MONEYGRAM INTERNATIONAL INC
Form 10-Q
November 13, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM 10-Q

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(mark one)
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the Quarterly Period Ended September 30, 2014
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to .
Commission File Number: 001-31950

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MONEYGRAM INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

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| | |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 16-1690064<br>(I.R.S. Employer<br>Identification No.) |
| 2828 N. Harwood St., 15th Floor<br>Dallas, Texas | 75201 |
| (Address of principal executive offices) | (Zip Code) |

(214) 999-7552
(Registrant's telephone number, including area code)
Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 11, 2014, 53,960,929 shares of common stock, $0.01 par value, were outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
UNAUDITED

| (Amounts in millions, except share data) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $— | $— |
| Cash and cash equivalents (substantially restricted) | 1,942.2 | 2,228.5 |
| Receivables, net (substantially restricted) | 753.9 | 767.7 |
| Interest-bearing investments (substantially restricted) | 1,092.4 | 1,011.6 |
| Available-for-sale investments (substantially restricted) | 29.9 | 48.1 |
| Property and equipment, net | 145.5 | 134.8 |
| Goodwill | 440.3 | 435.2 |
| Other assets | 196.0 | 161.0 |
| Total assets | $4,600.2 | $4,786.9 |
| | | |
| LIABILITIES | | |
| Payment service obligations | $3,497.7 | $3,737.1 |
| Debt | 965.9 | 842.9 |
| Pension and other postretirement benefits | 90.1 | 98.4 |
| Accounts payable and other liabilities | 203.7 | 185.5 |
| Total liabilities | 4,757.4 | 4,863.9 |
| | | |
| COMMITMENTS AND CONTINGENCIES (NOTE 12) | | |
| | | |
| STOCKHOLDERS' DEFICIT | | |
| Participating Convertible Preferred Stock - Series D, $0.01 par value, 200,000 shares authorized, 71,282 and 109,239 issued at September 30, 2014 and December 31, 2013, respectively | 183.9 | 281.9 |
| Common stock, $0.01 par value, 162,500,000 shares authorized, 58,823,567 and 62,263,963 shares issued at September 30, 2014 and December 31, 2013, respectively | 0.6 | 0.6 |
| Additional paid-in capital | 989.3 | 1,011.8 |
| Retained loss | (1,155.1) | (1,214.4) |
| Accumulated other comprehensive loss | (45.2) | (33.0) |
| Treasury stock: 4,862,638 and 4,300,782 shares at September 30, 2014 and December 31, 2013, respectively | (130.7) | (123.9) |
| Total stockholders' deficit | (157.2) | (77.0) |
| Total liabilities and stockholders' deficit | $4,600.2 | $4,786.9 |

See Notes to Consolidated Financial Statements

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MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (Amounts in millions, except per share data) | 2014 | 2013 | 2014 | 2013 |
| REVENUE | | | | |
| Fee and other revenue | $355.2 | $375.8 | $1,091.7 | $1,075.1 |
| Investment revenue | 2.8 | 7.2 | 13.6 | 13.5 |
| Total revenue | 358.0 | 383.0 | 1,105.3 | 1,088.6 |
| OPERATING EXPENSES | | | | |
| Fee and other commissions expense | 164.1 | 178.6 | 506.6 | 502.5 |
| Investment commissions expense | 0.1 | 0.1 | 0.3 | 0.3 |
| Total commissions expense | 164.2 | 178.7 | 506.9 | 502.8 |
| Compensation and benefits | 68.9 | 66.2 | 213.6 | 198.1 |
| Transaction and operations support | 81.7 | 65.4 | 230.3 | 179.3 |
| Occupancy, equipment and supplies | 13.4 | 12.1 | 39.9 | 37.0 |
| Depreciation and amortization | 13.5 | 12.5 | 40.2 | 36.5 |
| Total operating expenses | 341.7 | 334.9 | 1,030.9 | 953.7 |
| OPERATING INCOME | 16.3 | 48.1 | 74.4 | 134.9 |
| OTHER (INCOME) EXPENSE | | | | |
| Securities settlements | — | — | (22.4) | — |
| Interest expense | 11.6 | 10.0 | 32.7 | 37.3 |
| Debt extinguishment costs | — | — | — | 45.3 |
| Total other expense, net | 11.6 | 10.0 | 10.3 | 82.6 |
| Income before income taxes | 4.7 | 38.1 | 64.1 | 52.3 |
| Income tax expense | 7.7 | 15.6 | 2.5 | 23.3 |
| NET (LOSS) INCOME | $(3.0) | $22.5 | $61.6 | $29.0 |
| | | | | |
| (LOSS) EARNINGS PER COMMON SHARE | | | | |
| Basic | $(0.05) | $0.31 | $0.94 | $0.41 |
| Diluted | $(0.05) | $0.31 | $0.93 | $0.40 |
| | | | | |
| Weighted-average outstanding common shares and equivalents used in computing (loss) earnings per share | | | | |
| Basic | 63.3 | 71.6 | 65.7 | 71.6 |
| Diluted | 63.3 | 72.0 | 65.9 | 71.8 |

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MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
UNAUDITED

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2014 | 2013 | 2014 | 2013 |
| NET (LOSS) INCOME | $(3.0) | $22.5 | $61.6 | $29.0 |
| OTHER COMPREHENSIVE (LOSS) INCOME | | | | |
| Net unrealized holding gains on available-for-sale securities arising during the period, net of tax (benefit) expense of ($0.5) and $0.5 for the three months ended September 30, 2014 and 2013, respectively, and ($0.1) and $0.1 for the nine months ended September 30, 2014 and 2013, respectively | (1.0) | 3.3 | (5.9) | 3.0 |
| Net change in pension liability, net of tax benefit of $0.6 for the three months ended September 30, 2014 and 2013, respectively, and $1.7 and $2.1 for the nine months ended September 30, 2014 and 2013, respectively | 1.0 | 1.1 | 3.1 | 3.5 |
| Unrealized foreign currency translation adjustments, net of tax (benefit) expense of ($4.3) and $1.0 for the three months ended September 30, 2014 and 2013, respectively, and ($5.4) and $0.2 for the nine months ended September 30, 2014 and 2013, respectively | (7.4) | 1.6 | (9.4) | 0.3 |
| Other comprehensive (loss) income | (7.4) | 6.0 | (12.2) | 6.8 |
| COMPREHENSIVE (LOSS) INCOME | $(10.4) | $28.5 | $49.4 | $35.8 |

