GLOBAL PAYMENTS INC
Form 10-Q
January 08, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2009

OR

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

For the transition period from to

Commission file number: 001-16111

GLOBAL PAYMENTS INC.

(Exact name of registrant as specified in charter)

Georgia	**58-2567903**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
10 Glenlake Parkway, North Tower, Atlanta, Georgia	**30328-3473**
(Address of principal executive offices)	**(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 x 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	x	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 x

The number of shares of the issuer s common stock, no par value outstanding as of January 6, 2010 was 81,506,261.

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GLOBAL PAYMENTS INC.

FORM 10-Q

For the quarterly period ended November 30, 2009

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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 November 30, 2009	2008
Revenues	$ 408,951	$ 365,884
Operating expenses:		
Cost of service	144,881	131,144
Sales, general and administrative	175,368	156,858
	320,249	288,002
Operating income	88,702	77,882
Other income (expense):		
Interest and other income	690	1,936
Interest and other expense	(4,423)	(1,799)
	(3,733)	137
Income from continuing operations before income taxes	84,969	78,019
Provision for income taxes	(23,655)	(20,813)
Income from continuing operations	61,314	57,206
Income from discontinued operations, net of tax	4,868	3,040
Net income including noncontrolling interests	66,182	60,246
Less: Net income attributable to noncontrolling interests, net of income tax provision (benefit) of $148 and $(710), respectively	(3,347)	(11,339)
Net income attributable to Global Payments	$ 62,835	$ 48,907
Amounts attributable to Global Payments:		
Income from continuing operations	$ 57,967	$ 45,867
Income from discontinued operations, net of tax	4,868	3,040
Net income attributable to Global Payments	$ 62,835	$ 48,907

Basic earnings per share attributable to Global Payments:				
Income from continuing operations	$	0.71	$	0.57
Income from discontinued operations, net of tax		0.06		0.04
Net income attributable to Global Payments	$	0.77	$	0.61
Diluted earnings per share attributable to Global Payments:				
Income from continuing operations	$	0.71	$	0.57
Income from discontinued operations, net of tax		0.05		0.03
Net income attributable to Global Payments	$	0.76	$	0.60
Dividends per share	$	0.02	$	0.02

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Six Months Ended November 30, 2009	2008
Revenues	$ 818,882	$ 734,844
Operating expenses:		
Cost of service	286,084	250,630
Sales, general and administrative	354,853	317,713
	640,937	568,343
Operating income	177,945	166,501
Other income (expense):		
Interest and other income	1,380	5,219
Interest and other expense	(8,564)	(4,070)
	(7,184)	1,149
Income from continuing operations before income taxes	170,761	167,650
Provision for income taxes	(49,191)	(47,498)
Income from continuing operations	121,570	120,152
Income from discontinued operations, net of tax	7,056	5,942
Net income including noncontrolling interests	128,626	126,094
Less: Net income attributable to noncontrolling interests, net of income tax provision (benefit) of $480 and $(675), respectively	(7,960)	(19,660)
Net income attributable to Global Payments	$ 120,666	$ 106,434
Amounts attributable to Global Payments:		
Income from continuing operations	$ 113,610	$ 100,492
Income from discontinued operations, net of tax	7,056	5,942
Net income attributable to Global Payments	$ 120,666	$ 106,434
Basic earnings per share attributable to Global Payments:		
Income from continuing operations	$ 1.40	$ 1.26
Income from discontinued operations, net of tax	0.09	0.07
Net income attributable to Global Payments	$ 1.49	$ 1.33

Diluted earnings per share attributable to Global Payments:				
Income from continuing operations	$	1.39	$	1.24
Income from discontinued operations, net of tax		0.09		0.07
Net income attributable to Global Payments	$	1.48	$	1.31
Dividends per share	$	0.04	$	0.04

