

Internally Developed Computer Software Costs

Additions to capitalized software development costs, including enhancements to and development of processing systems, were \$25.5 million in 2010, \$31.4 million in 2009 and \$21.8 million in 2008.

The Company remains committed to developing and enhancing its processing solutions to expand its service offerings. In addition to developing solutions, the Company has expanded its service offerings through strategic acquisitions, such as TMS and Infonox.

Cash Used in Acquisitions

In 2010, TSYS acquired TMS for an aggregate consideration of approximately \$150.5 million. The Company has allocated approximately \$155.5 million to goodwill. Refer to Note 24 in the consolidated financial statements for more information on TMS.

In 2008, TSYS acquired Infonox for an aggregate consideration of approximately \$50.6 million, with contingent payments over the next three years of up to \$25.0 million based on performance. The Company has allocated approximately \$29.1 million to goodwill. Refer to Note 24 in the consolidated financial statements for more information on Infonox.

Contract Acquisition Costs

TSYS makes cash payments for processing rights, third-party development costs and other direct salary-related costs in connection with converting new customers to the Company's processing systems. The Company's investments in contract acquisition costs were \$75.7 million in 2010, \$35.6 million in 2009 and \$41.5 million in 2008. The Company made cash payments for processing rights of \$45.4 million, \$9.3 million and \$20.1 million in 2010, 2009 and 2008, respectively. Conversion

cost additions were \$30.3 million, \$26.3 million and \$21.4 million in 2010, 2009 and 2008, respectively.

Cash Flows from Financing Activities

(in thousands)	Years Ended December 31,		
	2010	2009	2008
Proceeds from borrowings of long-term debt	\$ 39,757	5,334	18,575
Principal payments on long-term debt borrowings and capital lease obligations . .	(11,741)	(18,869)	(67,631)
Dividends paid on common stock	(55,087)	(55,208)	(55,449)
Repurchase of common stock	(46,228)	(328)	(35,698)
Other	654	8	358
Subsidiary dividends per share	(9,031)	(235)	(241)
Net cash used in financing activities	<u>\$(81,676)</u>	<u>(69,298)</u>	<u>(140,086)</u>

The major uses of cash for financing activities have been the payment of dividends, principal payment on capital lease and software obligations and the purchase of stock under the stock repurchase plan as described below. The main source of cash from financing activities has been the use of borrowed funds. Net cash used in financing activities for the year ended December 31, 2010 was \$81.7 million primarily as a result of payments of cash dividends and repurchase of common stock. The Company used \$69.3 million in cash for financing activities for the year ended December 31, 2009 primarily for payments on long-term debt and capital lease obligations and the payments of cash dividends. Net cash used in financing activities for the year ended December 31, 2008 was \$140.1 million primarily as a result of payments of cash dividends, repurchase of common stock and principal payments on long-term debt and capital lease obligations. Refer to Note 13 in the consolidated financial statements for more information on the long-term debt financing. Refer to Note 25 in the consolidated financial statements for more information on the spin-off.

Stock Repurchase Plan

On April 20, 2010, TSYS announced a stock repurchase plan to purchase up to 10 million shares of TSYS stock. The shares may be purchased from time to time over the next two years at prices considered attractive to the Company. Through December 31, 2010, the Company purchased 3.1 million shares for approximately \$45.1 million, at an average price of \$14.60. As of December 31, 2010, the Company had approximately 6.9 million shares remaining that could be repurchased under the stock repurchase plan.