LENDINGTREE INC
Form DEFA14A
July 29, 2003

As filed with the Securities and Exchange Commission on July 29, 2003

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement	o	Confidential, for Use of the Commission Only (as permitted) by Rule 14a-6(e)(2)
o	Definitive Proxy Statement		
x	Definitive Additional Materials		
o	Soliciting Material Under Rule 14a-12		

LENDINGTREE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

LENDINGTREE, INC.
11115 RUSHMORE DRIVE
CHARLOTTE, NC 28277

July 29, 2003

Dear Fellow Stockholder:

We have previously sent to you proxy material for the Special Meeting of LendingTree, Inc. stockholders to be held on August 8, 2003 in connection with the proposed merger with a subsidiary of InterActiveCorp. **Your Board of Directors has unanimously recommended that stockholders vote FOR approval and adoption of the merger agreement and FOR approval of the related charter amendment.**

Since the required votes on the merger agreement and the charter amendment each require approval by a specific percentage of the outstanding shares entitled to vote, **your vote is important**, no matter how many or how few shares you may own. Whether or not you have already done so, **please sign, date and return the enclosed proxy card today in the envelope provided.**

Very truly yours,

/s/ Douglas R. Lebda

Douglas R. Lebda
Chief Executive Officer

IMPORTANT NOTE:

If you hold your shares through a bank or broker,
you can now vote by telephone, or *via* the Internet.

If you have any questions, or need assistance in voting your shares, please call our proxy solicitor,

INNISFREE M&A INCORPORATED
TOLL-FREE, at 1-888-750-5834.

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tricted stock and stock options are provided to Mr. Garcia which include a significant element of risk that is based upon the Company's performance.

COMPENSATION COMMITTEE
Edwin H. Burba, Jr., Chairman
Alex W. "Pete" Hart
Richard E. Venn

Compensation and Other Benefits

The following table presents certain summary information concerning compensation paid or accrued by the Company or its former parent company, NDC, for services rendered in all capacities during the fiscal years ended May 31, 2001 ("2001 fiscal year"), May 31, 2000 ("2000 fiscal year"), and May 31, 1999 ("1999 fiscal year"), for (i) the Chief Executive Officer of the Company; and (ii) each of the four other most highly compensated executive officers of the Company (determined as of the end of the last fiscal year) whose total annual salary and bonus exceeded $100,000. Each person listed in (i) and (ii) above are hereinafter referred to as the "Named Executive Officers".

On January 31, 2001, NDC, the Company's parent and sole stockholder at the time, distributed 100% of the shares of the Common Stock held by it to the stockholders of record of NDC's common stock. As a result of this "spin-off transaction," the Company became an independent public company with its shares of Common Stock registered on the New York Stock Exchange. Much of the information set forth below, relates to the compensation paid by NDC or earned or granted under various NDC benefit and stock option plans by the Named Executive Officers.

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long Term Compensation Awards		
Name and Principal Position	**Fiscal Year**	**Salary($)**	**Bonus($)**	**Restricted Stock Award(s) ($)(1)**	**Securities Underlying Options(#)**	**All Other Compensation($)**
Paul R. Garcia	2001	400,000(2)	200,000(3)	2,435,895(4)	245,683(5)	66,099(6)
President and Chief Executive Officer	2000	369,039(7)	127,500	(4)		51,095(8)
	1999					
Thomas M. Dunn	2001	300,000(2)	40,000	535,709(4)	251,004(5)	6,046(6)
Chief Operating Officer	2000	300,000	80,000	(4)	(5)	6,934(8)
	1999	232,308	140,000	190,585(9)	(5)	6,264(10)
James G. Kelly	2001	300,000(2)	135,000(3)	1,369,264(4)	116,999(5)	85,844(6)
Chief Financial Officer	2000	39,231(11)		(4)	(5)	
	1999					
Barry W. Lawson	2001	250,000(2)	72,000(3)	539,136(4)	85,989(5)	2,909(6)
Chief Information Officer	2000	144,231(12)	80,000	(4)	(5)	
	1999					

(1) Awards of restricted shares in 2001 to Messrs. Garcia, Dunn, Kelly and Lawson have been made under the Company's 2000 Long-Term Incentive Plan. All restricted stock awards granted in 2001 fiscal year replaced restricted stock awards of NDC which were surrendered in connection with the spin-off transaction. The restricted stock awards are valued in the table based upon the closing market prices of the Company's Common Stock on the grant dates. Grantees have the right to vote and dividends are payable to the grantees with respect to all awards of restricted shares reported in this column. The value of the restricted stock held by the Named Executive Officers at May 31, 2001 based on the closing price of $26.30 per share was $3,065,265; $674,122; $1,723,045; $678,435 for Messrs. Garcia, Dunn, Kelly and Lawson, respectively. The numbers of shares of restricted stock held by Messrs. Garcia, Dunn, Kelly and Lawson, at May 31, 2001 were 116,550, 25,632, 65,515, and 25,796, respectively.