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

UNAUDITED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	November 30, 2009	May 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,090,847	$ 426,935
Accounts receivable, net of allowances for doubtful accounts of $337 and $553, respectively	131,690	122,831
Claims receivable, net of allowances for losses of $4,150 and $4,026, respectively	833	607
Settlement processing assets	8,657	6,675
Inventory, net of obsolescence reserves of $761 and $653, respectively	12,858	5,914
Deferred income taxes	2,591	3,789
Assets of discontinued operations	123,351	
Prepaid expenses and other current assets	20,267	28,437
Total current assets	1,391,094	595,188
Property and equipment, net of accumulated depreciation of $118,170 and $121,189, respectively	174,692	176,226
Goodwill	599,872	625,120
Other intangible assets, net of accumulated amortization of $132,442 and $189,560, respectively	225,211	258,094
Deferred income taxes	95,733	
Other	23,246	22,193
Total assets	$ 2,509,848	$ 1,676,821
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Lines of credit	$ 9,823	$ 10,174
Notes payable current portion	109,138	29,393
Payables to money transfer beneficiaries		12,343
Accounts payable and accrued liabilities	169,417	167,700
Settlement processing obligations	732,023	106,934
Liabilities of discontinued operations	23,437	
Income taxes payable	8,171	9,633
Total current liabilities	1,052,009	336,177
Notes payable	341,978	167,610
Deferred income taxes	62,112	76,405
Other long-term liabilities	25,125	19,009
Total liabilities	1,481,224	599,201
Commitments and contingencies (See Note 12)		
Redeemable noncontrolling interests	96,613	399,377
Shareholders equity:		

Preferred stock, no par value; 5,000,000 shares authorized and none issued		
Common stock, no par value; 200,000,000 shares authorized; 81,473,144 and 80,445,009 shares issued and outstanding at November 30, 2009 and May 31, 2009, respectively		
Paid-in capital	434,728	405,241
Retained earnings	467,476	273,090
Accumulated other comprehensive income (loss)	19,203	(10,901)
Total Global Payments shareholders equity	921,407	667,430
Noncontrolling interest	10,604	10,813
Total shareholders equity	932,011	678,243
Total liabilities and shareholders equity	$ 2,509,848	$ 1,676,821

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Six Months Ended November 30, 2009	2008
Cash flows from operating activities:		
Net income including noncontrolling interests	$ 128,626	$ 126,094
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	17,441	19,446
Amortization of acquired intangibles	16,264	15,654
Share-based compensation expense	7,433	7,154
Provision for operating losses and bad debts	13,152	11,814
Deferred income taxes	(18,091)	467
Estimated loss on disposal of discontinued operations	15,850	
Other, net	(151)	349
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Accounts receivable	(7,869)	(13,210)
Claims receivable	(8,052)	(9,872)
Settlement processing assets and obligations, net	617,802	36,994
Inventory	(7,274)	(1,184)
Prepaid expenses and other assets	2,299	4,263
Payables to money transfer beneficiaries	(5,082)	2,968
Accounts payable and accrued liabilities	13,642	(1,461)
Income taxes payable	(768)	1,021
Net cash provided by operating activities	785,222	200,497
Cash flows from investing activities:		
Business and intangible asset acquisitions, net of cash acquired	(17,059)	(454,265)
Capital expenditures	(20,677)	(17,396)
Net increase in financing receivables	(501)	
Proceeds from sale of investment and contractual rights	253	6,956
Net cash used in investing activities	(37,984)	(464,705)
Cash flows from financing activities:		
Net borrowings on lines of credit	(351)	5,047
Proceeds from issuance of notes payable	302,487	200,000
Principal payments under notes payable	(49,509)	(5,000)
Acquisition of redeemable noncontrolling interest	(307,675)	
Proceeds from stock issued under share-based compensation plans	18,017	6,420
Tax benefit from share-based compensation plans	4,037	1,749
Dividends paid	(3,245)	(3,210)
Contribution from noncontrolling interest holder		358
Distributions to noncontrolling interests	(16,258)	(11,718)
Net cash (used in) provided by financing activities	(52,497)	193,646

Effect of exchange rate changes on cash	6,522	(29,264)
Increase (decrease) in cash and cash equivalents	701,263	(99,826)
Cash and cash equivalents, beginning of period	426,935	456,060
Cash and cash equivalents of discontinued operations	(37,351)	
Cash and cash equivalents, end of period	$ 1,090,847	$ 356,234

