WITNESS WHEREOF, Global Payments Inc., by a duly authorized officer, has executed this Amendment to the Director Plan, as of the 30th day of September, 2010.

GLOBAL PAYMENTS INC.

By: _____ /s/ Suellyn P. Tornay

**GLOBAL PAYMENTS INC.
2010 NON-EMPLOYEE DIRECTOR COMPENSATION PLAN**

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GLOBAL PAYMENTS INC.
2010 NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

ARTICLE 1
PURPOSE

1.1. **BACKGROUND.** This plan is adopted to aggregate and formalize the Company's compensation policies for non-employee directors of the Company, including all cash and equity-based compensation. The Board adopted the Global Payments Inc. Amended and Restated 2000 Non-Employee Director Stock Option Plan on September 14, 2000, which became effective on February 1, 2001 and was most recently amended on September 30, 2010 (the "Prior Plan"). The Prior Plan will expire by its terms on the second day following the 2010 annual meeting of the Company's shareholders, and is hereby replaced by this 2010 Non-Employee Director Compensation Plan (the "Director Subplan" or "the Plan") as of the Effective Date as defined below.

The Director Subplan is considered to be and shall be operated as a subplan of the Global Payments Inc. Amended and Restated 2005 Incentive Plan (the "2005 Incentive Plan"), established pursuant to Section 4.3 of the 2005 Incentive Plan.

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

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

ARTICLE 2
DEFINITIONS

2.1. **DEFINITIONS.** Capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the 2005 Incentive Plan. Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

- (a) "Annual Stock Retainer" means with respect to each Non-Employee Director for each Plan Year, the dollar value to be delivered in the form of annual Stock awards under the Plan, as established from time to time by the Board and set forth in Schedule I hereto.

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- (b) "Annual Options Retainer" means with respect to each Non-Employee Director for each Plan Year, the dollar value to be delivered in the form of annual Nonstatutory Stock Option awards under the Plan, as established from time to time by the Board and set forth in Schedule I hereto.
 - (c) "Basic Cash Retainer" means the annual cash retainer (excluding any Supplemental Cash Retainer, Meeting Fees and expenses) payable by the Company to a Non-Employee Director pursuant to Section 5.1 hereof for service as a director of the Company, as established from time to time by the Committee and set forth in Schedule I hereto.
 - (d) "Board" means the Board of Directors of the Company.
 - (e) "Company" means Global Payments Inc., a Georgia corporation, or any successor corporation.
 - (f) "Disability" of a Non-Employee Director means that such person is, in the reasonable and good faith opinion of the Committee, unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is permanent in nature and can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. In the event of a dispute, the determination whether a Non-Employee Director has a Disability will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.
 - (g) "Effective Date" of the Plan means October 2, 2010.
 - (h) "Eligible Participant" means any person who is a Non-Employee Director on the Effective Date or becomes a Non-Employee Director while this Plan is in effect; except that any director who is a former employee shall not be an Eligible Participant for a period of one year following the date of termination of employment.
 - (i) "Equity Award" means stock options, stock awards, restricted stock, restricted stock units, stock appreciation rights, or other awards based on or derived from the Stock which are authorized under the 2005 Incentive Plan for award to Non-Employee Directors.
 - (j) "Grant Date" of an Equity Award has the meaning given such term in Sections 6.1 and 6.2 hereof.
 - (k) "2005 Incentive Plan" means the Global Payments Inc. Third Amended and Restated 2005 Incentive Plan, and any subsequent equity compensation plan approved by the Board and designated as the Incentive Plan for purposes of this Plan.