(2) Messrs. Garcia, Dunn, Kelly and Lawson were employees of NDC until January 31, 2001, the date of the spin-off transaction, and each of their salaries were paid by NDC until such time. Mr. Dunn resigned from the Company effective June 2, 2001.

(3) Mr. Garcia's full bonus was $250,000 but $50,000 was deferred pursuant to the bonus deferral program described above. Mr. Kelly's full bonus was $150,000 (which included $75,000 as a sign-on bonus when he commenced employment) but $15,000 was deferred pursuant to the bonus deferral program described above. Mr. Lawson's full bonus was $90,000 but $18,000 was deferred pursuant to the bonus deferral program described above. The restricted stock issued pursuant to the deferred amounts was granted in the 2002 fiscal year and, as such, will be disclosed in the 2002 fiscal year proxy.

(4) Restricted stock grants were originally issued for shares of NDC common stock, but were converted to grants of shares in the Company's Common Stock on February 1, 2001 in connection with the spin-off transaction. The original value of the restricted stock grants based on the market price of the shares at the time of the grant were as follows: restricted stock worth $30,378 was issued to Mr. Garcia in the 2001 fiscal year; restricted stock worth $2,555,530 was issued to Mr. Garcia in the 2000 fiscal year; restricted stock worth $277,005 was issued to Mr. Dunn in the 2001 fiscal year; restricted stock worth $585,000 was issued to Mr. Dunn in the 2000 fiscal year; restricted stock worth $190,585 was issued to Mr. Dunn in the 1999 fiscal year; restricted stock worth $849,988 was issued to Mr. Kelly in the 2000 fiscal year; and restricted stock worth $300,825 was issued to Mr. Lawson in the 2000 fiscal year.

(5)

Options were originally granted for the purchase of shares of NDC common stock, but were converted to options for shares in the Company on February 1, 2001 in connection with the spin-off transaction. The options were converted based on the distribution ratio in the spin-off transaction. The original option grants were as follows: 120,000 shares of NDC common stock for Mr. Garcia in the 2001 fiscal year, 9,200 shares of NDC common stock for Mr. Dunn in the 1999 fiscal year, 67,800 shares of NDC common stock for Mr. Dunn in the 2001 fiscal year, 57,000 shares of NDC common stock for Mr. Kelly in the 2000 fiscal year, and 42,000 shares of NDC common stock for Mr. Lawson in the 2000 fiscal year.

(6) For the 2001 fiscal year, includes amounts representing (i) Company contributions to the Company's 401K plan on behalf of Mr. Garcia ($10,495); Mr. Dunn ($6,046); and Mr. Lawson ($2,909) and (ii) moving expenses paid by the Company for Mr. Garcia ($55,604) and Mr. Kelly ($85,544).

(7) Mr. Garcia began full time employment in July of 1999, and the compensation shown is for a partial year.

(8) For the 2000 fiscal year, includes amounts representing (i) Company contributions to the Company's 401K plan on behalf of Mr. Dunn ($6,059); (ii) financial planning expenses paid by the Company for Mr. Dunn ($875); and (iii) moving expenses paid by the Company for Mr. Garcia ($51,095).

(9) The restricted stock award made to Mr. Dunn in 1999 was made under the NDC 1983 Restricted Stock Plan and the underlying shares were not surrendered at the time of the spin-off.

(10) For the 1999 fiscal year, includes amounts representing (i) Company contributions to the Company's 401K plan on behalf of Mr. Dunn ($5,714) and (ii) financial planning expenses paid by the Company for Mr. Dunn ($550).

(11) Mr. Kelly began full time employment in April of 2000 and the compensation shown is for a partial year.

(12) Mr. Lawson began full time employment in November of 1999 and the compensation shown is for a partial year.

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Option Grants in Last Fiscal Year. The following table sets forth information concerning option grants during the 2001 fiscal year to the Named Executive Officers.

OPTION GRANTS IN LAST FISCAL YEAR

	Individual Grants				
Name	**Number of Securities Underlying Options Granted(#)(1)**	**% of Total Options Granted to Employees in Fiscal Year(2)**	**Exercise of Base Price($/Sh)**	**Expiration Date**	**Grant Date Present Value($)(3)**
Paul R. Garcia	245,683	12.90%	14.66	12/19/10	$ 4,989,158
Thomas M. Dunn	9,213	0.48%	4.73	06/01/03	$ 136,088
	15,355	0.81%	5.46	06/01/04	$ 209,244
	12,284	0.65%	10.26	06/01/05	$ 117,450
	15,559(4)	0.82%	16.79	07/01/06	$ 320,097
	40,947(4)	2.15%	18.35	08/15/07	$ 737,046
	8,835(4)	0.46%	15.94	09/29/08	$ 130,217
	138,811(4)	6.92%	10.81	06/01/10	$ 1,667,092
James G. Kelly	116,699	6.13%	12.95	04/10/10	$ 1,650,311

	Individual Grants					
Barry W. Lawson	85,989	4.52%	11.67	11/01/09	$	1,089,919

(1)
All options granted to the Named Executive Officers were originally granted for the purchase of shares of NDC common stock, but were converted to options for shares in the Company on February 1, 2001 in connection with the spin-off transaction.