See Notes to Unaudited Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(in thousands, except per share data)

				Accumulated Other Comprehensive Income/(Loss)				
	Number of Shares	Paid-in Capital	Retained Earnings	Currency Translation Adjustments	Minimum Pension Liability	Total Global Payments Shareholders Equity	Noncontrolling Interest	Total Shareholders Equity
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			120,666			120,666	4,154	124,820
Foreign currency translation adjustment, net of tax of $(92)				30,104		30,104		30,104
Total comprehensive income						150,770	4,154	154,924
Stock issued under employee stock plans	1,028	18,017				18,017		18,017
Tax benefit from exercise of stock options		4,037				4,037		4,037
Share-based compensation expense		7,433				7,433		7,433
Distributions to noncontrolling interest							(4,363)	(4,363)
Redeemable noncontrolling interest valuation adjustment			(13,000)			(13,000)		(13,000)
Deferred tax asset arising from acquisition of noncontrolling interest			89,965			89,965		89,965
Dividends paid ($0.04 per share)			(3,245)			(3,245)		(3,245)
Balance at November 30, 2009	81,473	$ 434,728	$ 467,476	$ 21,117	$ (1,914)	$ 921,407	$ 10,604	$ 932,011

See Notes to Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(in thousands, except per share data)

				Accumulated Other Comprehensive Income/(Loss)				
	Number of Shares	**Paid-in Capital**	**Retained Earnings**	**Currency Translation Adjustments**	**Minimum Pension Liability**	**Total Global Payments Shareholders Equity**	**Noncontrolling Interest**	**Total Shareholders Equity**
Balance at May 31, 2008	79,637	$ 380,741	$ 537,357	$ 124,673	$ (471)	$ 1,042,300	$ 11,852	$ 1,052,152
Comprehensive income (loss):								
Net income including noncontrolling interests			106,434			106,434	4,194	110,628
Foreign currency translation adjustment, net of tax of $16,904				(178,824)		(178,824)		(178,824)
Total comprehensive loss (income)						(72,390)	4,194	(68,196)
Stock issued under employee stock plans	657	6,420				6,420		6,420
Tax benefit from exercise of stock options		1,749				1,749		1,749
Share-based compensation expense		7,154				7,154		7,154
Distributions to noncontrolling interest							(4,819)	(4,819)
Divestiture of noncontrolling interest							(157)	(157)
Retrospective application of Topic D-98 related to acquisitions			(417,681)			(408,473)		(408,473)
Redeemable noncontrolling interests valuation adjustment			9,052			17,424		17,424
Dividends paid ($0.04 per share)			(3,210)			(3,210)		(3,210)
Balance at November 30, 2008	80,294	$ 396,064	$ 231,952	$ (54,151)	$ (471)	$ 590,974	$ 11,070	$ 602,044

See Notes to Consolidated Financial Statements.

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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 decision to dispose of the money transfer business, this segment has been accounted for as a discontinued operation. Please see Note 3 Discontinued Operations for further information.

We prepared the unaudited consolidated financial statements included herein pursuant to the rules and regulations of the United States Securities and Exchange Commission (the SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted (GAAP) in the United States have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate and the information presented is not misleading. We suggest that these financial statements be read in conjunction with the consolidated financial statements and notes thereto included in our Form 10-K for the fiscal year ended May 31, 2009.

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

Reclassifications Certain amounts related to our discontinued operations in the prior fiscal year have been reclassified to conform with the presentation in the current fiscal year.

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 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.

Cash and cash equivalents Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased. These amounts also include cash that we hold related to reserve funds collected from our merchants that serve as collateral (Merchant reserves) to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. 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 November 30, 2009 and May 31, 2009, our cash and cash equivalents included $182.6 million and $163.6 million, respectively, related to Merchant reserves.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Our cash and cash equivalents include settlement related cash balances. Settlement related cash balances represent surplus funds that we hold on behalf of our member sponsors when the incoming amount from the card networks precedes the member sponsors funding obligation to the merchant. At November 30, 2009, settlement related cash balances and the corresponding settlement processing obligations were unusually high due to the timing of month end cut off. Settlement related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. Please see *Settlement processing assets and obligations* below for further information.