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- (l) "Lead Director" means the Non-Employee Director who has been designated by the Board as the Lead Director. The Lead Director shall have such duties as shall be assigned to him or her by the Board.
 - (m) "Meeting Fees" means fees for attending a meeting of the Board or one of its Committees as set forth in Section 5.3 hereof.
 - (n) "Non-Employee Director" means a director of the Company who is not an employee of the Company or any of its Subsidiaries or Affiliates and who had not been appointed or elected to the Board solely by reason of his or her affiliation with a shareholder of the Company.
 - (o) "Option Value" as of a given date means the value of an Option for one share of Stock, determined by the Black-Scholes option valuation model, using the same assumptions as employed by the Company for the valuation of its employee stock options, or the value of an Option determined under such other option valuation method as then employed by the Company for the valuation of its employee stock options.
 - (p) "Director Subplan" means this Global Payments Inc. 2010 Non-Employee Director Compensation Plan, as amended from time to time.
 - (q) "Plan" means this Global Payments Inc. 2010 Non-Employee Director Compensation Plan, as amended from time to time.
 - (r) "Plan Year(s)" means the actual number of days between annual meetings of the shareholders of the Company, which, for purposes of the Plan, are the periods for which annual retainers are earned.
 - (s) "Retirement" of a Non-Employee Director means retirement as a director of the Company in accordance with the provisions of the Company's bylaws as in effect from time to time or the failure to be re-elected or re-nominated as a director.
 - (t) "Stock" means the common stock, par value no per share, of the Company.
 - (u) "Supplemental Cash Retainer" means the supplemental annual cash retainer (excluding Basic Cash Retainer, Meeting Fees and expenses) payable by the Company to a Non-Employee Director pursuant to Section 5.2 hereof for service as Lead Director or chair of a committee of the Board, as established from time to time by the Committee and set forth in Schedule I hereto.

**ARTICLE 3
ADMINISTRATION**

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

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

**ARTICLE 4
SHARES**

4.1. SOURCE OF SHARES FOR THE PLAN. Equity Awards that may be issued pursuant to the Director Subplan shall be issued under the 2005 Incentive Plan, subject to all of the terms and conditions of the 2005 Incentive Plan. The terms contained in the 2005 Incentive Plan are incorporated into and made a part of this Plan with respect to Equity Awards granted pursuant hereto, and any such awards shall be governed by and construed in accordance with the 2005 Incentive Plan. In the event of any actual or alleged conflict between the provisions of the Incentive Plan and the provisions of this Plan, the provisions of the Incentive Plan shall be controlling and determinative. This Plan does not constitute a separate source of shares for the grant of the Equity Awards described herein.

**ARTICLE 5
CASH COMPENSATION**

5.1. BASIC CASH RETAINER. Each Eligible Participant shall be paid a Basic Cash Retainer for service as a director during each Plan Year, payable in advance,

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

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

5.3. MEETING FEES. Each Eligible Participant shall be paid a fee for each meeting of the Board or committee thereof in which he or she participates. The amount of the fees shall be established from time to time by the Board and shall be set forth in Schedule I, as amended from time to time by the Board. For purposes of this provision, casual or unscheduled conferences among directors shall not constitute an official meeting.

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

ARTICLE 6 EQUITY COMPENSATION

6.1. STOCK AWARDS. Subject to share availability under the 2005 Incentive Plan, each Eligible Participant shall be granted an award of fully-vested Stock on the day that he or she first becomes an Eligible Participant (“Initial Stock Grant”). In addition, subject to share availability under the 2005 Incentive Plan, each Eligible Participant in service on the day following an annual shareholders meeting will receive an award of fully-vested Stock (“Annual Stock Grant” and collectively with the Initial Stock Grant, the “Stock Grants”). Each such day that such awards are to be granted under the Plan is referred to hereinafter as a “Grant Date.” The Stock Grants shall have the following terms and conditions:

(a) Number of Shares in the Initial Stock Grant. The number of shares in the Initial Stock Grant to an Eligible Participant shall be determined by multiplying the

Proration Factor (as defined below) by the amount determined by (A) dividing the Annual Stock Retainer as in effect for that Plan Year, by the Fair Market Value of the Stock on the Grant Date, and (B) rounding to the nearest whole number. The Proration Factor is a fraction, the numerator of which is the number of days of service as a Non-Employee Director between the Grant Date and the next annual shareholders' meeting date, and the denominator of which is the number of days in the applicable Plan Year.

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

(c) Other Plan Conditions. To the extent not specified herein, the Stock Grants shall be subject to the terms and conditions of the 2005 Incentive Plan.

