

On January 24, 2011, TSYS Acquiring filed a petition with the Federal Communications Commission ("FCC") seeking a ruling that the enforcement of the arbitration award regarding the 1-800 numbers would violate the FCC's rules regarding the allocation and transfer of 1-800 numbers.

On February 15, 2011, the court in the First Action issued an order (the "Order") requiring TSYS Acquiring to comply with the arbitration award by moving all non-EPS merchants off of 1-800 numbers used by EPS merchants, and to then transfer to EPS the seven toll free numbers at issue. The Order requires compliance within 90 days. In addition, the court rejected TSYS Acquiring's arguments that the award cannot be enforced because it violates FCC regulations.

On February 24, 2011, the FCC released a Declaratory Ruling granting TSYS Acquiring's petition by affirming that the FCC has exclusive jurisdiction over the transfer of toll free numbers, and noting that several aspects of the arbitrator's ruling and the affirmation of that ruling by the United States District Court for the District of Arizona conflicted with the FCC's rules and related tariffs governing the transfer of toll free numbers. Because of this, the Declaratory Ruling proceeded to direct those third parties charged with the administration of the seven toll free numbers for TSYS Acquiring, as well as the Toll Free Number Administrator charged with administering the database of toll free numbers, to reject any requests seeking a transfer of those numbers from TSYS Acquiring to another party, absent a specific directive from the FCC.

In light of the FCC's Declaratory Ruling that the toll free numbers may not be transferred by an order of the court or the arbitrator, TSYS Acquiring intends to continue to vigorously defend itself against enforcement of the Order in the United States District Court for the District of Arizona, and if necessary, the Ninth Circuit Court of Appeals.

If the Order is not vacated or modified in response to the FCC's recent Declaratory Ruling, it would require TSYS Acquiring to move over 750,000 merchants that use one of the seven numbers that EPS seeks to possess to other toll free numbers. TSYS Acquiring cannot estimate the cost of such compliance, but TSYS Acquiring believes the cost of such compliance would be substantial. Further, if TSYS Acquiring is unable to comply with the order within 90 days, the court could impose sanctions which could be substantial. Based upon current knowledge, TSYS' management does not believe that the eventual outcome of this case will have a material adverse effect on TSYS' financial position, results of operations or cash flows. However, it is possible that the ultimate outcome of this case may be material to TSYS' results of operations for any particular period.

GUARANTEES AND INDEMNIFICATIONS: The Company has entered into processing and licensing agreements with its clients

that include intellectual property indemnification clauses. Under these clauses, the Company generally agrees to indemnify its clients, subject to certain exceptions, against legal claims that TSYS' services or systems infringe on certain third party patents, copyrights or other proprietary rights. In the event of such a claim, the Company is generally obligated to hold the client harmless and pay for related losses, liabilities, costs and expenses, including, without limitation, court costs and reasonable attorney's fees. The Company has not made any indemnification payments pursuant to these indemnification clauses.

The Company has not recorded a liability for guarantees or indemnities in the accompanying consolidated balance sheet since the maximum amount of potential future payments under such guarantees and indemnities is not determinable.

NOTE 20 Income Taxes

The provision for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities.

The components of income tax expense included in the consolidated statements of income were as follows:

(in thousands)	Years Ended December 31,		
	2010	2009	2008
Current income tax expense (benefit):			
Federal	\$98,802	115,301	125,743
State	4,221	4,311	4,678
Foreign	8,682	6,185	5,075
Total current income tax expense	111,705	125,797	135,496
Deferred income tax expense (benefit):			
Federal	(2,970)	(4,210)	(3,469)
State	(643)	947	(390)
Foreign	(2,004)	(684)	(431)
Total deferred income tax benefit	(5,617)	(3,947)	(4,290)
Total income tax expense	\$106,088	121,850	131,206