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MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

| (Amounts in millions) | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net (loss) income | $(3.0) | $22.5 | $61.6 | $29.0 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 13.5 | 12.5 | 40.2 | 36.5 |
| Signing bonus amortization | 14.7 | 12.0 | 39.2 | 30.8 |
| Signing bonus payments | (23.4) | (8.8) | (32.9) | (19.0) |
| Loss on debt extinguishment | — | — | — | 45.3 |
| Amortization of debt discount and deferred financing costs | 1.0 | 0.6 | 2.4 | 2.7 |
| Provision for uncollectible receivables | 4.5 | 3.9 | 8.0 | 8.9 |
| Non-cash compensation and pension expense | 7.0 | 5.0 | 19.6 | 14.7 |
| Change in other assets | 2.3 | (5.3) | (31.9) | (20.2) |
| Change in accounts payable and other liabilities | 13.3 | 25.0 | 14.9 | (0.7) |
| Other non-cash items, net | (2.0) | (0.3) | (1.8) | 0.3 |
| Total adjustments | 30.9 | 44.6 | 57.7 | 99.3 |
| Change in cash and cash equivalents (substantially restricted) | 104.3 | (20.0) | 286.3 | 460.8 |
| Change in receivables (substantially restricted) | 183.3 | 214.9 | 6.0 | 237.9 |
| Change in payment service obligations | (176.5) | (211.5) | (239.4) | (310.5) |
| Net cash provided by operating activities | 139.0 | 50.5 | 172.2 | 516.5 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Proceeds from maturities of investments classified as available-for-sale | 9.1 | 3.0 | 11.5 | 14.6 |
| Purchases of interest-bearing investments | (225.0) | (112.9) | (830.5) | (877.6) |
| Proceeds from maturities of interest-bearing investments | 125.0 | 75.0 | 746.6 | 386.1 |
| Purchases of property and equipment | (25.2) | (10.8) | (64.7) | (37.2) |
| Cash paid for acquisitions, net of cash acquired | (11.5) | (3.2) | (11.5) | (3.2) |
| Proceeds from disposal of property and equipment | 0.2 | 0.2 | 0.4 | 0.5 |
| Net cash used in investing activities | (127.4) | (48.7) | (148.2) | (516.8) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from issuance of debt | — | — | 129.8 | 850.0 |
| Transaction costs for issuance and amendment of debt | — | — | (5.1) | (11.8) |
| Principal payments on debt | (2.5) | (2.2) | (7.0) | (817.4) |
| Prepayment penalty | — | — | — | (21.5) |
| Proceeds from exercise of stock options | — | 0.4 | 0.4 | 1.0 |
| Stock repurchase | (9.1) | — | (142.1) | — |
| Net cash (used in) provided by financing activities | (11.6) | (1.8) | (24.0) | 0.3 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | — | — | — | — |
| CASH AND CASH EQUIVALENTS—Beginning of period | — | — | — | — |
| CASH AND CASH EQUIVALENTS—End of period | $— | $— | $— | $— |
| Supplemental cash flow information: | | | | |
| Cash payments for interest | $10.7 | $9.6 | $30.4 | $34.6 |
| Cash payments for income taxes | $4.5 | $— | $4.9 | $0.2 |
| Change in accrued purchases of property and equipment | $(4.8) | $0.6 | $(12.6) | $(3.0) |

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MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
UNAUDITED

| (Amounts in millions) | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Loss | Accumulated Other Comprehensive Loss | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|
| January 1, 2014 | $281.9 | $0.6 | $1,011.8 | $(1,214.4) | $(33.0) | $(123.9) | $(77.0) |
| Net income | — | — | — | 61.6 | — | — | 61.6 |
| Stock-based compensation activity | — | — | 11.9 | (2.3) | — | 2.3 | 11.9 |
| Capital contribution from investors | — | — | 0.6 | — | — | — | 0.6 |
| Repurchase and retirement of shares | — | (0.1) | (132.9) | — | — | — | (133.0) |
| Conversion of Series D convertible shares | (98.0) | 0.1 | 97.9 | — | — | — | — |
| Stock repurchase | — | — | — | — | — | (9.1) | (9.1) |
| Net change in available-for-sale securities, net of tax | — | — | — | — | (5.9) | — | (5.9) |
| Net change in pension liability, net of tax | — | — | — | — | 3.1 | — | 3.1 |
| Unrealized foreign currency translation adjustment, net of tax | — | — | — | — | (9.4) | — | (9.4) |
| September 30, 2014 | $183.9 | $0.6 | $989.3 | $(1,155.1) | $(45.2) | $(130.7) | $(157.2) |

| (Amounts in millions) | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Loss | Accumulated Other Comprehensive Loss | Treasury Stock | Total |
|---|---|---|---|---|---|---|---|
| January 1, 2013 | $281.9 | $0.6 | $1,001.0 | $(1,265.9) | $(52.3) | $(126.7) | $(161.4) |
| Net income | — | — | — | 29.0 | — | — | 29.0 |
| Stock-based compensation activity | — | — | 7.1 | (0.9) | — | 2.8 | 9.0 |
| Capital contribution from investors | — | — | 0.3 | — | — | — | 0.3 |
| Net change in available-for-sale securities, net of tax | — | — | — | — | 3.0 | — | 3.0 |
| Net change in pension liability, net of tax | — | — | — | — | 3.5 | — | 3.5 |
| Unrealized foreign currency translation adjustment, net of tax | — | — | — | — | 0.3 | — | 0.3 |
| September 30, 2013 | $281.9 | $0.6 | $1,008.4 | $(1,237.8) | $(45.5) | $(123.9) | $(116.3) |

See Notes to Consolidated Financial Statements

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MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

## Note 1 — Description of the Business and Basis of Presentation

References to “MoneyGram,” the “Company,” “we,” “us” and “our” are to MoneyGram International, Inc. and its subsidiaries and consolidated entities.