(2)
Options granted during the 2001 fiscal year include options which were issued as a result of the spin-off transaction on February 1, 2001 and new options granted after the spin-off date to certain employees. The Company granted options to employees to purchase a total of 1,903,990 shares during the 2001 fiscal year.

(3)
These grant date values, based on the Black-Scholes option pricing model, are for illustrative purposes only, and are not intended to be a forecast of what future performance will be.

(4)
As a result of Mr. Dunn's resignation from the Company, a portion of the options granted during the 2001 fiscal year were forfeited as of June 2, 2001.

Option Exercises and Fiscal Year-End Values. The following table sets forth information concerning each exercise of options during the 2001 fiscal year and the number and value of unexercised options held by the Named Executive Officers as of May 31, 2001. No options were exercised by the Named Executive Officers during the 2001 fiscal year.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

	Number of Securities Underlying Unexercised Options at Fiscal Year-End(#)		Value of Unexercised In-the-Money Options at Fiscal Year-End	
Name	**Exercisable**	**Unexercisable**	**Exercisable**	**Unexercisable**
Paul R. Garcia		245,683		$ 2,859,750
Thomas M. Dunn	69,937(1)	181,067(1)	$ 1,004,855	$ 2,529,712(1)
James G. Kelly		116,699		$ 1,557,932
Barry W. Lawson		85,989		$ 1,258,019

(1)
As a result of Mr. Dunn's severance arrangement, as of June 2, 2001, a portion of his options that were otherwise unexercisable as of May 31, 2001 were accelerated and a portion of his unexercisable options were forfeited.

Retirement Plan. In connection with the spin-off transaction, the Company established and now maintains the Global Payments Inc. Employees' Retirement Plan (the "Retirement Plan"), which provides monthly benefits upon retirement to eligible employees of the Company who were previously participants in the National Data Corporation Employees' Retirement Plan (the "NDC Retirement Plan"). The Retirement Plan does not provide for the addition of new participants other than former participants in the NDC Retirement Plan, which was frozen on July 31, 1998. The benefits provided under the Retirement Plan upon normal retirement at age 65 are calculated under a formula based on the participant's earnings and years of continuous service preceding his retirement, but not counting any years of service that accrue after July 31, 1998, reduced by an amount equal to a percentage of the approximate social security benefit to which the employee is entitled. The term "earnings" for purposes of the Retirement Plan means compensation of any kind paid by NDC or the Company to the participating employee, but excluding the cost of certain employee benefits (as defined) and excluding amounts that become taxable to the employee under a stock option or other stock plan. A participant must be credited with five years of service to earn a vested benefit under the Retirement Plan. Years of service after July 31, 1998 with NDC and the Company count for vesting purposes. Participants continue to be credited with certain earnings for periods after July 31, 1998. Under current law the benefit for an employee retiring in the 1998 calendar year at age 65 cannot exceed $130,000 per year under the Retirement Plan. For plan years beginning in 1998, federal law limits the amount of earnings taken into account under the Retirement Plan to $160,000 per year. For the 2001 fiscal year, Mr. Dunn was the only Named Executive Officer who was a participant in the Retirement Plan.

Supplemental Executive Retirement Plan. In connection with the spin-off transaction, the Company established and now maintains the Company's Supplemental Executive Retirement Plan ("SERP") which will provide benefits for Mr. Dunn, who was previously a participant in NDC's pilot Supplemental Executive Retirement Plan. Benefits payable under the SERP are based upon a participant's highest three consecutive years of earnings during the participant's last ten years of employment with the Company, which includes years of employment with NDC. The term earnings for purposes of the SERP means compensation of any kind paid by the Company to the participating employee, but excluding the cost of certain employee benefits (as defined) and excluding amounts which become taxable to the employee under a stock option or other stock plan. Retirement benefits under the SERP are reduced by a portion of the participant's annual social security benefits and any retirement benefits under the Company's tax-qualified or non-qualified defined benefit plans. A participant may begin to receive payments under the SERP upon retirement after either (i) 5 years service and attaining age 60 or (ii) 10 years of service and attaining age 55, with a .416667% reduction

for each month before age 60. In the event of a change in control of the Company, a participant will be credited with an additional 3 years of service (not to exceed a total of 35 years service) and vested 100% in the SERP benefits. Benefits earned under the SERP are fully vested after five years of service. The only Named Executive Officer currently participating in the SERP is Mr. Dunn. Pursuant to Mr. Dunn's severance agreement, the SERP was amended to permit the Company to satisfy any SERP obligations to him in a present-valued lump sum.