6.2. OPTION GRANTS. Subject to share availability under the 2005 Incentive Plan, each Eligible Participant shall be granted an award of Nonstatutory Stock Options on the day that he or she first becomes an Eligible Participant ("Initial Options"). In addition, subject to share availability under the 2005 Incentive Plan, each Eligible Participant in service on the day following an annual shareholders meeting will receive an award of Nonstatutory Stock Options ("Annual Options", and collectively with the Initial Options, the "Options"). Each such day that options are to be granted under the Plan is referred to hereinafter as a "Grant Date." The Options shall have the following terms and conditions:

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

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

(c) Exercise Price. The exercise price per share of each Option shall be the Fair Market Value per share of Stock on the Grant Date.

(d) Term. Each Option shall, to the extent not previously exercised, terminate and expire on the date ten (10) years after the Grant Date of such Option, unless earlier terminated as provided hereinafter in subsection 6.2(f) below.

(e) Exercisability. Except as set forth below, each Option shall vest (become exercisable) in accordance with the following schedule:

<u>Years of Continuous Service as a Director after Grant Date</u>	<u>Percent of Option Shares Vested</u>
1	25%
2	50%
3	75%
4	100%

Notwithstanding the foregoing, each Option shall vest (become exercisable) as to all of the shares covered thereby upon the termination of the grantee's membership on the Board by reason of death, Disability, or Retirement.

(f) Effect of Termination of Directorship. Upon termination of a grantee's membership on the Board for any reason (including without limitation by reason of death, Disability, or Retirement), his or her Options, to the extent they were exercisable on the date of termination (including any acceleration by reason of such termination) shall remain exercisable until the earlier of (i) the original expiration date of the Option, or (ii) the fifth anniversary of the grantee's termination as a director. In the event of the death of a grantee, the grantee's personal representatives, heirs or legatees may exercise such Options upon proof satisfactory to the Company of their authority. Such exercise otherwise shall be subject to the terms and conditions of the Plan.

(g) Manner of Exercise. The Options granted hereunder may be exercised in any manner specified in the 2005 Incentive Plan, unless otherwise limited by the award certificate. Specifically, payment, in whole or in part, may be made in cash; by the delivery of shares of Stock previously held by the grantee; by net settlement based upon the attestation of ownership of shares of Stock previously held by the grantee; by net settlement against Option shares otherwise deliverable; by the delivery of a notice that the grantee has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the exercise price; or by any combination of the foregoing means of providing consideration.

(h) Transferability of Options. Any Option granted pursuant to the Plan shall be assignable or transferable by the grantee by will, by the laws of descent and distribution, or pursuant to a domestic relations order that would satisfy Section 414(p)(1)(A) of the Code if such provision applied to an Option under the Plan. In addition, any Option shall be transferable by the grantee to any of the following permitted transferees, upon such reasonable terms and conditions as the Board may establish: (i) any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the grantee's household (other than a tenant or employee), (ii) a trust in which the foregoing persons (or the grantee) have more than fifty percent of the beneficial interests, (iii) a

foundation in which these persons (or the grantee) control the management of assets, or (iv) any other entity in which these persons (or the grantee) own more than fifty percent of the voting interests.

(i) Other Plan Conditions. To the extent not specified herein, the Options granted hereunder shall be subject to the terms and conditions of the 2005 Incentive Plan.

6.3. ADJUSTMENTS. For the avoidance of doubt, the adjustment provisions of the 2005 Incentive Plan (along with all of the other provisions of the 2005 Incentive Plan) shall apply with respect to all Equity Awards granted pursuant to this Plan.

6.4. AWARD CERTIFICATES. All unvested Equity Awards granted pursuant to this Plan shall be evidenced by a written award certificate, which shall include such provisions, not inconsistent with the Plan or the 2005 Incentive Plan, as may be specified by the Committee. The form of applicable award certificates shall be set forth on Schedule II hereof, as amended from time to time by the Committee.

ARTICLE 7 AMENDMENT, MODIFICATION AND TERMINATION

7.1. AMENDMENT, MODIFICATION AND TERMINATION. The Board may, at any time and from time to time, amend, modify or terminate the Plan without shareholder approval; provided, however, that if an amendment to the Plan would, in the reasonable opinion of the Board, require shareholder approval under applicable laws, policies or regulations or the applicable listing or other requirements of a securities exchange on which the Stock is listed or traded, then such amendment shall be subject to shareholder approval; and provided further, that the Board may condition any other amendment or modification on the approval of shareholders of the Company for any reason. Modification of Equity Awards granted under this Plan shall be subject to the provisions of the 2005 Incentive Plan.