Nature of Operations — MoneyGram offers products and services under its two reporting segments: Global Funds Transfer ("GFT") and Financial Paper Products ("FPP"). The GFT segment provides global money transfer services and bill payment services to consumers through a network of agent locations. The FPP segment provides official check outsourcing services and money orders through financial institutions and other agent locations.

Basis of Presentation — The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the three and nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for future periods. For further information, refer to the Consolidated Financial Statements and Notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Use of Estimates — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience, future expectations and other factors and assumptions the Company believes to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis and are revised when necessary. Changes in estimates are recorded in the period of change. Actual amounts may differ from these estimates.

Recently Issued Accounting Standards — In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. ASU 2014-09 provides alternative methods of initial adoption and is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Early adoption is not permitted. The Company is currently evaluating the impact this standard will have on the consolidated financial statements.

## Note 2 — Reorganization and Restructuring Costs

In the first quarter of 2014, the Company announced the implementation of a global transformation program (the "2014 Global Transformation Program"), which includes certain reorganization and restructuring activities centered around facilities and headcount rationalization, system efficiencies and headcount right-shoring and outsourcing. The Company projects that the program will conclude at the end of the 2015 fiscal year. The activities include employee termination benefits and other costs which qualify as restructuring activities as defined by ASC 420, Exit or Disposal Cost Obligations ("ASC 420"), as well as certain reorganization activities related to the relocation of various operations to existing or new Company facilities and third party providers which are outside the scope of ASC 420.

The following figures are the Company’s estimates and are subject to change as the 2014 Global Transformation Program continues to be implemented.

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The following table is a roll-forward of the restructuring costs accrual related to the 2014 Global Transformation Program as of September 30, 2014:

| (Amounts in millions) | Severance, outplacement and related benefits | Other [1] | Total |
|---|---|---|---|
| Balance, December 31, 2013 | $— | $— | $— |
| Expenses | 10.2 | 1.0 | 11.2 |
| Cash payments | (1.4) | (1.0) | (2.4) |
| Balance, September 30, 2014 | $8.8 | $— | $8.8 |

[1] Other primarily relates to expenses for facilities relocation and professional fees. Such costs are expensed as incurred.

The following table is a summary of the cumulative restructuring costs incurred to date in operating expenses and the estimated remaining restructuring costs to be incurred for the 2014 Global Transformation Program as of September 30, 2014:

| (Amounts in millions) | Severance, outplacement and related benefits | Other [1] | Total |
|---|---|---|---|
| Restructuring costs | | | |
| Cumulative restructuring costs incurred to date in operating expenses | $10.2 | $1.0 | $11.2 |
| Estimated additional restructuring costs to be incurred | 3.9 | 1.1 | 5.0 |
| Total restructuring costs incurred and to be incurred | $14.1 | $2.1 | $16.2 |

[1] Other primarily relates to expenses for facilities relocation and professional fees. Such costs are expensed as incurred.

The following table is a summary of expenses related to the reorganization and restructuring activities for the three and nine months ended September 30, 2014:

| (Amounts in millions) | Three Months Ended September 30, 2014 | Nine Months Ended September 30, 2014 |
|---|---|---|
| Restructuring costs in operating expenses: | | |
| Compensation and benefits | $3.3 | $9.3 |
| Transaction and operations support | 0.9 | 1.9 |
| Total restructuring costs in operating expenses | 4.2 | 11.2 |
| Reorganization costs in operating expenses: | | |
| Compensation and benefits | $1.1 | $2.3 |
| Transaction and operations support | 2.3 | 3.9 |
| Occupancy, equipment and supplies | 0.2 | 0.2 |
| Total reorganization costs in operating expenses | 3.6 | 6.4 |
| Total reorganization and restructuring costs | $7.8 | $17.6 |

The following table is a summary of restructuring expenses related to the 2014 Global Transformation Program incurred by reportable segment:

| (Amounts in millions) | GFT | FPP | Other | Total |
|---|---|---|---|---|
| First quarter 2014 | $2.6 | $0.3 | $0.1 | $3.0 |
| Second quarter 2014 | 3.4 | 0.4 | 0.2 | 4.0 |
| Third quarter 2014 | 3.5 | 0.4 | 0.3 | 4.2 |
| Total cumulative expenses incurred to date in operating expenses | $9.5 | $1.1 | $0.6 | $11.2 |

| | | | | |
|---|---|---|---|---|
| Total estimated additional expenses to be incurred | 4.2 | 0.5 | 0.3 | 5.0 |
| Total restructuring expenses | $13.7 | $1.6 | $0.9 | $16.2 |

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## Note 3 — Assets in Excess of Payment Service Obligations

The following table shows the amount of assets in excess of payment service obligations at September 30, 2014 and December 31, 2013:

| (Amounts in millions) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Cash and cash equivalents (substantially restricted) | $1,942.2 | $2,228.5 |
| Receivables, net (substantially restricted) | 753.9 | 767.7 |
| Interest-bearing investments (substantially restricted) | 1,092.4 | 1,011.6 |
| Available-for-sale investments (substantially restricted) | 29.9 | 48.1 |
| | 3,818.4 | 4,055.9 |
| Payment service obligations | (3,497.7) | (3,737.1) |
| Assets in excess of payment service obligations | $320.7 | $318.8 |

The Company was in compliance with its contractual and financial regulatory requirements as of September 30, 2014 and December 31, 2013. See Note 7 — Debt for additional disclosure in regards to the Company's compliance with its contractual and financial requirements.