The following table shows estimated annual retirement benefits payable to participants in the Retirement Plan and the SERP on a straight life annuity basis upon retirement in specified years of continuous service and remuneration classes.

ESTIMATED ANNUAL RETIREMENT BENEFITS

	Years of Continuous Service(1)					
Three-Year Average Earnongs	**10**	**15**	**20**	**25**	**30**	**35**
$ 350,000	$ 84,000	$ 126,000	$ 145,250	$ 164,500	$ 183,750	$ 203,000
$ 400,000	$ 96,000	$ 144,000	$ 166,000	$ 188,000	$ 210,000	$ 232,000
$ 450,000	$ 108,000	$ 162,000	$ 186,750	$ 211,500	$ 236,250	$ 261,000
$ 500,000	$ 120,000	$ 180,000	$ 207,500	$ 235,000	$ 262,500	$ 290,000

(1) The average annual earnings for the highest three years over the last 10-year period and the eligible years of credited service as of May 31, 2001 for Mr. Dunn was $398,878 ($12^{10}/_{12}$ years). The amounts shown in the columns "Salary" and "Bonus" in the Summary Compensation Table above are substantially equal to the compensation of the individual named in such table for purposes of the SERP and the Retirement Plan. Federal regulations, however, cap the total compensation that may be considered in providing benefits under the Retirement Plan.

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

Employment Agreements with Paul R. Garcia, Thomas M. Dunn, James G. Kelly and Barry W. Lawson. Each of Messrs. Garcia, Dunn, Kelly and Lawson entered into employment agreements with NDC, the material terms of which are summarized below. These employment agreements were assumed by the Company as of February 1, 2001 the effective date of the spin-off transaction.

Each Named Executive Officer is entitled to a minimum annual salary, subject to yearly review, plus an annual at-risk incentive bonus opportunity, which is determined annually based on a range of specific financial objectives reflecting his area and scope of responsibility. Each Named Executive Officer is also entitled to participate in all incentive, savings and welfare benefit plans generally made available to executive officers of the Company. The current annual salaries of these Named Executive Officers are as follows: Mr. Garcia $400,000; Mr. Dunn $300,000; Mr. Kelly $300,000; and Mr. Lawson $275,000.

Each of Messrs. Garcia, Dunn, Kelly and Lawson has agreed in his employment agreement not to disclose confidential information or compete with the employer, and not to solicit the employer's customers or recruit its employees, for a period of 24 months following the termination of his employment.

Each of the employment agreements may be terminated by the Company at any time for "cause" or "poor performance" (as defined therein) or for no reason, or by the Named Executive Officer with or without "good reason" (as defined therein). Each employment agreement will also be terminated upon the death, disability or retirement of the Named Executive Officer. Depending on the reason for

the termination and when it occurs, the Named Executive Officer will be entitled to certain severance benefits, as described below.

If, prior to a change in control, the Named Executive Officer's employment is terminated by the Company without cause (but not for poor performance) or he resigns for good reason, the Company will be required to pay him his accrued salary and benefits through the date of termination plus a portion of his target annual bonus for the current year. For up to 18 months, or until he is employed elsewhere or he violates certain restrictive covenants, the Company will continue to pay the Named Executive Officer his base salary and will provide him with health insurance coverage. In addition, all of the Named Executive Officer's restricted stock awards will vest and those stock options that would have vested in the next 24 months will vest and remain exercisable for 90 days after the end of the salary continuation period, as described above.

If, prior to a change in control, the Named Executive Officer's employment is terminated by the Company for poor performance, the Company will be required to pay him his accrued salary and benefits through the date of termination plus a portion of his target annual bonus for the current year. For up to 12 months, or until he is employed elsewhere or he violates certain restrictive covenants, the Company will continue to pay the Named Executive Officer his base salary and will provide him with health insurance coverage. In addition, all of the Named Executive Officer's restricted stock awards and stock options that would have vested in the next 24 months will vest and the options will remain exercisable for 90 days after the earlier of six months or the end of the salary continuation period, as described above.

If, within 36 months after a change in control, the Named Executive Officer's employment is terminated by the Company without cause or he resigns for good reason, the Company will be required to pay him his accrued salary and benefits through the date of termination plus 100% of his annual bonus opportunity for the current year. For 24 months (unless he violates certain restrictive covenants), the Company will continue to pay the executive his base salary and will provide him with health insurance coverage. In addition, all of the Named Executive Officer's restricted stock awards and stock options will vest and the options will remain exercisable for 90 days after the end of the salary continuation period, as described above.

Whether or not a change in control shall have occurred, if the employment of the Named Executive Officer is terminated by reason of his death, disability or retirement, he will be entitled to his accrued salary and benefits through the date of termination and any death, disability or retirement benefits that may apply, but no additional severance amount. If the Company terminates the Named Executive Officer for cause, or if he resigns from the Company without good reason, he will be entitled to his accrued salary and benefits through the date of termination, but no additional severance amount.