ARTICLE 8 GENERAL PROVISIONS

8.1. DURATION OF THE PLAN. The Plan shall remain in effect until terminated by the Board or the earlier termination or expiration of the 2005 Incentive Plan, including any successor plans.

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

The foregoing is hereby acknowledged as being the Global Payments Inc. 2010 Non-Employee Director Compensation Plan, adopted by the Board on September 30, 2010.

GLOBAL PAYMENTS INC.

By: _____ /s/ Suellen P. Tomay
Suellen P. Tomay
Executive Vice President, General Counsel and Corporate
Secretary

SCHEDULE I

DIRECTOR COMPENSATION SCHEDULE

The following shall remain in effect until changed by the Board:

Annual Retainer:

Position Held	Basic Cash Retainer	Supplemental Cash Retainer	Annual Stock Retainer (FMV)	Annual Options Retainer (Black-Scholes Value)
Lead Director	\$ 55,000	\$ 50,000	\$ 105,000	\$ 45,000
Audit Committee Chair	\$ 55,000	\$ 20,000	\$ 80,000	\$ 45,000
Compensation Committee Chair	\$ 55,000	\$ 10,000	\$ 80,000	\$ 45,000
Other Committee Chairs	\$ 55,000	\$ 5,000	\$ 80,000	\$ 45,000
Other Non-Employee Directors	\$ 55,000	n/a	\$ 80,000	\$ 45,000

Meeting Fees:

Board meeting attended in person: \$1,500 (or \$2,500 for Lead Director)

Committee meeting attended in person: \$1,500 (or \$2,500 for Committee Chair)

Notwithstanding the foregoing, each non-employee director (including the chairperson and the Lead Director) shall only receive \$1,000 for a regularly scheduled telephonic meeting or for telephonic participation by a director in a regularly scheduled meeting otherwise held in person.

SCHEDULE II

Form of

NONSTATUTORY STOCK OPTION CERTIFICATE
under the
GLOBAL PAYMENTS INC.
THIRD AMENDED AND RESTATED 2005 INCENTIVE PLAN

OPTIONEE: _____
SHARES SUBJECT TO OPTION: _____
EXERCISE PRICE PER SHARE: \$ _____
DATE OF GRANT: _____
OPTION NUMBER: _____

1. Grant of Option. Global Payments Inc. (the "Company") hereby grants to the Optionee named above ("Optionee") a Nonstatutory Stock Option to purchase, on the terms and conditions set forth in this certificate (this "Certificate"), the number of shares indicated above of the Company's no par value common stock (the "Stock"), at the exercise price per share set forth above (the "Option"). The Option is granted pursuant to the Global Payments Inc. 2010 Non-Employee Director Compensation Plan (the "Director Subplan"), which is a subplan of the Global Payments Inc. Third Amended and Restated 2005 Incentive Plan (the "2005 Incentive Plan"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned such terms in the Director Subplan and the 2005 Incentive Plan.

2. Vesting of Option. Except as set forth below, the Option shall vest (become exercisable) in accordance with the following schedule; provided that Optionee remains a director of the Company on the specified date:

<u>Anniversary of Grant Date</u>	<u>Percent of Option Shares Vesting</u>	<u>Aggregate Percent Vested</u>
First Anniversary	25%	25%
Second Anniversary	25%	50%
Third Anniversary	25%	75%
Fourth Anniversary	25%	100%

Notwithstanding the foregoing, the Option shall vest (become exercisable) as to all of the shares covered thereby upon the termination of Optionee's membership on the Board by reason of death, Disability or Retirement (which includes a failure to be re-nominated or re-elected as a director), as set forth in Section 6.2(e) of the Director Subplan.

3. Period of Option and Limitations on Right to Exercise. The Option will, to the extent not previously exercised, lapse upon the earlier of the following:

(a) 11:59 p.m., Eastern Time, on the tenth anniversary of the Grant Date (the “Expiration Date”); or

(b) 11:59 p.m., Eastern Time, on the fifth anniversary of the termination of Optionee’s membership on the Board for any reason (including, without limitation by reason of death, Disability or Retirement).

