

TOTAL SYSTEM SERVICES INC

Form 10-K

March 01, 2010

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

**Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934  
for the fiscal year ended December 31, 2009  
Commission file number 1-10254  
TOTAL SYSTEM SERVICES, INC.  
(Exact name of registrant as specified in its charter)**

Georgia 58-1493818  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One TSYS Way  
Columbus, Georgia 31901  
(Address of principal executive offices) (Zip Code)  
(Registrant's telephone number, including area code) (706) 649-2310  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

Common Stock, \$.10 Par Value New York Stock Exchange  
Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)

YES  NO

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

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

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

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

As of June 30, 2009, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$2,511,265,000 based on the closing sale price as reported on the New York Stock Exchange.

As of February 11, 2010, there were 197,230,902 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

**Incorporated Documents**

**Form 10-K Reference Locations**

Portions of the Annual Report to Shareholders for the year ended December 31, 2009 ( Annual Report )

Parts I, II, III and IV

Portions of the 2010 Proxy Statement for the Annual Meeting of Shareholders to be held April 21, 2010 ( Proxy Statement )

Part III

## Table of Contents

	<b>Page</b>
<b><u>Part I</u></b>	
<u>Safe Harbor Statement</u>	1
<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	4
<u>Item 1B. Unresolved Staff Comments</u>	None
<u>Item 2. Properties</u>	10
<u>Item 3. Legal Proceedings</u>	10
<u>Item 4. Reserved</u>	None
<b><u>Part II</u></b>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	11
<u>Item 6. Selected Financial Data</u>	11
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	12
<u>Item 8. Financial Statements and Supplementary Data</u>	14
<u>Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	None
<u>Item 9A. Controls and Procedures</u>	14
<u>Item 9B. Other Information</u>	None
<b><u>Part III</u></b>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	15
<u>Item 11. Executive Compensation</u>	16
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	16
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	16
<u>Item 14. Principal Accountant Fees and Services</u>	16
<b><u>Part IV</u></b>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	17
<u>EX-10.4</u>	
<u>EX-13.1</u>	
<u>EX-21.1</u>	
<u>EX-23.1</u>	
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	

---

**Table of Contents**

**PART I**

**Safe Harbor Statement**

We have included or incorporated by reference in this Annual Report on Form 10-K, and from time to time our management may make, statements that may constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts but instead represent only our belief regarding future events, many of which by their nature are inherently uncertain and outside our control. These statements include statements other than historical information or statements of current condition and may relate to our future plans, objectives and results, among other things, and also include (without limitation) statements made in Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this Annual Report. It is possible that our actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Important factors that could cause actual results to differ from those in the forward-looking statements include, among others, those discussed under Risk Factors in Part I, Item 1A of this Annual Report and Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of this Annual Report.

Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements to reflect the impact of circumstances or events that arise after the dates they are made, whether as a result of new information, future events or otherwise except as required by applicable law. You should, however, consult further disclosures we may make in future filings of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments thereto.

**Item 1. Business**

**Business.** Based in Columbus, Georgia, and traded on the New York Stock Exchange under the symbol TSS, we provide electronic payment processing, merchant services and related services to financial and nonfinancial institutions throughout the United States and internationally. Electronic payment processing services include providing issuer processing services for consumer credit, retail, debit, stored value, government services and commercial card accounts. Merchant services include providing processing services, acquiring solutions, related systems and integrated support services. We also offer additional related services such as business process management, mail and correspondence processing, teleservicing, data documentation, offset printing, collections and account solicitation and client services.

The services we provide are divided into three operating segments, North America Services, which accounted for 60.2% of our revenues in 2009, International Services, which accounted for 19.9% of our revenues in 2009, and Merchant Services, which accounted for 19.9% of our revenues in 2009.

**Table of Contents**

**Seasonality.** Due to the somewhat seasonal nature of the credit card industry, our revenues and results of operations have generally increased in the fourth quarter of each year because of increased transaction and authorization volumes during the traditional holiday shopping season.

**Intellectual Property.** Our intellectual property portfolio is a component of our ability to be a leading electronic payment services provider. We diligently protect and work to build our intellectual property rights through patent, servicemark and trade secret laws. We also use various licensed intellectual property to conduct our business. In addition to using our intellectual property in our own operations, we grant licenses to certain of our clients to use our intellectual property.

**Major Customer.** A significant amount of our revenues is derived from long-term contracts with large clients, including our major customer during 2009, Bank of America Corporation. For the year ended December 31, 2009, Bank of America Corporation accounted for approximately 12.9% of our total revenues. As a result, the loss of Bank of America Corporation, or other large clients, could have a material adverse effect on our financial position, results of operations and cash flows. See Major Customer and Operating Segments under the Financial Review Section on pages 15 and 16, and 16 and 17, respectively, and Note 22 on pages 55 through 57 of the Annual Report which are incorporated in this document by reference.

**Competition.** We encounter vigorous competition in providing electronic payment processing services from several different sources. Most of the national market in third party card processors is presently being provided by approximately three vendors. We believe that as of December 31, 2009 we are the largest third party card processor in the United States. In addition, we compete with in house processors and software vendors which provide their products to institutions which process in house. We are presently encountering, and in the future anticipate continuing to encounter, substantial competition from data processing, bankcard computer service firms and third-party software vendors within the United States and from certain international processors and third-party software vendors with respect to our International Services segment. In addition, the card associations and payments networks such as Visa, MasterCard and Discover are increasingly offering products and services that compete with our products and services. Based upon available market share data that includes cards processed in house, we believe that during 2009 we provided issuer processing services for 19% of the domestic consumer credit card market, 44% of the Canadian credit card market and 16% of the Western European credit card market. We also believe that during 2009 we held a 75% share of the Visa and MasterCard domestic commercial card processing market. With respect to merchant services, we believe that we are the second largest processor of merchant accounts and process transactions for approximately 20% of all bankcard accepting merchant locations in the United States.