For purposes of these employment agreements, a change in control of the Company is generally defined as the acquisition by a third party of 35% or more of the voting power of the Company, or the consummation of certain mergers, asset sales or other major business combinations. A restructuring or separation of any line of business of the Company will not, of itself, constitute a change in control. Each of these employment agreements provides that the Named Executive Officer will be entitled to a tax gross-up payment from the Company to cover any excise tax liability he may incur as a result of payments or benefits contingent on a change in control, but such gross-up payment will be made only if the after-tax benefit to the Named Executive Officer of such tax gross-up is at least $50,000. If not, the benefits would be reduced to an amount that would not trigger the excise tax.

Severance Agreement with Thomas M. Dunn. In connection with his resignation as of June 2, 2001, Mr. Dunn entered into a severance agreement with the Company which superceded his employment agreement, as described above. Pursuant to the severance agreement, the Company will pay Mr. Dunn his accrued salary and benefits through the date of termination, and for up to 18 months, or until he is employed elsewhere or he violates certain restrictive covenants, the Company will continue to pay

Mr. Dunn his base salary and will provide him with health insurance coverage. In addition, all of Mr. Dun's restricted stock awards became vested and those stock options that would have vested in the next 24 months became vested and will remain exercisable for 90 days after the end of the salary continuation period, as described above. In lieu of the bonus payments that would have been paid pursuant to his employment agreement, Mr. Dunn will be paid an annual bonus for the 2002 fiscal year of up to $137,500, payable as to $68,750 upon his resignation and as to $68,750 on January 2, 2002 provided he has become employed by a subsequent employer on or before that date and is therefore no longer receiving severance payments from the Company. The restrictive covenants contained in Mr. Dunn's employment agreement were reiterated in the severance agreement with certain modifications to the non-competition and non-solicitation covenants, and his Supplemental Executive Retirement Plan (SERP) was amended to incorporate such amended restrictive covenants and to permit the Company to satisfy any SERP obligations in a present-valued lump sum. The severance agreement contains a release by Mr. Dunn of any employment-related claims.

Shareholder Return Analysis

The following line-graph presentation compares cumulative shareholder returns of the Company with Standard & Poor's Computer Software and Services Index and Standard and Poor's 500 Stock Index for the four month period beginning on February 1, 2001 (assuming the investment of $100 in the Company's Common Stock, Standard & Poor's Computer Software and Services Index and Standard and Poor's 500 Stock Index and reinvestment of all dividends).

COMPARISON OF 4 MONTH CUMULATIVE TOTAL RETURN*

AMONG GLOBAL PAYMENTS INC., THE S&P 500 INDEX
AND THE S&P COMPUTERS (SOFTWARE & SERVICES) INDEX

***$100 INVESTED ON 2/1/01 IN STOCK OR ON 1/31/01**
IN INDEX - INCLUDING REINVESTMENT OF DIVIDENDS.
FISCAL YEAR ENDING MAY 31.

2. RATIFICATION OF THE REAPPOINTMENT OF AUDITORS

The Audit Committee recommends, and the Board of Directors selects, independent public accountants for the Company. The Audit Committee has recommended that Arthur Andersen LLP, who served during the fiscal year ended May 31, 2001, be selected for the fiscal year ending May 31, 2002, and the Board has approved the selection. Unless a shareholder directs otherwise, proxies will be voted for the approval of the selection of Arthur Andersen LLP as independent public accountants for fiscal year ending May 31, 2002. If the appointment of Arthur Andersen LLP is not ratified by the shareholders, the Board will consider the selection of other independent public accountants for 2002.

A representative of Arthur Andersen LLP is expected to be present at the 2001 Annual Meeting. The representative will be given the opportunity to make a statement, if he or she desires to do so, and will be available to respond to appropriate questions from shareholders.

Audit Fees

The aggregate fees billed by Arthur Andersen LLP for professional services rendered for the audit of the Company's annual financial statements for the fiscal year ended May 31, 2001, and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for that fiscal year were $327,000.

Financial Information Systems Design and Implementation Fees

Arthur Andersen LLP did not bill the Company any fees for professional services rendered to the Company during the fiscal year ended May 31, 2001 in connection with operating, or supervising the operation of, the Company's financial information systems or managing the Company's local area network and designing and implementing a hardware or software system that aggregates source data underlying the Company's financial statements or generates information that is significant to the Company's financial statements.

All Other Fees

The aggregate fees billed by Arthur Andersen LLP for professional services rendered during the fiscal year ended May 31, 2001, other than as stated above under the caption Audit Fees, were $385,500.

Audit Committee Review

The Company's Audit Committee has reviewed the services rendered and the fees billed by Arthur Andersen LLP for the fiscal year ended May 31, 2001. The Audit Committee has determined that the services rendered and the fees billed last year that were not related directly to the audit of the Company's financial statements are compatible with maintaining the independence of Arthur Andersen LLP as the Company's independent accountants.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF THE REAPPOINTMENT OF THE AUDITORS

Certain Relationships and Related Transactions.