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

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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 November 30, 2009 and May 31, 2009, our settlement processing assets primarily related to our processing for direct merchants in certain Asia Pacific markets and the Russian Federation, while our settlement processing obligations primarily related to our processing for direct merchants in the United States, Canada, and other Asia-Pacific markets. A summary of these amounts as of November 30, 2009 and May 31, 2009 is as follows:

	November 30, 2009	May 31, 2009
	(in thousands)	
Settlement processing assets:		
Interchange reimbursement	$ 14	$ 222
Receivable from Members, net	8,987	6,631
Exception items	872	553
Merchant reserves	(1,216)	(731)
Total	$ 8,657	$ 6,675
Settlement processing obligations:		
Interchange reimbursement	$ 181,289	$ 179,763
Liability to Members, net	(735,985)	(129,295)
Exception items	8,002	10,507
Merchant reserves	(181,334)	(162,870)
Fair value of guarantees of customer chargebacks	(3,012)	(3,507)
Reserves for sales allowances	(983)	(1,532)
Total	$ (732,023)	$ (106,934)

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 a guarantee. 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 November 30, 2009 and May 31, 2009, $3.0 million and $3.5 million, respectively, have been recorded to reflect the fair value of guarantees associated with merchant card processing. These amounts are included in settlement processing obligations in the accompanying consolidated balance sheets. The expense associated with the fair value of the guarantees of customer chargebacks is included in cost of service in the accompanying unaudited consolidated statements of income. For the three months ended November 30, 2009 and 2008, we recorded expenses for such items in the amounts of $2.0 million and $1.3 million, respectively. For the six months ended November 30, 2009 and 2008, we recorded expenses for such items in the amounts of $3.8 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

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 loss experiences. As of November 30, 2009 and May 31, 2009, we had a check guarantee loss reserve of $4.2 million and $4.0 million, respectively, which is included in net claims receivable in the accompanying consolidated balance sheets. The expenses associated with the establishment of such check guarantee loss reserves are included in cost of service in the accompanying unaudited consolidated statements of income. For the three months ended November 30, 2009 and 2008, we recorded expenses of $4.0 million and $4.7 million, respectively. For the six months ended November 30, 2009 and 2008, we recorded expenses of $7.8 million and $9.7 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 useful life of the asset. We capitalize the costs related to the development of computer software developed or obtained for internal use. Maintenance and repairs are charged to operations as incurred.

During the six months ended November 30, 2009, we placed into service $52.6 million of hardware and software costs 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 for the six months ended November 30, 2009 was not significant. Depreciation and amortization expense will increase as we complete migrations of other markets to the G2 platform.

Goodwill and other intangible assets We completed our most recent annual goodwill and indefinite-life intangible asset impairment test as of January 1, 2009. Recoverability of goodwill is measured at the reporting unit level and consists of two steps. In the first step the reporting unit s carrying amount, including goodwill, is compared to its fair value which is measured based upon, among other factors, a discounted cash flow analysis as well as market multiples for comparable companies. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired and step two must be performed. Step two measures the impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of fair value over the amounts allocated to the assets and liabilities of the reporting unit is the implied fair value of goodwill. The excess of the carrying amount over the implied fair value of goodwill is the impairment loss. As a result of our annual impairment test, we recorded an impairment charge of $147.7 million related to our Money Transfer segment during our third quarter of fiscal 2009. In addition to this impairment recorded in fiscal 2009, we recorded a charge to goodwill in connection with our estimated loss on disposal of discontinued operations of $14.5 million during the three months ended November 30, 2009.

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. In addition, we regularly evaluate whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision. In our opinion, the carrying values of our long-lived assets, including property and equipment and finite-life intangible assets, were not impaired at November 30, 2009 and May 31, 2009.

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 $14.8 million of financing receivables included in prepaid and other current assets (current portion) and other assets (long-term portion) in our November 30, 2009 consolidated balance sheet.