Our major competitor in the card processing industry is First Data Resources, LLC, a wholly owned subsidiary of First Data Corporation, which provides card processing services. The principal methods of competition between us and First Data Resources are price, system performance and reliability, breadth of features and functionality, disaster recovery capabilities and business continuity preparedness, data security, scalability and flexibility of infrastructure

**Table of Contents**

and servicing capability. Certain other subsidiaries of First Data Corporation also compete with us with respect to the provision of merchant services.

***Backlog of Accounts.*** As of December 31, 2009, we had a pipeline of approximately 8.2 million accounts, all of which are expected to be converted during 2010.

***Regulation and Examination.*** We are subject to being examined, and are indirectly regulated, by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, and the various state financial regulatory agencies which supervise and regulate the financial institutions for which we provide electronic payment processing services. Matters reviewed and examined by these federal and state financial institution regulatory agencies have included our internal controls in connection with our present performance of electronic payment processing services, and the agreements pursuant to which we provide such services. In addition, we are registered with Visa, MasterCard, American Express and the Discover Network as a service provider and are subject to their respective rules.

Aspects of our business are also subject to privacy regulation in the United States, the European Union and elsewhere. For example, in the United States, we and our financial institution clients are respectively subject to the Federal Trade Commission's and the federal banking agency information safeguarding requirements under the Gramm-Leach-Bliley Act. The Federal Trade Commission's information safeguarding rules require us to develop, implement and maintain a written, comprehensive information security program containing safeguards that are appropriate for our size and complexity, the nature and scope of our activities and the sensitivity of any customer information at issue. Our financial institution clients in the United States are subject to similar requirements under the guidelines issued by the federal banking agencies. As part of their compliance with these requirements, each of our U.S. financial institution clients is expected to have a program in place for responding to unauthorized access to, or use of, customer information that could result in substantial harm or inconvenience to customers.

As are all U.S. citizens and U.S. entities, we are subject to regulations imposed by the U.S. Treasury Office Department of Foreign Assets Control ( OFAC ) which prohibit or restrict financial and other transactions with specified countries, and designated individuals and entities such as terrorists and narcotics traffickers. We have procedures and controls in place which are designed to protect against having direct business dealings with such prohibited countries, individuals or entities. We also have procedures and controls in place which are designed to allow our processing clients to protect against having direct business dealings with such prohibited countries, individuals or entities. However, due to the complexity of the payments systems to which our clients belong, such as MasterCard and Visa, it is possible our computer systems may be used in the processing of transactions involving countries or parties subject to OFAC administered sanctions.

***Employees.*** As of December 31, 2009, we had 7,620 full-time equivalent employees.

**Table of Contents**

**Available Information.** Our website address is [www.tsys.com](http://www.tsys.com). You may obtain free electronic copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to those reports in the Investor Relations section of our website under the heading SEC Filings. These reports are available on our website as soon as reasonably practicable after we electronically file them with the Securities and Exchange Commission.

We have adopted a Code of Business Conduct and Ethics for our directors, officers and employees and have also adopted Corporate Governance Guidelines. Our Code of Business Conduct and Ethics, Corporate Governance Guidelines and the charters of our board committees are available in the Corporate Governance section of our website at [www.tsys.com](http://www.tsys.com) under Investor Relations then Corporate Governance .

For more information about our business see the Financial Overview Section on pages 5 through 7, the Financial Review Section on pages 7 through 26 and Note 1, Note 2, Note 8, Note 19, Note 22, Note 24, Note 25 and Note 28 of Notes to Consolidated Financial Statements on pages 31 through 37, pages 40 and 41, pages 51 and 52, pages 55 through 57, pages 58 and 59, and page 60 of the Annual Report which are incorporated in this document by reference.

**Item 1A. Risk Factors**

This section highlights specific risks that could affect our business and us. Although this section attempts to highlight key factors, please be aware that other risks may prove to be important in the future. New risks may emerge at any time and we cannot predict such risks or estimate the extent to which they may affect our financial performance. In addition to the factors discussed elsewhere or incorporated by reference in this report, among the other factors that could cause actual results to differ materially are the following:

***Consolidation among financial institutions, including the merger of TSYS clients with entities that are not TSYS clients or the sale of portfolios by TSYS clients to entities that are not TSYS clients, or the nationalization or seizure by banking regulators of TSYS clients, could materially impact our financial position and results of operation.***

Consolidation among financial institutions, particularly in the area of credit card operations, continues to be a major risk. Specifically, we face the risk that our clients may merge with entities that are not our clients, our clients may sell portfolios to entities that are not our clients and, based on current economic conditions, our clients may be seized by banking regulators or nationalized, thereby impacting our existing agreements and projected revenues with these clients. Examples of recent consolidations involving TSYS clients include the acquisition by JPMorgan Chase Bank of the assets of Washington Mutual Bank from the FDIC as receiver and the acquisition by Wells Fargo of Wachovia. In addition, consolidation among financial institutions has led to an increasingly concentrated client base at TSYS which results in a changing client mix toward larger clients. Continued consolidations among financial institutions could increase the bargaining power of our current and future clients. Consolidation among financial institutions, the nationalization of financial institutions or the seizure by banking



**Table of Contents**

regulators of financial institutions and the resulting loss of any significant client by us could have a material adverse effect on our financial position and results of operations.

***If we do not successfully renew or renegotiate our agreements with our clients, our business will suffer.***

A significant amount of our revenues is derived from long-term contracts with large clients, including certain major customers. Consolidation among financial institutions has resulted in an increasingly concentrated client base. The financial position of these clients and their willingness to pay for our products and services are affected by general market positions, competitive pressures and operating margins within their industries. Renewal or renegotiation time presents our clients with the opportunity to consider other providers. The loss or renegotiation of our contracts with existing clients or a significant decline in the number of transactions we process for them could have a material adverse effect on our financial position and results of operation.