Transactions with NDC

In connection with the spin-off transaction, the Company entered into several agreements with NDC, each dated the effective date of the spin-off, January 31, 2001. Robert Yellowlees, the Chairman of the Company's Board of Directors is also the Chairman of the Board of Directors of NDC. A summary of certain agreements governing the ongoing relationship between the Company and NDC are

discussed below. During the fiscal year ended May 31, 2001, the Company paid NDC the aggregate amount of approximately $2.4 million under all of the agreements listed below.

Company Headquarters Lease Agreement. The Company entered into a lease agreement with NDC for approximately 85,000 rentable square feet of space owned by NDC and used by the Company as its corporate headquarters. The term of the lease is for three years. The lease is a full service lease, with NDC responsible for performance of all maintenance and repair as well as payment of all utility costs and real property taxes. The Company currently pays NDC a fair market rental rate of approximately $144,000 per month under the lease agreement.

Additional Office Sublease Agreements. The Company entered into a sublease agreement with NDC for a portion of NDC's existing office space located in San Diego, California. The Company currently pays NDC approximately $3,700 per month pursuant to this sublease agreement. NDC also entered into a sublease with the Company for a portion of the Company's existing office space in St. Louis, Missouri. NDC currently pays the Company approximately $2,400 per month pursuant to this sublease agreement.

Intercompany Systems/Network Services Agreement. The Company entered into a three year exclusive intercompany services agreement with NDC for telecommunications services and transaction processing services and support. As part of the telecommunications services under the agreement, the Company continues to receive telecommunications services from the carriers that provided telecommunications services to it as a subsidiary of NDC prior to the spin-off transaction. In addition, NDC supplies the Company with engineering, procurement, operations and administrative services. The transaction processing services include facilities, operations, and technical support for transaction processing and file transfer services.

The Company pays NDC for these services based on an allocation of costs. Where technology and services are shared between NDC and the Company, the Company pays a percentage of NDC's overall costs based on the Company's proportionate share of the aggregate costs. Where services are provided by NDC to the Company exclusively, the Company pays NDC the direct cost of the services. Other services are charged to the Company based on NDC's actual manpower costs to provide the services, including all costs directly associated with such manpower.

Transaction Processing Agreement. The Company entered into a transaction processing agreement with NDC for the transition period beginning with the effective date of the spin-off transaction, January 31, 2001. Pursuant to this transaction processing agreement, the Company provided NDC with limited claims processing for transactions that were not time sensitive, printing services, backup tapes, system backup and offsite storage services that were historically performed on systems that the Company owns. These services were provided to NDC based on an allocation of costs.

Transition Support Agreement. The Company entered into a transition support agreement with NDC under which, in exchange for the fees specified in such agreement, NDC agrees to continue to provide tax return preparation (through March 31, 2001), stock option administration services (through September 20, 2001), lease negotiation and administration services (through March 20, 2002, unless extended for additional one year terms), and certain other administrative services. In addition, the Company agrees to provide certain administrative services to NDC as well as the use of space in one of the Company's offices.

Transactions with CIBC

On March 20, 2001, the Company purchased CIBC's Merchant Acquiring business. As a result of this transaction, CIBC acquired beneficial ownership of approximately 26.25% of the Company's outstanding common stock and two of its employees were appointed to the Company's Board of Directors. These designees, Richard E. Venn and I. David Marshall, were appointed as Class I and

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Class III directors, respectively. For additional information regarding Messrs. Venn and Marshall, see "Proposal 1. Election of Directors Nominees" and " Certain Information Concerning the Nominees and Directors" in this Proxy Statement. A summary of certain agreements governing the ongoing relationship between the Company and CIBC are discussed below.

Transition Services Agreement. CIBC provides transition services to the Company under an agreement to provide various support services to the merchant acquiring business for a 24-month period commencing on the acquisition date of March 20, 2001. The purpose of the agreement is to facilitate the integration of CIBC's merchant acquiring business into the Company's existing operations. These services include customer service, credit and debit card processing and settlement functions. For the fiscal year ended May 31, 2001, the Company incurred expenses of approximately $11.2 million related to these services.

Credit Facility. The Company has a credit facility from CIBC that provides a line of credit up to $140 million (Canadian dollars) with an additional overdraft facility available to cover larger advances during periods of peak usage of credit and debit cards. The facility carries an interest rate equal to Canadian Dollar LIBOR plus 0.40%. It contains customary covenants and events of default. This line of credit is secured by a first priority security interest in the Company's accounts receivable from VISA Canada/International, and has been guaranteed by the Company's subsidiaries. The CIBC credit facility has an initial term of 364 days expiring March 19, 2002. There were no amounts outstanding under the CIBC credit facility as of May 31, 2001.