The Option may be exercised after termination of Optionee’s service as a director only with respect to the shares that were otherwise vested on Optionee’s termination of service (including vesting by acceleration in accordance with Section 2 above).

In the event of the death of Optionee, Optionee’s personal representatives, heirs or legatees (the “Optionee’s Successors”) may exercise the Option upon proof satisfactory to the Company of their authority. Such exercise shall otherwise be subject to the terms and conditions of the Director Compensation Plan.

4. Exercise of Option. The Option shall be exercised by an irrevocable written notice, in such form as the Secretary of the Company shall approve, directed to the Secretary of the Company at the Company’s principal place of business. Such written notice shall be accompanied by full payment of the exercise price for the number of shares being exercised. Such payment may be made, in whole or in part, in cash; by the delivery of shares of Stock previously held by the person exercising the Option; by net settlement based upon the attestation of ownership of shares of Stock previously held by the person exercising the Option; by net settlement against Option shares otherwise deliverable; by the delivery of a notice that Optionee has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the exercise price; or by any combination of the foregoing means of providing consideration. Subject to the terms of this Certificate, the Option may be exercised at any time and without regard to any other option held by Optionee to purchase stock of the Company.

5. Limitation of Rights. Neither Optionee nor Optionee’s Successors or transferees shall have rights as a shareholder of the Company with respect to shares of Stock covered by the Option until Optionee or such successors or transferees become the holder of record of such shares.

6. Stock Reserve. The Company shall at all times during the term of this Certificate reserve and keep available such number of shares of Stock as will be sufficient to satisfy the requirements of this Certificate.

7. Transferability of Option. The Option is assignable or transferable by Optionee by will, by the laws of descent and distribution, or pursuant to a domestic relations

order that would satisfy Section 414(p)(1)(A) of the Code if such provision applied to the Option. In addition, the Option is transferable by Optionee to any of the following permitted transferees, upon such reasonable terms and conditions as the Board may establish: (i) any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing Optionee's household (other than a tenant or employee), (ii) a trust in which the foregoing persons (or Optionee) have more than fifty percent of the beneficial interests, (iii) a foundation in which these persons (or Optionee) control the management of the assets, or (iv) any other entity in which these persons (or Optionee) own more than fifty percent of the voting interests.

8. Controlling Documents. The terms contained in the Director Subplan and the 2005 Incentive Plan are incorporated into and made a part of this Certificate, and this Certificate shall be governed by and construed in accordance with the Director Subplan and the 2005 Incentive Plan. In the event of any actual or alleged conflict between the provisions of the Director Subplan or the 2005 Incentive Plan and the provisions of this Certificate, the provisions of the Director Subplan or the 2005 Incentive Plan shall be controlling and determinative. In the event of any actual or alleged conflict between the provisions of the Director Subplan and the provisions of the 2005 Incentive Plan, the provisions of the 2005 Incentive Plan shall be controlling and determinative.

9. Successors. This Certificate shall be binding upon any successor of the Company, in accordance with the terms of this Certificate, the Director Subplan and the 2005 Incentive Plan.

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

11. Notice. Notices and communications under this Certificate must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to:

Global Payments Inc.
10 Glenlake Parkway, North Tower
Atlanta, Georgia 30328
Attn: Corporate Secretary

or any other address designated by the Company in a written notice to Optionee. Notices to Optionee will be directed to the address of Optionee then currently on file with the Company, or at any other address given by Optionee in a written notice to the Company.

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

I, Paul R. Garcia, certify that:

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

Date: October 12, 2010

By: /s/ PAUL R. GARCIA
Paul R. Garcia
Chief Executive Officer

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

I, David E. Mangum, certify that:

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

Date: October 12, 2010

By: /s/ DAVID E. MANGUM
David E. Mangum
Chief Financial Officer

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

In connection with the Quarterly Report of Global Payments Inc. on Form 10-Q for the period ended August 31, 2010 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 12, 2010

/s/ David E. Mangum
David E. Mangum
Chief Financial Officer
Global Payments Inc.
October 12, 2010

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.