***Economic conditions could adversely affect our business.***

A significant portion of our revenues is derived from the number of consumer credit transactions that we process which may be affected by, among other things, overall economic conditions. As a result of current economic conditions in the United States, credit card issuers have been reducing credit limits and closing accounts and are more selective with respect to whom they issue credit cards. This reduction in the number of accounts and account activity adversely impacted the results of our North America Services segment for 2009, as compared to 2008. Future reductions in consumer spending through credit card usage could have a material adverse affect on our financial position and results of operations.

***Accounts on file may be lower than anticipated and internal growth rates for our existing clients may be lower than anticipated.***

Our electronic payment processing services revenues are generated from charges based on several factors, one of which is the number of accounts on file. As noted above, credit card issuers have been closing accounts and are more selective with respect to whom they issue credit cards. As a result, there is no guarantee that accounts on file will be as we anticipate and this could have a material adverse effect on our financial position and results of operations. Furthermore, a significant amount of our revenues is derived from certain large clients and internal growth rates for these existing clients may be lower than anticipated, thereby negatively impacting our business.

***We may incur expenses associated with the signing of a significant client to our processing system and in connection with our efforts to grow internationally or incur other costs that may hurt our financial results.***

We incur significant up-front expenses prior to converting a significant client to our processing systems. In the event we enter into a processing contract with a significant client, these expenses will directly affect our earnings results. In addition, we provide services to our clients worldwide. We are likely to incur costs in growing our business internationally, and

**Table of Contents**

there is no guarantee that such international expansion will be successful. We may also incur other expenses and costs, such as operating and marketing expenses. If we are unable to successfully manage these expenses as our business develops, changes and expands, our financial position and results of operations could be negatively impacted. In addition, changes in accounting policies can significantly affect how we calculate expenses and earnings.

***There may be a decline in the use of credit cards as a payment mechanism for consumers or adverse developments with respect to the credit card industry in general.***

If consumers do not continue to use credit cards as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, credit cards and debit cards, it could have a material adverse effect on our financial position and results of operations. We believe future growth in the use of credit cards will be driven by the cost, ease-of-use, and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to use credit cards. Moreover, if there is an adverse development in the credit card industry in general, such as new legislation or regulation that makes it more difficult for our clients to do business, our financial position and results of operations may be adversely affected.

***We may not convert and deconvert client s portfolios as scheduled***

The timing of the conversion of card portfolios of new clients to our processing systems and the deconversion of existing clients to other systems impacts our revenues and expenses. There is no guarantee that conversions and deconversions will occur as scheduled and this may have a material adverse effect on our financial position and results of operations.

***Acquisitions and integrating such acquisitions create certain risks and may affect our financial results.***

We have acquired businesses both in the United States and internationally and will continue to explore opportunities for strategic acquisitions in the future. The acquisition and integration of businesses involves a number of risks. The core risks are in the areas of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration (managing the complex process of integrating the acquired company s people, products, technology and other assets so as to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition). In addition, international acquisitions often involve additional or increased risks including for example:

managing geographically separated organizations, systems and facilities;

integrating personnel with diverse business backgrounds and organizational cultures;

complying with foreign regulatory requirements;

fluctuations in currency exchange rates;

difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of these new markets; and

general economic and political conditions.

**Table of Contents**

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of our combined businesses and the possible loss of key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with acquisitions and the integration of the two companies operations could have an adverse effect on our financial position and results of operations.

***Our business may be adversely affected by risks associated with foreign operations.***

We provide services to our clients worldwide. As a result, our business and revenues derived from international operations are subject to risk of loss from foreign currency exchange rates, social instability, changes in government policies, unfavorable political or diplomatic developments and changes in legislation related to non-U.S. ownership. We have not entered into foreign exchange forward contracts to mitigate the risks associated with our foreign operations. Any adverse change in one of the factors listed above could impact our plans to continue to expand our business internationally and adversely affect our financial position and results of operations.

***The costs and effects of litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our financial position and results of operations.***

We may be involved from time to time in a variety of litigation, investigations or similar matters arising out of our business. Our insurance may not cover all claims that may be asserted against it, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our financial position and results of operations. In addition, we may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms, if at all.

***Changes in accounting policies and practices, as may be adopted by the regulatory agencies, the Financial Accounting Standards Board, or other authoritative bodies, could materially impact our financial statements.***

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations. From time to time, the regulatory agencies, the Financial Accounting Standards Board, and other authoritative bodies change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial position and results of operations.

***If we do not anticipate and respond to technological change or changes in industry standards, our services could become obsolete and we could lose our clients.***

Our success depends, in part, on our ability to timely, successfully and cost-effectively improve and implement processing systems to provide new products, increased functionality and increased efficiencies. The widespread adoption of new technologies could require us to make

**Table of Contents**

substantial expenditures to modify or adopt our existing products and services, and we may not be successful in improving and implementing our processing systems or in achieving market acceptance of these new technologies. If competitors introduce new products and services embodying new technologies, or if new industry standards and practices emerge, our existing product and service offerings, proprietary technology and systems may become obsolete. Further, if we fail to adopt or develop these new technologies or to adapt our products and services to emerging industry standards, we may lose current and future clients, which could have a material adverse effect on our financial position and results of operations. Our industry is changing rapidly. To remain competitive, we must continue to enhance and improve the functionality and features of our processing systems, products, services and technologies.

***Changes in the laws, regulations, credit card association rules or other industry standards affecting our business may impose costly compliance burdens and negatively impact our business.***

There may be changes in the laws, regulations, credit card association rules or other industry standards that affect our operating environment in substantial and unpredictable ways. Changes to statutes, regulations or industry standards, including interpretation and implementation of statutes, regulations or standards, could increase the cost of doing business or affect the competitive balance. Regulation of the payments industry has increased significantly in recent years. A number of regulations impacting the credit card industry were recently implemented. Additional changes may require us to incur significant expenses to redevelop our products. Also, failure to comply with laws, rules and regulations or standards to which we are subject, including with respect to privacy and data use and security, could result in fines, sanctions or other penalties, which could have a material adverse affect on our financial position and results of operations, as well as damage our reputation.

