

WESTERN UNION CO

FORM 10-Q (Quarterly Report)

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Address	12500 EAST BELFORD AVENUE ENGLEWOOD, CO 80112
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Industry	Business Services
Sector	Services
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

or

☐ **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: 001-32903

THE WESTERN UNION COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

12500 EAST BELFORD AVENUE
ENGLEWOOD, CO
(Address of Principal Executive Offices)

20-4531180
(I.R.S. Employer
Identification No.)

80112
(Zip Code)

Registrant's telephone number, including area code (866) 405-5012

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 ☒ 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 ☒ 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 ☐ Non-accelerated filer ☐ 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 ☒

As of October 28, 2011, 619,137,583 shares of our common stock were outstanding.

Table of Contents

THE WESTERN UNION COMPANY INDEX

	<u>PAGE NUMBER</u>
PART I FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited): 3
	Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2011 and 2010 3
	Condensed Consolidated Balance Sheets at September 30, 2011 and December 31, 2010 4
	Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010 5
	Notes to Condensed Consolidated Financial Statements 6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 28
Item 3.	Quantitative and Qualitative Disclosures About Market Risk 47
Item 4.	Controls and Procedures 47
	Report of Independent Registered Public Accounting Firm 48
PART II OTHER INFORMATION	
Item 1.	Legal Proceedings 49
Item 1A.	Risk Factors 49
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 50
Item 3.	Defaults Upon Senior Securities 50
Item 4.	(Removed and Reserved) 50
Item 5.	Other Information 50
Item 6.	Exhibits 50

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

THE WESTERN UNION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Transaction fees	\$ 1,083.2	\$ 1,036.1	\$ 3,138.2	\$ 2,997.3
Foreign exchange revenues	294.2	263.1	829.5	750.5
Other revenues	33.4	30.4	92.4	87.9
Total revenues	1,410.8	1,329.6	4,060.1	3,835.7
Expenses:				
Cost of services	800.0	752.6	2,309.6	2,194.9
Selling, general and administrative	247.8	225.8	723.9	662.8
Total expenses	1,047.8	978.4	3,033.5	2,857.7
Operating income	363.0	351.2	1,026.6	978.0
Other income/(expense):				
Interest income	1.1	0.5	3.6	1.9
Interest expense	(46.7)	(44.8)	(134.3)	(124.7)
Derivative gains/(losses), net	(5.3)	1.0	(4.7)	0.8
Other income, net	1.8	0.7	30.8	0.9
Total other expense, net	(49.1)	(42.6)	(104.6)	(121.1)
Income before income taxes	313.9	308.6	922.0	856.9
Provision for income taxes	74.2	70.2	208.9	189.6
Net income	\$ 239.7	\$ 238.4	\$ 713.1	\$ 667.3
Earnings per share:				
Basic	\$ 0.38	\$ 0.36	\$ 1.12	\$ 1.00
Diluted	\$ 0.38	\$ 0.36	\$ 1.12	\$ 0.99
Weighted-average shares outstanding:				
Basic	624.9	659.1	634.3	670.1
Diluted	627.1	661.3	638.3	672.4

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

THE WESTERN UNION COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in millions, except per share amounts)

	September 30,	December 31,
	<u>2011</u>	<u>2010</u>
Assets		
Cash and cash equivalents	\$ 2,671.1	\$ 2,157.4
Settlement assets	2,757.0	2,635.2
Property and equipment, net of accumulated depreciation of \$416.8 and \$383.6, respectively	193.5	196.5
Goodwill	2,325.8	2,151.7
Other intangible assets, net of accumulated amortization of \$489.5 and \$441.2, respectively	488.1	438.0
Other assets	<u>384.2</u>	<u>350.4</u>
Total assets	<u>\$ 8,819.7</u>	<u>\$ 7,929.2</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 567.5	\$ 520.4
Settlement obligations	2,757.0	2,635.2
Income taxes payable	480.1	356.6
Deferred tax liability, net	294.6	289.9
Borrowings	3,982.8	3,289.9
Other liabilities	<u>235.8</u>	<u>254.5</u>
Total liabilities	8,317.8	7,346.5
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, \$0.01 par value; 2,000 shares authorized; 619.1 shares and 654.0 shares issued and outstanding at September 30, 2011 and December 31, 2010, respectively	6.2	6.5
Capital surplus	233.1	117.4
Retained earnings	357.3	591.6
Accumulated other comprehensive loss	<u>(94.7)</u>	<u>(132.8)</u>
Total stockholders' equity	<u>501.9</u>	<u>582.7</u>
Total liabilities and stockholders' equity	<u>\$ 8,819.7</u>	<u>\$ 7,929.2</u>

See Notes to Condensed Consolidated Financial Statements.