## Note 4 — Fair Value Measurement

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants on the measurement date. A three-level hierarchy is used for fair value measurements based upon the observability of the inputs to the valuation of an asset or liability as of the measurement date. Under the hierarchy, the highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), followed by observable inputs (Level 2) and unobservable inputs (Level 3). A financial instrument's level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Following is a description of the Company's valuation methodologies used to estimate the fair value for assets and liabilities:

Assets and liabilities that are measured at fair value on a recurring basis:

- Available-for-sale investments — For U.S. government agencies and residential mortgage-backed securities collateralized by U.S. government agency securities, fair value measures are generally obtained from independent sources, including a pricing service. Because market quotes are generally not readily available or accessible for these specific securities, the pricing service generally measures fair value through the use of pricing models and observable inputs for similar assets and market data. Accordingly, these securities are classified as Level 2 financial instruments. The Company periodically corroborates the valuations provided by the pricing service through internal valuations utilizing externally developed cash flow models, comparison to actual transaction prices for any sold securities and any broker quotes received on the same security.

For other asset–backed securities and investments in limited partnerships, market quotes are generally not available. If available, the Company will utilize a fair value measurement from a pricing service. The pricing service utilizes a pricing model based on market observable data and indices, such as quotes for comparable securities, yield curves, default indices, interest rates and historical prepayment speeds. If a fair value measurement is not available from the pricing service, the Company will utilize a broker quote, if available. Because the inputs and assumptions that brokers use to develop prices are unknown, most valuations that are based on brokers' quotes are classified as Level 3. If no broker quote is available, or if such quote cannot be corroborated by market data or internal valuations, the Company may perform internal valuations utilizing externally developed cash flow models. These pricing models are based on market observable spreads and, when available, observable market indices. The pricing models also use inputs such as the rate of future prepayments and expected default rates on the principal, which are derived by the Company based on the characteristics of the underlying structure and historical prepayment speeds experienced at the interest rate levels projected for the underlying collateral. The pricing models for certain asset-backed securities also include significant non-observable inputs such as internally assessed credit ratings for non-rated securities combined with externally provided credit spreads. Observability of market inputs to the valuation models used for pricing certain of the Company's investments has deteriorated with the disruption to the credit markets as overall liquidity and trading activity in these sectors has been substantially reduced. Accordingly, securities valued using a pricing model are classified as Level 3 financial instruments.

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- Derivative financial instruments — Derivatives consist of forward contracts to manage income statement exposure to foreign currency exchange risk arising from the Company’s assets and liabilities denominated in foreign currencies. The Company’s forward contracts are well-established products, allowing the use of standardized models with market-based inputs. These models do not contain a high level of subjectivity and the inputs are readily observable. Accordingly, the Company has classified its forward contracts as Level 2 financial instruments. See Note 6 — Derivative Financial Instruments for additional disclosure on the Company's forward contracts.
- Deferred compensation — The assets associated with the deferred compensation plan that are funded through voluntary contributions by the Company consist of investments in money market securities and mutual funds. These investments were classified as Level 1 as there are quoted market prices for these funds.

The following tables summarize the Company’s financial assets and liabilities measured at fair value by hierarchy level on a recurring basis at September 30, 2014 and December 31, 2013:

| | Fair Value at September 30, 2014 | | | |
|---|---|---|---|---|
| (Amounts in millions) | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Available-for-sale investments (substantially restricted): | | | | |
| Residential mortgage-backed securities — agencies | $— | $15.6 | $— | $15.6 |
| Other asset-backed securities | — | — | 14.3 | 14.3 |
| Investment related to deferred compensation trust | 9.8 | — | — | 9.8 |
| Forward contracts | — | 4.3 | — | 4.3 |
| Total financial assets | $9.8 | $19.9 | $14.3 | $44.0 |
| Financial liabilities: | | | | |
| Forward contracts | $— | $0.4 | $— | $0.4 |

| | Fair Value at December 31, 2013 | | | |
|---|---|---|---|---|
| (Amounts in millions) | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Available-for-sale investments (substantially restricted): | | | | |
| U.S. government agencies | $— | $8.0 | $— | $8.0 |
| Residential mortgage-backed securities — agencies | — | 19.5 | — | 19.5 |
| Other asset-backed securities | — | — | 20.6 | 20.6 |
| Investment related to deferred compensation trust | 9.6 | — | — | 9.6 |
| Forward contracts | — | 0.2 | — | 0.2 |
| Total financial assets | $9.6 | $27.7 | $20.6 | $57.9 |
| Financial liabilities: | | | | |
| Forward contracts | $— | $0.6 | $— | $0.6 |

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The following is a summary of the unobservable inputs used in the valuation of other asset-backed securities classified as Level 3 at September 30, 2014 and December 31, 2013:

| | | | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|---|---|
| (Amounts in millions, except net average price) | Unobservable Input | Pricing Source | Market Value | Net Average Price [1] | Market Value | Net Average Price [1] |
| Alt-A | Price | Third party pricing service | $0.1 | $80.80 | $0.1 | $17.01 |
| Home Equity | Price | Third party pricing service | 0.1 | 30.76 | 0.2 | 51.87 |
| Indirect Exposure - High Grade | Price | Third party pricing service | 8.4 | 8.09 | 8.2 | 7.90 |
| Indirect Exposure - Mezzanine | Price | Third party pricing service | 1.2 | 1.11 | 2.6 | 2.12 |
| Indirect Exposure - Mezzanine | Price | Broker | 1.2 | 1.55 | 5.0 | 6.01 |
| Other | Discount margin | Manual | 3.3 | 17.71 | 4.5 | 23.85 |
| Total | | | $14.3 | $3.98 | $20.6 | $5.24 |

[1] Net average price is per $100.00

The following table provides a roll-forward of the other asset-backed securities classified as Level 3, which are measured at fair value on a recurring basis, for the three and nine months ended September 30, 2014 and 2013:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2014 | 2013 | 2014 | 2013 |
| Beginning balance | $15.3 | $17.6 | $20.6 | $18.0 |
| Principal paydowns | (0.2) | (3.2) | (4.2) | (3.3) |
| Change in unrealized gains | (0.1) | 6.6 | (1.4) | 6.3 |
| Realized losses | (0.7) | — | (0.7) | — |
| Ending balance | $14.3 | $21.0 | $14.3 | $21.0 |

There were no other-than-temporary impairments during the three and nine months ended September 30, 2014 and 2013.