***We may not be able to successfully manage our intellectual property and may be subject to infringement claims.***

In the rapidly developing legal framework, we rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our proprietary technology. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop software or technology competitive to us. Our competitors may independently develop similar technology, duplicate our products or services or design around our intellectual property rights. We may have to litigate to enforce and protect our intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive and could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

We may also be subject to costly litigation in the event our products and technology infringe upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our products or technology. Any of these third parties could make a claim of infringement against us with respect to our products or technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject us to significant liability for

**Table of Contents**

damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of our management and employees. Any claim from third parties may result in limitation on our ability to use the intellectual property subject to these claims.

***Security and privacy breaches in our systems and system failures may damage client relations, our reputation and expose us to liability.***

The uninterrupted operation of our processing systems and the confidentiality of the client information that resides on our systems is critical to our business. We have security, backup and recovery systems in place, as well as business continuity plans designed to ensure our systems will not be inoperable. However, there is still a risk that a system outage or data loss may occur which would not only damage our reputation but as a result of contractual commitments could also require the payment of penalties to our clients if our systems do not meet certain operating standards. We also have what we believe to be sufficient security around our systems to prevent unauthorized access. Any failures in our security and privacy measures or any system interruption could have a material adverse effect on our financial position and results of operations. We electronically store personal information, such as credit card numbers, about consumers who are customers of our clients. If we are unable to protect, or our clients perceive that we are unable to protect, the security and privacy of our electronic transactions, our growth could be materially adversely affected. A security or privacy breach or a system failure may:

cause our clients to lose confidence in our services;

harm our reputation;

expose us to financial liability; and

increase our expenses from potential remediation costs.

While we believe we use proven applications designed for data security and integrity to process electronic transactions, there can be no assurance that our use of these applications will be sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential client information or our intellectual property or assurance that our use of these applications will be sufficient to address the security and privacy concerns of existing and potential clients.

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

We are dependent upon the ability and experience of a number of highly skilled technical, management and sales and marketing personnel who have substantial experience with our operations, the rapidly changing transaction processing industry and markets in which we offer our services. It is possible that the loss of the services of one or a combination of our key personnel would have an adverse effect on our operations. Our success also depends on our ability to continue to attract, manage and retain additional qualified management and technical personnel. Competition for the best people, particularly those individuals with technology experience, is intense. We cannot guarantee that we will continue to attract or retain such personnel.

**Table of Contents*****Our financial condition and outlook may be adversely affected by damage to our reputation.***

Our financial condition and outlook is highly dependent upon perceptions of our business practices and reputation. Our ability to attract and retain clients and employees could be adversely affected to the extent our reputation is damaged. Negative public opinion could result from our actual or alleged conduct in any number of activities, including corporate governance, regulatory compliance, mergers and acquisitions, disclosure and security breaches. Damage to our reputation could give rise to legal risks, which, in turn, could increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

As of December 31, 2009, we and our subsidiaries owned 14 facilities encompassing approximately 1,445,546 square feet and leased 40 facilities encompassing approximately 690,836 square feet. These facilities are used for operational, sales and administrative purposes.

	Owned Facilities		Leased Facilities	
	Number	Square Footage	Number	Square Footage
North America Services	9	1,345,800	9	218,838
International Services	2	96,368	26	246,705
Merchant Services	3	3,378	5	225,293

We believe that our facilities are suitable and adequate for our current business; however, we periodically review our space requirements and may acquire new space to meet the needs of our businesses or consolidate and dispose of or sublet facilities which are no longer required.

See Note 1, Note 7, Note 19 and Note 22 of Notes to Consolidated Financial Statements on pages 31 through 37, page 40, pages 51 and 52, and pages 55 through 57 and *Operating Expenses* and *Property and Equipment* under the *Financial Review* Section on pages 17 through 19, and page 22, respectively, of the Annual Report which are incorporated in this document by reference.

**Item 3. Legal Proceedings**

See Note 19 of Notes to Consolidated Financial Statements on pages 51 and 52 of the Annual Report which is incorporated in this document by reference.

**Item 4. Reserved**

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities**

The Quarterly Financial Data, Stock Price, Dividend Information Section under the Financial Review Section on page 64, Note 17 of Notes to Consolidated Financial Statements on page 50 and Stock Performance Graph on page 65 of the Annual Report are incorporated in this document by reference. The Stock Performance Graph is incorporated herein by reference; however, this information shall not be deemed to be soliciting material or to be filed with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

**Item 6. Selected Financial Data**

The following financial data should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Financial Review sections of the Annual Report, which are incorporated by reference into Part II, Item 8 and Part II, Item 7, respectively, of this document. The historical trends in TSYS results of operations and financial position over the last five years are presented below.

<i>(in thousands, except per share data)</i>	<b>Years Ended December 31,</b>				
	<b>2009</b>	2008	2007	2006	2005
<i>Income Statement Data:</i>					
Total revenues	<b>\$ 1,688,062</b>	1,721,646	1,662,450	1,707,372	1,537,672
Operating income	<b>\$ 342,033</b>	368,675	349,135	352,906	284,452
Income from continuing operations, net of tax	<b>\$ 224,339</b>	250,638	236,590	247,150	193,038
(Loss) income from discontinued operations, net of tax	<b>(5,163)</b>	1,038	2,829	2,765	1,738
Net income	<b>219,176</b>	251,676	239,419	249,915	194,776
Net income attributable to noncontrolling interests	<b>(3,963)</b>	(1,576)	(1,976)	(752)	(256)
Net income attributable to TSYS	<b>\$ 215,213</b>	250,100	237,443	249,163	194,520
Basic earnings per share (EPS)*:					
Income from continuing operations	<b>\$ 1.12</b>	1.26	1.19	1.25	0.98
(Loss) income from discontinued operations	<b>(0.03)</b>	0.01	0.01	0.01	0.01
Net income	<b>\$ 1.09</b>	1.26	1.20	1.26	0.99
Diluted EPS*:					
Income from continuing operations	<b>\$ 1.12</b>	1.26	1.19	1.25	0.98