Additional Information

Solicitation of Proxies. The cost of soliciting proxies will be borne by the Company, however, shareholders voting electronically (via phone or the Internet) should understand that there may be costs associated with electronic access, such as usage charges from Internet service providers or telephone companies and the like. In addition to solicitation of shareholders of record by mail, telephone, or personal contact, arrangements will be made with brokerage houses to furnish proxy materials to their principals, and the Company may reimburse them for mailing expenses. Custodians and fiduciaries will be supplied with proxy materials to forward to beneficial owners of Common Stock. The Company has also engaged Georgeson Shareholder to solicit proxies on behalf of the Company and it is estimated that the fees for such services will not exceed $10,000.

Shareholder Proposals. Only proper proposals under Rule 14a-8 of the Securities Exchange Act of 1934 (the "Exchange Act") which are timely received will be included in the Proxy Statement and Proxy for the 2002 Annual Meeting of Shareholders. Notice of shareholder proposals will be considered untimely if received by the Company after May 3, 2002. If the Company does not receive notice of any matter that a shareholder wishes to raise at the 2002 Annual Meeting by June 26, 2002 and a matter is properly raised at such meeting, the proxies granted in connection with that meeting will have discretionary authority whether or not to vote on the matter.

Shareholder List. The Company will maintain a list of shareholders entitled to vote at the Annual Meeting at its corporate offices at Four Corporate Square, Atlanta, Georgia 30329-2009. The list will be available for examination at the Annual Meeting.

Annual Report on Form 10-K. A copy of the Company's Annual Report on Form 10-K, including the financial statements and financial statement schedules (but without exhibits) for the fiscal year ended May 31, 2001 will be provided, free of charge, upon written request of any shareholder addressed to Global Payments Inc., Four Corporate Square, Atlanta, Georgia 30329-2009, Attention: Investor Relations. Additionally, the EDGAR version of the Company's Form 10-K is available on the Internet on the SEC's web site (www.sec.gov).

Closing Price. The closing price of the Common Stock, as reported by the New York Stock Exchange on August 27, 2001, was $34.60.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on a review of the copies of reporting forms furnished to the Company, or written representations that no annual forms (Form 5) were required, the Company believes that, during the 2001 fiscal year, all of its officers, directors and 10% shareholders complied with the reporting requirements of the SEC regarding their ownership and changes in ownership of Common Stock (as required pursuant to Section 16(a) of the Securities Exchange Act of 1934).

REPORT OF THE AUDIT COMMITTEE

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and to report the results of the Audit Committee's activities to the Board. Management has the primary responsibility for the financial statements and reporting process, including the systems of internal control, and Arthur Andersen LLP (the independent auditors) is responsible for auditing those financial statements in accordance with generally accepted accounting principles and issuing a report thereon. In this context, the Audit Committee has reviewed and discussed with management and the independent auditors the Company's audited financial statements as of and for the year ended May 31, 2001. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The Audit Committee has received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, by the Independence Standards Board, and have discussed with the auditors their independence. In addition, the Audit Committee has considered the compatibility of nonaudit services with the auditors' independence. In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements, referred to above, be included in the Company's Annual Report on Form 10-K for the year ended May 31, 2001, filed with the SEC. The Board of Directors has adopted a written Audit Committee Charter, which is attached hereto as Exhibit A.

AUDIT COMMITTEE
William I Jacobs, Chairman
I. David Marshall
Alex W. "Pete" Hart

EXHIBIT A
Audit Committee Charter for Global Payments Inc.

The Audit Committee is a committee of the Board of Directors. The Audit Committee assists the Board of Directors in fulfilling the board's oversight responsibilities by reviewing the financial information which will be provided to the shareholders and others, the systems of internal controls which management and the Board of Directors have established, and the audit process.

In meeting its responsibilities, the Audit Committee is expected to:

1. Provide an open avenue of communication with the company's internal auditors and independent accountant.

2. Recommend to the Board of Directors the independent accountant to be nominated, review and approve the compensation of the independent accountant, and review and approve the discharge of the independent accountant.

3. Confirm the independence of the internal auditors and the independent accountant.

4. Consider, in consultation with the independent accountant, the director of internal auditing, and other members of management as appropriate, the audit scope and plan of the internal auditors and the independent accountant.

5. Consider and review the adequacy of the company's system of internal controls related to:

   Any related significant findings and recommendations of the independent accountant and internal auditors together with management's responses thereto.

   Any difficulties encountered in the course of audits, including any restrictions on the scope of work or access to required information.

6. Review with the independent accountant and management, at the completion of the annual examination, the audit of the financial statements, including footnotes and audit report.

7. Meet with the director of internal auditing, the independent accountant, and management in separate executive sessions to discuss any matters that the committee or these groups believe should be discussed privately with the audit committee.

8. Prepare a report to the shareholders as required by the Securities and Exchange Commission. The report should be included in the annual proxy statement effective for the 2001 Annual Meeting.

9. Review and be responsive to any regulatory agencies concerns or inquiries with regard to reports or correspondence on behalf of the Board of Directors.