Assets and liabilities that are disclosed at fair value — Debt and interest-bearing investments (substantially restricted) are carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The fair value of debt is estimated using market quotations, where available, credit ratings, observable market indices and other market data (Level 2). The following table is a summary of fair value and carrying value of debt as of September 30, 2014 and December 31, 2013:

| | Fair Value | | Carrying Value | |
|---|---|---|---|---|
| (Amounts in millions) | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Senior secured credit facility and incremental term loan | $944.1 | $849.2 | $965.9 | $842.9 |

The carrying amounts for the Company's cash and cash equivalents (substantially restricted) and the interest-bearing investments (substantially restricted) approximate fair value as of September 30, 2014 and December 31, 2013.

Assets and liabilities measured at fair value on a non-recurring basis — Assets and liabilities that are measured at fair value on a non-recurring basis relate primarily to the Company's tangible fixed assets, goodwill and other intangible assets, which are re-measured only in the event of an impairment. No impairments of fixed assets, goodwill and other intangible assets were recorded during the three and nine months ended September 30, 2014 and 2013.

Fair value re-measurements are normally based on significant unobservable inputs (Level 3). Tangible and intangible asset fair values are normally derived using a discounted cash flow model based on expected future cash flows discounted using a weighted-average cost of capital rate. If it is determined an impairment has occurred, the carrying value of the asset is reduced to fair value with a corresponding charge to the "Other expense" line in the Consolidated Statements of Operations.

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The Company also records the investments in its defined benefit pension plan, or "the Pension Plan," trust at fair value. The majority of the Pension Plan’s investments are common collective trusts held by the Pension Plan’s trustee. The fair values of the Pension Plan's investments are determined by the trustee based on the current market values of the underlying assets. In instances where market prices are not available, market values are determined by using bid quotations obtained from major market makers or security exchanges or bid quotations for identical or similar obligations. See Note 10 — Pension and Other Benefits in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 for additional disclosure of investments held by the Pension Plan.

## Note 5 — Investment Portfolio

The Company’s portfolio is invested in cash and cash equivalents, interest-bearing investments and available-for-sale investments, all of which are substantially restricted. See Note 2 — Summary of Significant Accounting Policies in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 for additional disclosure in regards to substantially restricted assets. The following table shows the components of the investment portfolio as of September 30, 2014 and December 31, 2013:

| (Amounts in millions) | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Cash | $1,932.4 | $2,204.5 |
| Money-market securities | 9.8 | 24.0 |
| Cash and cash equivalents (substantially restricted) | 1,942.2 | 2,228.5 |
| Interest-bearing investments (substantially restricted) | 1,092.4 | 1,011.6 |
| Available-for-sale investments (substantially restricted) | 29.9 | 48.1 |
| Total investment portfolio | $3,064.5 | $3,288.2 |

Cash and Cash Equivalents (substantially restricted) — Cash and cash equivalents consist of interest-bearing deposit accounts, non-interest bearing transaction accounts and money market securities. The Company's money market securities are invested in two funds, each of which is AAA rated and consists of U.S. Treasury bills, notes or other obligations issued or guaranteed by the U.S. government and its agencies, as well as repurchase agreements secured by such instruments.

Interest-bearing Investments (substantially restricted) — Interest-bearing investments consist of time deposits and certificates of deposit with maturities of up to 24 months, and are issued from financial institutions rated A- or better as of September 30, 2014.

Available-for-sale Investments (substantially restricted) — Available-for-sale investments consist of mortgage-backed securities, other asset-backed securities and agency debenture securities. The following table is a summary of the amortized cost and fair value of available-for-sale investments as of September 30, 2014:

| (Amounts in millions, except net average price) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Net Average Price(1) |
|---|---|---|---|---|---|
| Residential mortgage-backed securities — agencies | $14.3 | $1.3 | $— | $15.6 | $110.27 |
| Other asset-backed securities | 4.7 | 9.6 | — | 14.3 | 3.98 |
| Total | $19.0 | $10.9 | $— | $29.9 | $8.04 |

(1) Net average price is per $100.00

The following table is a summary of the amortized cost and fair value of available-for-sale investments as of December 31, 2013:

| (Amounts in millions, except net average price) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Net Average Price(1) |
|---|---|---|---|---|---|
| Residential mortgage-backed securities — | $17.8 | $1.7 | $— | $19.5 | $110.45 |

| | | | | | |
|---|---|---|---|---|---|
| agencies | | | | | |
| Other asset-backed securities | 5.9 | 14.7 | — | 20.6 | 5.24 |
| U.S. government agencies | 7.7 | 0.3 | — | 8.0 | 99.87 |
| Total | $31.4 | $16.7 | $— | $48.1 | $11.50 |

(1) Net average price is per $100.00

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At September 30, 2014 and December 31, 2013, 52 percent and 57 percent, respectively, of the available-for-sale portfolio were invested in debentures of U.S. government agencies or securities collateralized by U.S. government agency debentures. These securities have the implicit backing of the U.S. government and the Company expects to receive full par value upon maturity or pay-down, as well as all interest payments. Included in other asset-backed securities are collateralized debt obligations backed primarily by high-grade debt, mezzanine equity tranches of collateralized debt obligations and home equity loans, along with private equity investments, as summarized in Note 4 — Fair Value Measurement. The other asset-backed securities continue to have market exposure, and this risk is factored into the fair value estimates of the Company, with the average price of an asset-backed security at $0.04 per dollar of par value at September 30, 2014.