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 the six months ended November 30, 2009, we recorded a deferred tax asset of $90.0 million 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 interest, were 28.9% and 32.0% for the three months ended November 30, 2009 and 2008, respectively, and were 30.1% and 32.4% for the six months ended November 30, 2009 and 2008, respectively.

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 $273.7 million at November 30, 2009. We estimate the fair value of our 2008 term loan was $164.4 million at November 30, 2009. Our subsidiary in the Russian Federation has notes payable with interest rates ranging from 8.0% to 10.5% and maturity dates ranging from March 31, 2011 through July 25, 2013. At November 30, 2009, we believe the carrying amount of these notes approximates fair value. Please see Note 5 Long-Term Debt and Credit Facilities for further information.

Foreign currencies We have significant operations in a number of foreign subsidiaries whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period. For the three and six months ended November 30, 2009 and 2008, our transaction gains and losses were insignificant.

The assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of other comprehensive income (loss) 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 (loss). Income statement items are translated at the average rates prevailing during the period. Foreign currency exchange rate fluctuations affected our revenues and earnings per share as further

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

described in *Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Executive Overview.*

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 November 30, 2009 and 2008 excludes incremental shares of 0.2 million and 0.6 million, respectively, related to stock options. The diluted share base for the six months ended November 30, 2009 and 2008 excludes incremental shares of 0.5 million and 0.6 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 that were not included in the computation of diluted earnings per share.

The following table sets forth the computation of diluted weighted average shares outstanding for the three and six months ended November 30, 2009 and 2008 (in thousands):

	Three Months Ended November 30,		Six Months Ended November 30,	
	2009	2008	2009	2008
Basic weighted average shares outstanding	81,236	80,228	80,890	80,037
Plus: dilutive effect of stock options and restricted stock awards	952	929	896	1,110
Diluted weighted average shares outstanding	82,188	81,157	81,786	81,147

Basic and diluted shares for the three months ended November 30, 2008 increased from amounts previously reported by 493 thousand and 25 thousand, respectively. Basic and diluted shares for the six months ended November 30, 2008 increased from amounts previously reported by 439 thousand and 29 thousand, respectively. Such increases resulted from the adoption of recent guidance as discussed below.

New accounting pronouncements On June 1, 2009 we adopted Financial Accounting Standards Board (FASB) guidance that establishes principles and requirements for how we recognize and measure in our financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest acquired in a business combination. In addition, this guidance establishes principles and requirements for how we recognize and measure the goodwill acquired in the business combination or gain from a bargain purchase, and how we determine what information to disclose to enable financial statement users to evaluate the nature and financial effects of the business combination.

On June 1, 2009, we adopted FASB guidance that applies to the accounting for noncontrolling interests (formerly referred to as minority interest) in a subsidiary and for the deconsolidation of a subsidiary. With the adoption of this guidance, noncontrolling interests that are not redeemable were reclassified from the mezzanine section of the consolidated balance sheet to permanent equity but separate from Global Payments shareholders equity. Income or loss associated with noncontrolling interests is required to be presented separately, net of tax, below net income including noncontrolling interests on the consolidated statement of income. The presentation and disclosure requirements of the guidance has been applied retrospectively.

We have a noncontrolling interest that includes redemption provisions that are not solely within our control, commonly referred to as a redeemable noncontrolling interest. This redeemable noncontrolling interest remains in the mezzanine section of the consolidated balance sheet. The guidance allows for a choice of either accreting redeemable noncontrolling interest to its redemption value over the redemption period or recognizing changes in the redemption value immediately as they occur. We have elected to recognize the changes in the redemption value immediately. The presentation and disclosure requirements of the guidance has been applied retrospectively. The retrospective adoption of the guidance resulted in recording the maximum redemption amount of our redeemable noncontrolling interests with a corresponding decrease in retained earnings of $379.6 million as reflected in our May 31, 2009 consolidated balance sheet. Please see Note 10 Noncontrolling Interests for further information.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On June 1, 2009, we adopted FASB guidance that requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be accounted for as participating securities and therefore included in the computation of earnings per share (EPS). Pursuant to the adoption of the guidance, all prior period EPS data presented has been adjusted retrospectively. The adoption of the guidance resulted in an immaterial change to our weighted-average shares outstanding but did not affect our earnings per share.