Edgar Filing: TOTAL SYSTEM SERVICES INC - Form 10-K

(Loss) income from discontinued operations	(0.03)	0.01	0.01	0.01	0.01
Net income	\$ 1.09	1.26	1.20	1.26	0.99
Cash dividends declared per share	\$ 0.28	0.28	3.31	0.27	0.22

		<b>At December 31,</b>			
<i>(in thousands)</i>	<b>2009</b>	2008	2007	2006	2005
<i>Balance Sheet Data:</i>					
Total assets	<b>\$ 1,710,954</b>	1,550,024	1,479,081	1,634,241	1,410,897
Obligations under long-term debt and capital leases, excluding current portion	<b>205,123</b>	209,871	3,687	3,625	3,555

\* Note: Basic and diluted EPS amounts for continuing operations and net income do not total due to rounding.



**Table of Contents****Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Financial Overview and Financial Review Sections which are set forth on pages 5 through 26 of the Annual Report which includes the information encompassed within Management's Discussion and Analysis of Financial Condition and Results of Operations, are incorporated in this document by reference.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

**Foreign Exchange Risk.** We are exposed to foreign exchange risk because we have assets, liabilities, revenues and expenses denominated in foreign currencies. These currencies are translated into U.S. dollars at current exchange rates, except for revenues, costs and expenses and net income, which are translated at the average exchange rate for each reporting period. Net exchange gains or losses resulting from the translation of assets and liabilities of our foreign operations, net of tax, are accumulated in a separate section of shareholders' equity entitled accumulated other comprehensive income. The amount of other comprehensive (loss) income, net of tax, related to foreign currency translation for the years ended December 31, 2009, 2008 and 2007 was:

(in millions)	2009	2008	2007
Comprehensive income (loss), net of tax	\$12.1	(\$35.1)	\$7.6

Currently, we do not use financial instruments to hedge our exposure to exchange rate changes.

The following table presents the carrying value of the net assets of our foreign operations in U.S. dollars at December 31, 2009:

(in millions)	December 31, 2009
Europe	\$ 184.7
China	68.4
Japan	(0.9)
Mexico	7.5
Canada	1.2
Other	24.6

We record foreign currency translation adjustments associated with other balance sheet accounts. See

Nonoperating Income (Expense) under the Financial Review Section on pages 19 and 20 of the Annual Report which is incorporated in this document by reference. We maintain several cash accounts denominated in foreign currencies, primarily in Euros and GBP. As we translate the foreign-denominated cash balances into U.S. dollars, the translated cash balance is adjusted upward or downward depending upon the foreign currency exchange movements. The upward or downward adjustment is recorded as a gain or loss on foreign currency translation in our statements of income. As those cash accounts have increased, the upward or downward adjustments have increased. We recorded a net translation loss of approximately \$2.6 million for the year ended December 31, 2009 relating to the translation of foreign denominated balance sheet

**Table of Contents**

accounts, most of which were cash. The balance of the foreign-denominated cash accounts subject to risk of translation gains or losses at December 31, 2009 was approximately \$7.6 million, the majority of which is denominated in Euros.

We provide financing to our international operation in Europe through an intercompany loan that requires the operation to repay the financing in U.S. dollars. The functional currency of each operation is the respective local currency. As we translate the foreign currency denominated financial statements into U.S. dollars, the translated balance of the financing (liability) is adjusted upward or downward to match the U.S. dollar obligation (receivable) on our financial statements. The upward or downward adjustment is recorded as a gain or loss on foreign currency translation in other comprehensive income.

The net asset account balance subject to foreign currency exchange rates between the local currencies and the U.S. dollar at December 31, 2009 was \$6.0 million.

The following table presents the potential effect on income before income taxes of hypothetical shifts in the foreign currency exchange rate between the local currencies and the U.S. dollar of plus or minus 100 basis points, 500 basis points and 1,000 basis points based on the net asset account balance of \$6.0 million at December 31, 2009.

(in thousands)	Effect of Basis Point Change					
	Increase in basis point of			Decrease in basis point of		
	100	500	1,000	100	500	1,000
Effect on income before						
income taxes	\$60	300	600	(60)	(300)	(600)

The foreign currency risks associated with other currencies is not significant.

**Interest Rate Risk.** We are also exposed to interest rate risk associated with the investing of available cash. We invest available cash in conservative short-term instruments and are primarily subject to changes in the short-term interest rates.

The following table provides information about our debt obligations that are sensitive to changes in interest rates. The table presents principal cash flows and related weighted average interest rates by expected maturity dates. The information is presented in U.S. dollar equivalents, which is our reporting currency. The debt obligations' actual cash flows are denominated in U.S. dollars (US), British Pounds (GBP) and Japanese YEN (YEN), as indicated in parentheses.

**Table of Contents**

At December 31, 2009	Expected maturity date					
Liabilities	2010	2011	2012	2013	2014	TOTAL
(US\$ Equivalent in millions)						
Long-term Debt:						
Fixed Rate (US)	\$ 7.0	1.8				\$ 8.8
Average interest rate	3.95%	3.95%				3.95%
Variable Rate (US)	\$		168.0			\$168.0
Average interest rate			0.86%			0.86%
Variable Rate (GBP)	\$	0.8				\$ 0.8
Average interest rate		2.61%				2.61%
Variable Rate (YEN)	\$	21.8				\$ 21.8
Average interest rate		1.14%				1.14%

**Item 8. Financial Statements and Supplementary Data**

The Quarterly Financial Data, Stock Price, Dividend Information Section, which is set forth on page 64, and the Consolidated Balance Sheets, Consolidated Statements of Income, Consolidated Statements of Cash Flows, Consolidated Statements of Equity and Comprehensive Income, Notes to Consolidated Financial Statements, Report of Independent Registered Public Accounting Firm (on consolidated financial statements), Management's Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm (on the effectiveness of internal control over financial reporting) Sections, which are set forth on pages 27 through 63 of the Annual Report are incorporated in this document by reference.

**Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.** We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report as required by Rule 13a-15 of the Securities Exchange Act of 1934, as amended ( Exchange Act ). This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer and chief financial officer. Based on this evaluation, the chief executive officer and chief financial officer concluded that as of December 31, 2009, TSYS' disclosure controls and procedures were designed and effective to ensure that the information required to be disclosed by TSYS in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and were also designed and effective to ensure that the information required to be disclosed in the reports that TSYS files or submits under the Exchange Act is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure.

**Table of Contents**

***Management's Report on Internal Control Over Financial Reporting and Report of Independent Registered Public Accounting Firm.*** Management's Report on Internal Control Over Financial Reporting, which is set forth on page 62 of the Annual Report, and Report of Independent Registered Public Accounting Firm (on the effectiveness of internal control over financial reporting), which is set forth on page 63 of the Annual Report, are incorporated in this document by reference.

***Changes in Internal Control Over Financial Reporting.*** Other than as set forth in the paragraph below, no change in our internal control over financial reporting occurred during the fourth fiscal quarter covered by this Annual Report that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We implemented a new corporate-wide budgeting and planning system during the fourth quarter of 2009. The new system is expected to materially impact our internal control over financial reporting by providing more timely financial budgeting and planning information, reducing manual processes and providing a flexible architecture to reduce data entry.

**Item 9B. Other Information**

None.

**PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

PROPOSALS TO BE VOTED ON      PROPOSAL 1: ELECTION OF DIRECTORS,  
EXECUTIVE OFFICERS,  
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE, and  
CORPORATE GOVERNANCE AND BOARD MATTERS      Committees of the Board.

We have a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including our principal executive officer, our principal financial officer and our chief accounting officer. You can find our Code of Business Conduct and Ethics in the Corporate Governance section of our website at [www.tsys.com](http://www.tsys.com) under Investor Relations then Corporate Governance. We will post any amendments to the Code of Business Conduct and Ethics and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE in the Corporate Governance section of our website.

**Table of Contents**

**Item 11. Executive Compensation**

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

DIRECTOR COMPENSATION ; and

EXECUTIVE COMPENSATION Compensation Discussion and Analysis, Compensation Committee Report and Compensation Tables and Narratives .

The information included under the heading Compensation Committee Report in our Proxy Statement is incorporated herein by reference; however, this information shall not be deemed to be soliciting material or to be filed with the Commission or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information pertaining to equity compensation plans is contained in Note 15 of Notes to Consolidated Financial Statements on pages 44 and 45 of the Annual Report and is incorporated in this document by reference.

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS, and  
PRINCIPAL SHAREHOLDERS.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, and  
CORPORATE GOVERNANCE AND BOARD MATTERS Independence.

**Item 14. Principal Accountant Fees and Services**

Information included under the following captions in our Proxy Statement is incorporated in this document by reference:

AUDIT COMMITTEE REPORT KPMG LLP Fees and Services (excluding the information under the main caption AUDIT COMMITTEE REPORT ); and Policy on Audit Committee Pre-Approval.

**Table of Contents**

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

**(a) 1. *Financial Statements***

The following consolidated financial statements of TSYS are incorporated in this document by reference from pages 27 through 63 of the Annual Report.

Consolidated Balance Sheets December 31, 2009 and 2008.

Consolidated Statements of Income Years Ended December 31, 2009, 2008 and 2007.

Consolidated Statements of Cash Flows Years Ended December 31, 2009, 2008 and 2007.

Consolidated Statements of Equity and Comprehensive Income Years Ended December 31, 2009, 2008 and 2007.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm (on consolidated financial statements).

Management's Report on Internal Control Over Financial Reporting.

Report of Independent Registered Public Accounting Firm (on the effectiveness of internal control over financial reporting).

**2. *Financial Statement Schedules***

The following report of independent registered public accounting firm and consolidated financial statement schedule of TSYS are included:

Report of Independent Registered Public Accounting Firm.

Schedule II Valuation and Qualifying Accounts Years Ended December 31, 2009, 2008 and 2007.

All other schedules are omitted because they are inapplicable or the required information is included in the consolidated financial statements and notes thereto.

**Table of Contents****3. Exhibits**

The following exhibits are filed herewith or are incorporated to other documents previously filed with the SEC. Exhibits 10.4 through 10.36 pertain to executive compensation plans and arrangements. With the exception of those portions of the Annual Report and Proxy Statement that are expressly incorporated by reference in this Form 10-K, such documents are not to be deemed filed as part of this Form 10-K.

Exhibit Number	Description
3.1	Articles of Incorporation of TSYS, as amended, incorporated by reference to Exhibit 3.1 of TSYS Current Report on Form 8-K dated April 30, 2009.
3.2	Bylaws of TSYS, as amended, incorporated by reference to Exhibit 3.1 of TSYS Current Report on Form 8-K dated July 28, 2009.
10.1	Credit Agreement of TSYS with Bank of America N.A., as Administrative Agent, the Royal Bank of Scotland plc, as Syndication Agent, and the other lenders named therein, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated December 27, 2007.
10.2	Indemnification and Insurance Matters Agreement by and among Synovus Financial Corp. and TSYS, dated as of November 30, 2007, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated November 30, 2007.
10.3	Tax Sharing Agreement by and among Synovus Financial Corp., Columbus Bank and Trust Company and TSYS, dated as of November 30, 2007, incorporated by reference to Exhibit 10.5 of TSYS Current Report on Form 8-K dated November 30, 2007.

**EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS**

10.4	Director Stock Purchase Plan of TSYS.
10.5	Total System Services, Inc. 2002 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as filed with the SEC on March 19, 2002.
10.6	Amended and Restated Total System Services, Inc. Deferred Compensation Plan, incorporated by reference to Exhibit 10.1 of TSYS Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 7, 2008.
10.7	Total System Services, Inc. 1992 Long-Term Incentive Plan,

**Table of Contents**

Exhibit Number	Description
	which was renamed the Total System Services, Inc. 2000 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.5 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 1992, as filed with the SEC on March 18, 1993.
10.8	Amended and Restated Total System Services, Inc. Directors Deferred Compensation Plan, incorporated by reference to Exhibit 10.2 of TSYS Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, as filed with the SEC on August 7, 2008.
10.9	Wage Continuation Agreement of TSYS, incorporated by reference to Exhibit 10.7 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 1992, as filed with the SEC on March 18, 1993.
10.10	Agreement in Connection With Personal Use of Company Aircraft, incorporated by reference to Exhibit 10.15 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on February 27, 2009.
10.11	Split Dollar Insurance Agreement of TSYS, incorporated by reference to Exhibit 10.10 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 1993, as filed with the SEC on March 22, 1994.
10.12	Change of Control Agreement for executive officers of TSYS, incorporated by reference to Exhibit 10.17 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on February 29, 2008.
10.13	Split Dollar Insurance Agreement and related Executive Benefit Substitution Agreement, incorporated by reference to Exhibit 10.19 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2001, as filed with the SEC on March 19, 2002.
10.14	Form of Stock Option Agreement for the Total System Services, Inc. 1992 (renamed 2000) and 2002 Long-Term Incentive Plans, incorporated by reference to Exhibit 10.1 of TSYS Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, as filed with the SEC on November 8, 2004.
10.15	Summary of Board of Directors Compensation, incorporated by reference to Exhibit 10.1 of TSYS Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, as filed with the SEC on November 9, 2009.



**Table of Contents**

Exhibit Number	Description
10.16	Form of Restricted Stock Award Agreement for the TSYS 2002 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated January 20, 2005, as filed with the SEC on January 25, 2005.
10.17	Form of Performance-Based Restricted Stock Award Agreement for the TSYS 2002 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.2 of TSYS Current Report on Form 8-K dated January 20, 2005, as filed with the SEC on January 25, 2005.
10.18	Form of Non-Employee Director Restricted Stock Award Agreement for the TSYS 2002 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated February 1, 2005, as filed with the SEC on February 3, 2005.
10.19	Form of Stock Option Agreement for stock option awards under the Total System Services, Inc. 2002 Long-Term Incentive Plan for grants made subsequent to January 17, 2006, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated January 17, 2006.
10.20	Form of Restricted Stock Award Agreement for restricted stock awards under the Total System Services, Inc. 2002 Long-Term Incentive Plan for grants made subsequent to January 17, 2006, incorporated by reference to Exhibit 10.2 of TSYS Current Report on Form 8-K dated January 17, 2006.
10.21	Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated April 24, 2007, as filed with the SEC on April 25, 2007.
10.22	Form of Restricted Stock Award Agreement for restricted stock awards under the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated April 24, 2007, as filed with the SEC on April 25, 2007.
10.23	Form of Performance-Based Restricted Stock Award Agreement for performance-based restricted stock awards under the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.4 of TSYS Current Report on Form 8-K dated April 24, 2007.

**Table of Contents**

Exhibit Number	Description
10.24	Form of Revised Stock Option Agreement for stock option awards under the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated February 5, 2008.
10.25	Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.30 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as filed with the SEC on February 29, 2008.
10.26	Form of Performance-Based Restricted Stock Award Agreement for performance-based restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated January 2, 2008.
10.27	Form of Restricted Stock Unit Agreement for restricted stock unit awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.4 of TSYS Current Report on Form 8-K dated January 2, 2008.
10.28	Form of Revised Stock Option Agreement for stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.2 of TSYS Current Report on Form 8-K dated February 5, 2008.
10.29	Form of Retention Restricted Stock Award Agreement for retention restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated February 5, 2008.
10.30	Form of Performance-Based Retention Restricted Stock Award Agreement for performance-based restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.4 of TSYS Current Report on Form 8-K dated February 5, 2008.
10.31	Form of Revised Restricted Stock Award Agreement for restricted stock awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.5 of TSYS Current Report on Form 8-K dated February 5, 2008.
10.32	Form of Amended and Revised Stock Option Agreement for stock option awards under the Total System Services, Inc. 2007 Omnibus Plan, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated March 28, 2008.

**Table of Contents**

Exhibit Number	Description
10.33	Form of Performance Share Agreement for performance share awards under the Total System Services, Inc. 2007 and 2008 Omnibus Plans, incorporated by reference to Exhibit 10.38 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on February 27, 2009.
10.34	Form of Amended and Revised Stock Option Agreement for stock option awards under the Total System Services, Inc. 2008 Omnibus Plan, incorporated by reference to Exhibit 10.3 of TSYS Current Report on Form 8-K dated March 28, 2008.
10.35	Form of Amended and Revised Stock Option Agreement for stock option awards under the Total System Services, Inc. 2007 and 2008 Omnibus Plans for grants made subsequent to January 26, 2009, incorporated by reference to Exhibit 10.40 of TSYS Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the SEC on February 27, 2009.
10.36	Form of Indemnification Agreement for directors and executive officers of TSYS, incorporated by reference to Exhibit 10.1 of TSYS Current Report on Form 8-K dated July 25, 2007.
13.1	Certain specified pages of TSYS 2009 Annual Report to Shareholders which are incorporated herein by reference.
21.1	Subsidiaries of Total System Services, Inc.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Powers of Attorney contained on the signature pages of this 2009 Annual Report on Form 10-K and incorporated herein by reference.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Annual Report on Form 11-K for the Total System Services, Inc. Employee Stock Purchase Plan for the year ended December 31, 2009 (to be filed as an amendment hereto within 120 days of the end of the period covered by this report.)
99.2	Annual Report on Form 11-K for the Total System Services, Inc. Director Stock Purchase Plan for the year ended December 31, 2009 (to be filed as an amendment hereto within 120 days of the end of the period covered by this report.)