Gains and Losses and Other-than-temporary Impairments — At September 30, 2014 and December 31, 2013, net unrealized gains of $11.4 million and $17.3 million, respectively, were included in the Consolidated Balance Sheets in "Accumulated other comprehensive loss."

Investment Ratings — In rating the securities in its investment portfolio, the Company uses ratings from Moody's Investor Service ("Moody's"), Standard & Poors ("S&P") and Fitch Ratings ("Fitch"). If the rating agencies have split ratings, the Company uses the highest two out of three ratings across the ratings agencies for disclosure purposes. If none of the rating agencies have the same rating, the Company uses the lowest rating across the agencies for disclosure purposes. Securities issued or backed by U.S. government agencies are included in the AAA rating category. Investment grade is defined as a security having a Moody's equivalent rating of Aaa, Aa, A or Baa or an S&P equivalent rating of AAA, AA, A or BBB. The Company's investments at September 30, 2014 and December 31, 2013 consisted of the following ratings:

| | September 30, 2014 | | | December 31, 2013 | | |
|---|---|---|---|---|---|---|
| (Dollars in millions) | Number of Securities | Fair Value | Percent of Investments | Number of Securities | Fair Value | Percent of Investments |
| Investment grade | 13 | $15.5 | 52 % | 16 | $30.8 | 64 % |
| Below investment grade | 44 | 14.4 | 48 % | 50 | 17.3 | 36 % |
| Total | 57 | $29.9 | 100 % | 66 | $48.1 | 100 % |

Had the Company used the lowest rating from the rating agencies in the information presented above, there would be no change and a $3.4 million change to the classifications in the above table as of September 30, 2014 and December 31, 2013, respectively.

Contractual Maturities — Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations, sometimes without call or prepayment penalties. Maturities of mortgage-backed and other asset-backed securities depend on the repayment characteristics and experience of the underlying obligations. The following table is a summary of amortized cost and fair value of available-for-sale securities by contractual maturity as of September 30, 2014 and December 31, 2013:

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| (Amounts in millions) | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| One year or less | $— | $— | $7.7 | $8.0 |
| Mortgage-backed and other asset-backed securities | 19.0 | 29.9 | 23.7 | 40.1 |
| Total | $19.0 | $29.9 | $31.4 | $48.1 |

Fair Value Determination — The Company uses various sources of pricing for its fair value estimates of its available-for-sale portfolio. The percentage of the portfolio for which the various pricing sources were used is as follows at September 30, 2014 and December 31, 2013: 85 percent and 64 percent, respectively, used a third party pricing service; four percent and 10 percent, respectively, used broker pricing; and 11 percent and 26 percent, respectively, used internal pricing.

Assessment of Unrealized Losses — The Company had no unrealized losses in its available-for-sale portfolio at September 30, 2014 and December 31, 2013.

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Note 6 — Derivative Financial Instruments

The Company uses forward contracts to manage its foreign currency needs and foreign currency exchange risk arising from its assets and liabilities denominated in foreign currencies. While these contracts may mitigate certain foreign currency risk, they are not designated as hedges for accounting purposes. The “Transaction and operations support” line in the Consolidated Statements of Operations and the "Net cash provided by operating activities" line in the Consolidated Statements of Cash Flows include the following losses (gains) related to assets and liabilities denominated in foreign currencies, for the three and nine months ended September 30, 2014 and 2013:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2014 | 2013 | 2014 | 2013 |
| Net realized foreign currency losses (gains) | $14.4 | $(6.6) | $16.6 | $(2.7) |
| Net (gains) losses from the related forward contracts | (14.0) | 6.7 | (16.1) | 3.0 |
| Net losses from foreign currency transactions and related forward contracts | $0.4 | $0.1 | $0.5 | $0.3 |

As of September 30, 2014 and December 31, 2013, the Company had $193.9 million and $129.0 million, respectively, of outstanding notional amounts relating to its forward contracts. As of September 30, 2014 and December 31, 2013, the Company reflects the following fair values of derivative forward contract instruments in its Consolidated Balance Sheets:

| | | Gross Amount of Recognized Assets | | Gross Amount of Offset | | Net Amount of Assets Presented in the Consolidated Balance Sheets | |
|---|---|---|---|---|---|---|---|
| (Amounts in millions) | Balance Sheet Location | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Forward contracts | Other assets | $4.9 | $0.4 | $(0.6) | $(0.2) | $4.3 | $0.2 |

| | | Gross Amount of Recognized Liabilities | | Gross Amount of Offset | | Net Amount of Liabilities Presented in the Consolidated Balance Sheets | |
|---|---|---|---|---|---|---|---|
| (Amounts in millions) | Balance Sheet Location | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| Forward contracts | Accounts payable and other liabilities | $(1.0) | $(0.8) | $0.6 | $0.2 | $(0.4) | $(0.6) |

The Company's forward contracts are primarily executed with counterparties governed by International Swaps and Derivatives Association agreements that generally include standard netting arrangements. Hence, asset and liability positions from forward contracts and all other foreign exchange transactions with the same counterparty are net settled upon maturity.

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Note 7 — Debt

The following is a summary of the Company’s outstanding debt at September 30, 2014 and activity since December 31, 2013:

| (Amounts in millions) | 2013 Credit Agreement Senior secured credit facility due 2020 | Tranche B-1 term loan facility due 2020 | Total |
|---|---|---|---|
| Balance at December 31, 2013 | $842.9 | $— | $842.9 |
| Borrowings, gross | — | 130.0 | 130.0 |
| Discount on borrowings | — | (0.2) | (0.2) |
| Amortization of discount | 0.1 | 0.1 | 0.2 |
| Payments | (7.0) | — | (7.0) |
| Balance at September 30, 2014 | $836.0 | $129.9 | $965.9 |
| Weighted average interest rate | 4.25% | 4.25% | |