On June 1, 2009, we adopted FASB guidance that establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the date the financial statements are issued or available to be issued. The guidance requires an entity to reflect in its financial statements the effects of subsequent events that provide additional evidence about conditions at the balance sheet date including the estimates inherent in the process of preparing financial statements. Subsequent events that provide evidence about conditions that arose after the balance sheet date should be disclosed. The guidance also requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The guidance is effective for interim and annual financial periods ending after June 15, 2009. In preparation of the accompanying financial statements and notes, we have evaluated subsequent events through January 8, 2010, the filing date of this report.

In June 2009, the FASB issued a statement which establishes the FASB Accounting Standards Codification (ASC). The ASC establishes two levels of GAAP authoritative and non-authoritative. The ASC is the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. Effective for financial statements issued for interim and annual periods ending after September 15, 2009, we adopted the ASC in the second quarter of fiscal 2010. The adoption of the ASC did not impact our unaudited consolidated financial statements.

NOTE 2 BUSINESS ACQUISITIONS

Fiscal Year 2010

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table summarizes the preliminary purchase price allocation (in thousands). These allocations will be finalized when valuations are completed.

Goodwill	$ 11,738
Customer-related intangible assets	4,900
Contract-based intangible assets	700
Trademark	700
Property and equipment	4,919
Working capital, net	35
Total assets acquired	22,992
Other liabilities	(992)
Net assets acquired	$ 22,000

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.

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. This interest had been recorded as a redeemable noncontrolling interest. We used existing lines of credit to complete the transaction. 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 is reflected as an equity transaction. 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 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.

Fiscal Year 2009

HSBC Merchant Services LLP

We acquired our initial 51% majority ownership interest in the LLP on June 30, 2008. We paid HSBC UK $438.6 million for our interest. We funded the acquisition using a combination of excess cash and proceeds of a term loan.

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Goodwill	$ 299,474
Customer-related intangible assets	117,063
Contract-based intangible assets	13,462
Trademark	2,209
Property and equipment	22,328
Other current assets	112
Total assets acquired	454,648
Noncontrolling interest in equity of subsidiary (at historical cost)	(13,014)
Net assets acquired	$ 441,634

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

The following pro forma information shows the consolidated results of our operations for the three and six months ended November 30, 2009 and 2008 as if the acquisition of both the 51% and 49% interests had occurred on June 1, 2008. The pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of that date. In addition, the pro forma information is not intended to be a projection of future results expected to results from the integration of the acquired business.

	Three Months Ended November 30,		Six Months Ended November 30,	
	2009 (Actual)	2008 (Pro forma)	2009 (Pro forma)	2008 (Pro forma)
	(in thousands, except per share data)			
Revenues	$ 408,951	$ 365,884	$ 818,882	$ 734,844
Net income attributable to Global Payments for the period	$ 63,443	$ 59,455	$ 121,709	$ 124,358
Net income attributable to Global Payments per share, basic	$ 0.78	$ 0.74	$ 1.50	$ 1.55
Net income attributable to Global Payments per share, diluted	$ 0.77	$ 0.73	$ 1.49	$ 1.54

ZAO United Card Service

On April 30, 2009, we completed the acquisition of all outstanding stock of ZAO United Card Service (UCS), a leading direct merchant acquirer and indirect payment processor in the Russian Federation, from ZAO United Investments. Under the terms of the agreement, we paid a total of $75.0 million in cash to acquire UCS. As of May 31, 2009, $55.0 million of the purchase price was held in escrow (the escrow account). Prior to our acquisition of UCS, the former parent company of UCS pledged the company s stock as collateral for a third party loan (the loan) that was fully repaid on September 24, 2009. During the three months ended November 30, 2009, the stock was released to us and $35.0 million of the purchase price was released from escrow to the seller. The remaining $20.0 million will remain in escrow until January 1, 2013, to satisfy any liabilities discovered post-closing that existed at the purchase date.