The Audit Committee shall have the power to conduct or authorize investigation into any matters within the committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.

The Audit Committee shall meet at least quarterly, either in person or by telephone conference.

Membership of the Audit Committee shall consist of at least three independent directors who shall serve at the pleasure of the Board of Directors. Audit Committee members and the committee chairman shall be designated by the full Board of Directors.

PROXY CARD

GLOBAL PAYMENTS INC.
ATLANTA, GEORGIA
ANNUAL MEETING OF SHAREHOLDERS

The undersigned shareholder of Global Payments Inc. (the "Company"), Atlanta, Georgia, hereby constitutes and appoints Paul R. Garcia or Suellyn P. Tornay or either one of them, each with full power of substitution, to vote the number of shares of Common Stock which the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders to be held at the Company's offices at Four Corporate Square, Atlanta, Georgia 30329-2009, on October 24, 2001, at 11:00 a.m., Atlanta time (the "Annual Meeting"), or at any adjournments thereof, upon the proposals described in the Notice of Annual Meeting of Shareholders and Proxy Statement, both dated August 31, 2001, the receipt of which is acknowledged, in the manner specified below. The proxies, in their discretion, are further authorized to vote for the election of one or more persons to the Board of Directors if either nominee named herein becomes unable to serve, are further authorized to vote on matters which the Board of Directors does not know a reasonable time before making the proxy solicitation will be presented at the Annual Meeting, and are further authorized to vote on other matters which may properly come before the Annual Meeting and any adjournments thereof.

The Board of Directors unanimously recommends a vote "FOR" each of the proposals described below.

PROPOSAL 1. ELECTION OF TWO DIRECTORS IN CLASS I AND ONE DIRECTOR IN CLASS III.

On the proposal to elect two directors in Class I to serve until the 2004 Annual Meeting of Shareholders and one director in Class III to serve until the 2003 Annual Meeting of Shareholders or until their respective successors are elected and qualified:

FOR all nominees listed, except as marked to the contrary below	/ /	WITHHOLD AUTHORITY for all nominees	/ /

Class I Nominees:	Edwin H. Burba, Jr.
	Richard E. Venn
Class III Nominee:	I. David Marshall

INSTRUCTION: To withhold authority to vote for any nominee(s), write that nominees name in the space provided below:

PROPOSAL 2. RATIFICATION OF REAPPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS.

On the proposal to ratify the reappointment of Arthur Andersen LLP as the Company's independent public accountants.

FOR	/ /	AGAINST	/ /	ABSTAIN	/ /

This Proxy, when properly executed, will be voted in the manner directed by the undersigned shareholder. If no direction is made, this Proxy will be voted "FOR" election of the director nominees named in Proposal 1, "FOR" Proposal 2 relating to the reappointment of Arthur Andersen LLP as the Company's independent public accountants, and with discretionary authority on all other matters that may properly come before the Annual Meeting and any adjournments thereof.

Shares Held:

Signature of Shareholder

Signature of Shareholder (If Held Jointly)

Dated:

Month Day Year

Please sign exactly as your name appears on your stock certificate and date. Where shares are held jointly, each shareholder should sign. When signing as executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

THIS PROXY IS SOLICITED ON BEHALF OF GLOBAL PAYMENTS INC.'S BOARD OF DIRECTORS AND MAY BE REVOKED BY THE SHAREHOLDER PRIOR TO ITS EXERCISE.

DETACH CARD **Please detach proxy at perforation before mailing.**

YOU MAY VOTE BY TELEPHONE OR THE INTERNET.

If you are voting by telephone or the internet, please do not mail your proxy.

Vote By Telephone	Vote By Internet	Vote By Mail
Call **Toll-Free** using a Touch-Tone phone **1-800-250-9081**	Access the **Website** and cast your vote **http://www.votefast.com**	Return your proxy in the **postage-paid** envelope provided.

Vote 24 hours a day, 7 days a week!

Your telephone or internet vote must be received by 11:59 p.m. eastern standard time on October 23, 2001, to be counted in the final tabulation.

Your control number is

Vote By Telephone

Have your proxy card available when you call the Toll-Free number **1-800-250-9081** using a Touch-Tone phone. You will be prompted to enter your control number and then you can follow the simple prompts that will be presented to you to record your vote.

Vote By Internet

Have your proxy card available when you access the website **http://www.votefast.com**. You will be prompted to enter your control number and then you can follow the simple prompts that will be presented to you to record your vote.

Vote By Mail

Please mark, sign and date your proxy card and return it in the postage paid envelope provided or return it to: SunTrust Bank, Atlanta, P.O. Box 4625, Atlanta, GA 30302.

To Change Your Vote

Any subsequent vote by any means will change your prior vote. For example, if you voted by telephone, a subsequent internet vote will change your vote. The last vote received before 11:59 p.m. eastern standard time, October 23, 2001, will be the one counted. You may also revoke your proxy by voting in person at the Annual Meeting.

QuickLinks