2013 Credit Agreement — On March 28, 2013, the Company, as borrower, entered into an Amended and Restated Credit Agreement (the "2013 Credit Agreement") with Bank of America, N.A. ("BOA"), as administrative agent, the financial institutions party thereto as lenders and the other agents party thereto. The 2013 Credit Agreement provides for (i) a senior secured five-year revolving credit facility up to an aggregate principal amount of $125.0 million (the "Revolving Credit Facility") and (ii) a senior secured seven-year term loan facility of $850.0 million (the "Term Credit Facility"). The proceeds of the Term Credit Facility were used to repay in full all outstanding indebtedness under the $540.0 million Credit Agreement with BOA, as Administrative Agent, and the lenders party thereto (the "2011 Credit Agreement"), to purchase all of the outstanding second lien notes to Goldman, Sachs & Co. (“Goldman Sachs”) and also have been used to pay certain costs, fees and expenses relating to the 2013 Credit Agreement and the purchase of the second lien notes and for general corporate purposes. The Revolving Credit Facility includes a sub-facility that permits the Company to request the issuance of letters of credit up to an aggregate amount of $50.0 million, with borrowings available for general corporate purposes.

On April 2, 2014, the Company, as borrower, entered into a First Incremental Amendment and Joinder Agreement (the "Incremental Agreement") with BOA, as administrative agent, and various lenders. The Incremental Agreement provided for (a) a tranche under the term loan facility in an aggregate principal amount of $130.0 million (the "Tranche B-1 Term Loan Facility") to be made available to the Company under the 2013 Credit Agreement, (b) an increase in the Revolving Credit Facility under the 2013 Credit Agreement from $125.0 million to $150.0 million and (c) certain other amendments to the 2013 Credit Agreement including, without limitation, (i) amendments to certain of the conditions precedent with respect to these incremental borrowings, (ii) an increase in the maximum secured leverage ratio with which the Company is required to comply as of the last day of each fiscal quarter, and (iii) amendments to permit the Company to borrow up to $300.0 million under the facility for share repurchases exclusively from affiliates of Thomas H. Lee Partners L.P. ("THL") and Goldman Sachs. The Company borrowed $130.0 million under the Tranche B-1 Term Loan Facility on April 2, 2014, and the proceeds were used to fund a portion of the share repurchases from THL reducing the limit for such purchases to $170.0 million. See Note 9 — Stockholders' Deficit for additional disclosure on the share repurchase.

The 2013 Credit Agreement is secured by substantially all of the non-financial assets of the Company and its material domestic subsidiaries that guarantee the payment and performance of the Company’s obligations under the 2013 Credit Agreement.

The Company may elect an interest rate under the 2013 Credit Agreement at each reset period based on the BOA prime bank rate or the Eurodollar rate. The interest rate election may be made individually for the Term Credit Facility and each draw under the Revolving Credit Facility. The interest rate will be either the “alternate base rate” (calculated in part based on the BOA prime rate) plus either 200 or 225 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time) or the Eurodollar rate plus either 300 or 325 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time). In connection with the initial funding under the 2013 Credit Agreement, the Company elected the Eurodollar rate as its primary interest basis. Under the terms of the 2013 Credit Agreement, the minimum interest rate applicable to Eurodollar borrowings under the Term Credit Facility is 100 basis points plus the applicable margins previously referred to in this paragraph.

Fees on the daily unused availability under the Revolving Credit Facility are 50 basis points. As of September 30, 2014, the Company had $0.4 million of outstanding letters of credit and no borrowings under the Revolving Credit Facility, leaving $149.6 million of availability thereunder.

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Debt Covenants and Other Restrictions — Borrowings under the 2013 Credit Agreement are subject to various limitations that restrict the Company's ability to: incur additional indebtedness; create or incur additional liens; effect mergers and consolidations; make certain acquisitions or investments; sell assets or subsidiary stock; pay dividends and other restricted payments; and effect loans, advances and certain other transactions with affiliates. In addition, the Revolving Credit Facility has covenants that place limitations on the use of proceeds from borrowings under the facility.

The Company is required to maintain Asset Coverage greater than its payment service obligation. Assets used in the determination of the Asset Coverage covenant are cash and cash equivalents, cash and cash equivalents (substantially restricted), receivables, net (substantially restricted), interest-bearing investments (substantially restricted) and available-for-sale investments (substantially restricted). See Note 3 — Assets in Excess of Payment Service Obligations for additional disclosure of the Asset Coverage calculation as of September 30, 2014.

The 2013 Credit Agreement also has quarterly financial covenants to maintain the following interest coverage and total secured leverage ratios:

| | Interest Coverage Minimum Ratio | Total Secured Leverage Not to Exceed |
|---|---|---|
| Through September 30, 2014 | 2.15:1 | 5.000:1 |
| October 1, 2014 through December 31, 2014 | 2.25:1 | 5.000:1 |
| January 1, 2015 through December 31, 2015 | 2.25:1 | 4.750:1 |
| January 1, 2016 through December 31, 2016 | 2.25:1 | 4.250:1 |
| January 1, 2017 through December 31, 2017 | 2.25:1 | 3.750:1 |
| January 1, 2018 through maturity | 2.25:1 | 3.500:1 |

We continuously monitor our compliance with our debt covenants. At September 30, 2014, the Company was in compliance with its financial covenants: our Interest Coverage ratio was 7.44 and our Total Secured Leverage ratio was 3.26.

Deferred Financing Costs — The Company capitalizes financing costs in "Other assets" in the Consolidated Balance Sheet and amortizes them over the term of the related debt using the effective interest method. Amortization is recorded in "Interest expense" in the Consolidated Statements of Operations. The following is a summary of the deferred financing costs at September 30, 2014:

| (Amounts in millions) | Nine Months Ended September 30, 2014 |
|---|---|
| Balance at December 31, 2013 | $13.3 |
| Capitalized deferred financing costs | 5.1 |
| Amortization of deferred financing costs | (2.2) |
| Balance at September 30, 2014 | $16.2 |

Interest Paid in Cash — The Company paid $10.7 million and $30.4 million of interest for the three and nine months ended September 30, 2014, respectively, and $9.6 million and $34.6 million of interest for the three and nine months ended September 30, 2013, respectively.