The purpose of this acquisition was to establish an acquiring presence in the Russian market and a foundation for other direct acquiring opportunities in Central and Eastern Europe. The purchase price was determined by analyzing the historical and prospective financial statements.

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

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Current financing receivables	$ 1,620
Other current assets	9,098
Goodwill	35,429
Customer-related intangible assets	16,900
Trademark	3,200
Property and equipment	19,132
Financing receivables	12,481
Other long-term assets	640
Total assets acquired	98,500
Current liabilities	(7,228)
Notes payable	(8,723)
Deferred income taxes and other long-term liabilities	(7,549)
Total liabilities assumed	(23,500)
Net assets acquired	$ 75,000

None of the goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 9 to 15 years. The trademark has an estimated amortization period of 10 years.

Global Payments Asia-Pacific Philippines Incorporated

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

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

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

None of the goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have amortization periods of 11 years. The contract-based intangible assets have amortization periods of 7 years. The trademark has an amortization period of 5 years.

NOTE 3 DISCONTINUED OPERATIONS

On November 18, 2009, we signed an agreement to sell our wholly-owned money transfer business, which comprised our money transfer segment, to an affiliate of Palladium Equity Partners, LLC. Under the terms of the agreement, we will receive proceeds in the range of $85 million to $110 million based on the operating performance of the business determined at the time of closing. We expect the transaction to close before the end of fiscal year 2010.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The money transfer business has been reported as discontinued operations. The notes to the unaudited consolidated financial statements have been adjusted to exclude discontinued operations unless otherwise noted. The operating results of the money transfer segment have been reported as discontinued operations as follows (in thousands):

	Three Months Ended November 30,		Six Months Ended November 30,	
	2009	2008	2009	2008
Net revenues	$ 30,216	$ 35,179	$ 61,594	$ 71,976
Operating income	$ 2,936	$ 4,883	$ 6,339	$ 9,361
Estimated loss on disposal	(15,850)		(15,850)	
Other income (expense)	114	(151)	125	(196)
(Loss) income before income taxes	(12,800)	4,732	(9,386)	9,165
Income tax benefit (provision)	17,668	(1,692)	16,442	(3,223)
Income from discontinued operations, net of tax	$ 4,868	$ 3,040	$ 7,056	$ 5,942

Assets of discontinued operations are recorded at their fair value less costs to sell at November 30, 2009. These assets were written down by $14.5 million during the three months ended November 30, 2009 to record their estimated disposal loss, which was calculated using our best estimate of the proceeds. The estimated loss on disposal above also includes costs to sell of $1.3 million. The income tax benefit for the three and six months ended November 30, 2009 includes a benefit of $18.8 million associated with the planned disposition of the money transfer business.

The assets and liabilities of the money transfer business have been classified as those of discontinued operations on our November 30, 2009 unaudited consolidated balance sheet as follows (in thousands):

Cash	$ 37,351
Inventory	260
Prepaid expenses and other current assets	3,618
Property and equipment, net	10,903
Goodwill	36,182
Other intangibles, net	32,945
Other	2,092
Assets of discontinued operations	$ 123,351
Payables to money transfer beneficiaries	$ 7,261
Accounts payable and accrued liabilities	16,176
Liabilities of discontinued operations	$ 23,437

NOTE 4 GOODWILL

The changes to the goodwill balance during the six months ended November 30, 2009 are as follows (in thousands):

Goodwill balance as of May 31, 2009	$ 625,120
Adjustment to purchase price allocations	(790)
Goodwill acquired	11,738
Adjustment for estimated loss on disposal of discontinued operations	(14,481)
Goodwill reclassified to discontinued operations	(36,182)
Effect of foreign currency translation on goodwill carrying value	14,467
Goodwill balance as of November 30, 2009	$ 599,872

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 LONG-TERM DEBT AND CREDIT FACILITIES

Outstanding debt consisted of the following:

	November 30, 2009	May 31, 2009
	(in thousands)	
Lines of Credit:		
U.S. Credit Facility	$	$
China Credit Facility		