**Table of Contents**

We agree to furnish the SEC, upon request, a copy of each instrument with respect to issues of long-term debt. The principal amount of any individual instrument, which has not been previously filed, does not exceed ten percent of the total assets of TSYS and our subsidiaries on a consolidated basis.

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors

Total System Services, Inc.:

Under date of March 1, 2010, we reported on the consolidated balance sheets of Total System Services, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, cash flows, and equity and comprehensive income, for each of the years in the three-year period ended December 31, 2009, as contained in the 2009 annual report to shareholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year ended December 31, 2009. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Our report refers to changes in the manner in which the Company accounts for noncontrolling interests as of January 1, 2009 (note 1), earnings per share as of January 1, 2009 (notes 1 and 27) and uncertain tax positions as of January 1, 2007 (notes 1 and 20).

/s/ KPMG LLP

Atlanta, Georgia

March 1, 2010

---

**Table of Contents**

TOTAL SYSTEM SERVICES, INC.  
Schedule II  
Valuation and Qualifying Accounts  
(in thousands)

	Balance at beginning of period	Additions Changes in allowances, charges to expenses and changes to other accounts	Deductions	Balance at end of period
Year ended December 31, 2007:				
Provision for doubtful accounts	\$ 4,952	1,170(1)	(1,165)(3)	\$4,957
Provision for billing adjustments	\$ 5,169	(990)(1)	601(3)	\$4,780
Transaction processing provisions contractual contingencies	\$ 1,250	(1,250)(2)		\$
Transaction processing accruals processing errors	\$ 11,395	1,279(2)	(4,149)(3)	\$8,525
Year ended December 31, 2008:				
Provision for doubtful accounts	\$ 4,957	(1,573)(1),(4)	(654)(3)	\$2,730
Provision for billing adjustments	\$ 4,780	1,331(1)	(798)(3)	\$5,313
Transaction processing provisions contractual contingencies	\$			\$
Transaction processing accruals processing errors	\$ 8,525	3,151(2)	(6,259)(3)	\$5,417
Year ended December 31, 2009:				
Provision for doubtful accounts	\$ 2,730	985(1),(4)	(2,077)(3)	\$1,638
Provision for billing adjustments	\$ 5,313	5,011(1)	(5,623)(3)	\$4,701
Transaction processing provisions contractual contingencies	\$			\$
Transaction processing accruals processing errors	\$ 5,417	4,056(2)	(3,989)(3)	\$5,484

(1) Amount reflected includes charges to (recoveries of) bad debt expense which are classified in other operating expenses and the charges for billing adjustments which are recorded against revenues.

- (2) Amount reflected is the change in transaction processing accruals reflected in other operating expenses.
  - (3) Accounts deemed to be uncollectible and written off during the year as it relates to bad debts. Amounts that relate to billing adjustments and transaction processing accruals reflect actual billing adjustments and processing errors charged against the allowances.
  - (4) Includes \$0.3 million of doubtful accounts on November 3, 2008 related to consolidating the financial results of Infonox.
-

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Total System Services, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TOTAL SYSTEM SERVICES, INC.  
(Registrant)

March 1, 2010

By: /s/ Philip W. Tomlinson  
Philip W. Tomlinson,  
Principal Executive Officer and Chairman of the  
Board

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Philip W. Tomlinson and M. Troy Woods and each of them, his true and lawful attorney(s)-in-fact and agent(s), with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this report and to file the same, with all exhibits and schedules thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney(s)-in-fact and agent(s) full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney(s)-in-fact and agent(s), or their substitute(s), may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, this report has been signed by the following persons in the capacities and on the dates indicated.

/s/ Philip W. Tomlinson

Date: March 1, 2010

Philip W. Tomlinson,  
Principal Executive Officer  
and Chairman of the Board

/s/ M. Troy Woods

Date: March 1, 2010

M. Troy Woods,  
President and Director

/s/ James B. Lipham

Date: March 1, 2010

James B. Lipham,  
Senior Executive Vice President  
and Principal Financial Officer

---



**Table of Contents**

/s/ Dorenda K. Weaver Date: March 1, 2010

Dorenda K. Weaver,  
Chief Accounting Officer

/s/ Richard E. Anthony Date: March 1, 2010

Richard E. Anthony,  
Director

/s/ James H. Blanchard Date: March 1, 2010

James H. Blanchard,  
Director and Chairman of the  
Executive Committee

/s/ Richard Y. Bradley Date: March 1, 2010

Richard Y. Bradley,  
Director

/s/ Kriss Cloninger III Date: March 1, 2010

Kriss Cloninger III,  
Director

Date: \_\_\_\_\_

Walter W. Driver, Jr.,  
Director

/s/ Gardiner W. Garrard, Jr. Date: March 1, 2010

Gardiner W. Garrard, Jr.,  
Director

/s/ Sidney E. Harris Date: March 1, 2010

Sidney E. Harris,  
Director

**Table of Contents**

/s/ Mason H. Lampton Date: March 1, 2010

Mason H. Lampton,  
Director

/s/ H. Lynn Page Date: March 1, 2010

H. Lynn Page,  
Director

Date: \_\_\_\_\_

W. Walter Miller, Jr.,  
Director

/s/ John T. Turner Date: March 1, 2010

John T. Turner,  
Director

Date: \_\_\_\_\_

Richard W. Ussery,  
Director

/s/ James D. Yancey Date: March 1, 2010

James D. Yancey,  
Director

/s/ Rebecca K. Yarbrough Date: March 1, 2010

Rebecca K. Yarbrough,  
Director