Maturities — At September 30, 2014, debt totaling $912.6 million will mature in 2020, while debt principal totaling $53.9 million will be paid quarterly in increments of approximately $2.5 million through 2020. Any borrowings under the Revolving Credit Facility will mature in 2018.

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## Note 8 — Pensions and Other Benefits

The following table shows net periodic benefit expense for the Company's Pension Plan and combined supplemental executive retirement plans ("SERPs"), for the three and nine months ended September 30, 2014 and 2013:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2014 | 2013 | 2014 | 2013 |
| Interest cost | $2.7 | $2.4 | $8.1 | $7.2 |
| Expected return on plan assets | (1.8) | (1.8) | (5.5) | (5.5) |
| Recognized net actuarial loss | 1.7 | 1.8 | 5.1 | 5.8 |
| Net periodic benefit expense | $2.6 | $2.4 | $7.7 | $7.5 |

The Company made contributions to the Pension Plan of $4.0 million and $8.0 million for the three and nine months ended September 30, 2014, respectively, and $4.0 million and $6.0 million for the three and nine months ended September 30, 2013, respectively. Contributions made to the combined SERPs were $1.0 million and $3.1 million for the three and nine months ended September 30, 2014, respectively, and $0.6 million and $2.7 million for the three and nine months ended September 30, 2013, respectively.

The following table is a summary of net periodic benefit expense for the Company's postretirement medical benefit plans, for the three and nine months ended September 30, 2014 and 2013:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| (Amounts in millions) | 2014 | 2013 | 2014 | 2013 |
| Interest cost | $0.1 | $0.1 | $0.1 | $0.1 |
| Amortization of prior service credit | (0.2) | (0.2) | (0.5) | (0.5) |
| Recognized net actuarial loss | 0.1 | 0.1 | 0.2 | 0.3 |
| Net periodic benefit income | $— | $— | $(0.2) | $(0.1) |

## Note 9 — Stockholders' Deficit

The following table is a summary of the Company's authorized, issued and outstanding stock as of September 30, 2014:

| | D Stock | | | Common Stock | | | Treasury |
|---|---|---|---|---|---|---|---|
| (Shares in thousands) | Authorized | Issued | Outstanding | Authorized | Issued | Outstanding | Stock |
| September 30, 2014 | 200 | 71 | 71 | 162,500 | 58,824 | 53,961 | (4,863) |

On April 2, 2014, the Company completed an underwritten secondary public offering by affiliates and co-investors of THL and affiliates of Goldman Sachs (collectively with THL, the "Investors") of an aggregate of 9,200,000 shares of the Company's common stock. As part of the transaction, the affiliates of Goldman Sachs converted an aggregate of 37,957 shares of Series D Participating Convertible Preferred Stock (the "D Stock") to 4,744,696 shares of common stock, which were sold as part of the transaction. The selling stockholders received all of the proceeds from the offering. Also on April 2, 2014, the Company completed the repurchase of 8,185,092 shares of common stock from the THL selling stockholders at a price of $16.25 per share. The Company funded the share repurchase with $130.0 million of the proceeds from its Tranche B-1 Term Loan Facility and cash.

Common Stock — The holders of the Company's common stock are entitled to one vote per share on all matters to be voted upon by its stockholders. The holders of common stock have no preemptive, conversion or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. The determination to pay dividends on common stock will be at the discretion of the Board of Directors and will depend on applicable laws and the Company’s financial condition, results of operations, cash requirements, prospects and such other factors as the Board of Directors may deem relevant. The Company’s ability to declare or pay dividends or distributions to the holders of the Company’s common stock is subject to limitations under the Company’s 2013 Credit Agreement. No dividends were paid during the three and nine months ended September 30, 2014. The Company is authorized to repurchase 5.2 million shares of common stock and repurchases may be made periodically.

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Participation Agreement between the Investors and Wal-Mart Stores, Inc. — The Investors have a Participation Agreement with Wal-Mart Stores, Inc. (“Walmart”), under which the Investors are obligated to pay Walmart certain percentages of any accumulated cash payments received by the Investors in excess of the Investors’ original investment in the Company. While the Company is not a party to, and has no obligations to Walmart or additional obligations to the Investors under the Participation Agreement, the Company must recognize the Participation Agreement in its consolidated financial statements as the Company indirectly benefits from the agreement. Any future payments by the Investors to Walmart may result in an expense that could be material to the Company’s results of operations, but would have no impact on the Company’s cash flows.

As a result of the transactions occurring on April 2, 2014 described above, the Investors made a payment of approximately $0.6 million to Walmart under the Participation agreement. The Company is not a party to, and has no obligation to Walmart or additional obligations to the Investors, under the Participation Agreement. The Company did not make cash outlays related to this payment. This amount is reflected in "Transaction and operations support" in the Company's Consolidated Statements of Operations for the nine months ended September 30, 2014, with the offset recorded in "Additional paid in capital" in the Company's Consolidated Balance Sheets for the nine months ended September 30, 2014.

Accumulated Other Comprehensive Loss — The following tables are a summary of the changes to "Accumulated other comprehensive loss" by component during the nine months ended September 30, 2014 and 2013:

| (Amounts in millions) | Net unrealized gains on securities classified as available-for-sale, net of tax | Cumulative foreign currency translation adjustments, net of tax | Pension and postretirement benefits adjustment, net of tax | Total |
|---|---|---|---|---|
| December 31, 2013 | $17.3 | $3.5 | $(53.8) | $(33.0) |
| Other comprehensive loss before amortization | (0.1) | (9.4) | — | (9.5) |
| Amounts reclassified/amortized from accumulated other comprehensive loss | (5.8) | — | 3.1 | (2.7) |
| Net current period other comprehensive (loss) income | (5.9) | (9.4) | 3.1 | (12.2) |
| September 30, 2014 | $11.4 | $(5.9) | $(50.7) | $(45.2 |