THE WESTERN UNION COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in millions)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities		
Net income	\$ 713.1	\$ 667.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	45.1	46.0
Amortization	92.1	84.5
Stock compensation expense	22.4	29.2
Gain on revaluation of equity interest (Note 3)	(29.4)	—
Other non-cash items, net	(0.4)	(10.2)
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:		
Other assets	1.2	49.4
Accounts payable and accrued liabilities	(9.8)	29.9
Income taxes payable (Note 13)	99.7	(153.5)
Other liabilities	(51.2)	(32.7)
Net cash provided by operating activities	882.8	709.9
Cash flows from investing activities		
Capitalization of contract costs	(76.3)	(27.5)
Capitalization of purchased and developed software	(8.6)	(23.2)
Purchases of property and equipment	(39.4)	(37.1)
Acquisition of businesses	(136.9)	(2.3)
Repayments of notes receivable issued to agents	—	16.9
Net cash used in investing activities	(261.2)	(73.2)
Cash flows from financing activities		
Proceeds from exercise of options	94.2	19.0
Cash dividends paid	(95.0)	(80.1)
Common stock repurchased	(803.9)	(511.2)
Net proceeds from issuance of borrowings	696.8	247.1
Net cash used in financing activities	(107.9)	(325.2)
Net change in cash and cash equivalents	513.7	311.5
Cash and cash equivalents at beginning of period	2,157.4	1,685.2
Cash and cash equivalents at end of period	<u>\$ 2,671.1</u>	<u>\$ 1,996.7</u>
Supplemental cash flow information:		
Interest paid	\$ 115.0	\$ 102.3
Income taxes paid (Note 13)	\$ 112.4	\$ 355.0
Dividends declared but not paid	\$ 49.6	\$ 39.4
Non-cash exchange of 5.400% notes due 2011 for 5.253% notes due 2020	\$ —	\$ 303.7

See Notes to Condensed Consolidated Financial Statements.

THE WESTERN UNION COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Basis of Presentation

Business

The Western Union Company (“Western Union” or the “Company”) is a leader in global money movement and payment services, providing people and businesses with fast, reliable and convenient ways to send money and make payments around the world. The Western Union® brand is globally recognized. The Company’s services are available through a network of agent locations in more than 200 countries and territories. Each location in the Company’s agent network is capable of providing one or more of the Company’s services.

The Western Union business consists of the following segments:

- Consumer-to-consumer — money transfer services between consumers, primarily through a global network of third-party agents using the Company’s multi-currency, real-time money transfer processing systems. This service is available for international cross-border transfers — that is, the transfer of funds from one country to another — and, in certain countries, intra-country transfers — that is, money transfers from one location to another in the same country.
- Global business payments — the processing of payments from consumers or businesses to other businesses. The Company’s business payments services allow consumers to make payments to a variety of organizations including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. Western Union Business Solutions (“Business Solutions”), which is also included in this segment, facilitates cross-border, cross-currency business-to-business payment transactions. The majority of the segment’s revenue was generated in the United States during all periods presented. However, international expansion and other key strategic initiatives have resulted in international revenue continuing to increase in this segment.

All businesses that have not been classified into the consumer-to-consumer or global business payments segments are reported as “Other” and primarily include the Company’s money order and prepaid services businesses.

There are legal or regulatory limitations on transferring certain assets of the Company outside of the countries where these assets are located, or which constitute undistributed earnings of affiliates of the Company accounted for under the equity method of accounting. However, there are generally no limitations on the use of these assets within those countries. Additionally, the Company must meet minimum capital requirements in some countries in order to maintain operating licenses. As of September 30, 2011, the amount of net assets subject to these limitations totaled approximately \$230 million.

Various aspects of the Company’s services and businesses are subject to United States federal, state and local regulation, as well as regulation by foreign jurisdictions, including certain banking and other financial services regulations.

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and were prepared in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X. In compliance with those instructions, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) have been condensed or omitted.

Table of Contents

The unaudited condensed consolidated financial statements in this quarterly report are presented on a consolidated basis and include the accounts of the Company and its majority-owned subsidiaries. Results of operations and cash flows for the interim periods are not necessarily indicative of the results that may be expected for the entire year. All significant intercompany transactions and accounts have been eliminated.

In the opinion of management, these condensed consolidated financial statements include all the normal recurring adjustments necessary to fairly present the Company's condensed consolidated results of operations, financial position and cash flows as of September 30, 2011 and for all periods presented. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements within the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Consistent with industry practice, the accompanying Condensed Consolidated Balance Sheets are unclassified due to the short-term nature of the Company's settlement obligations contrasted with the Company's ability to invest cash awaiting settlement in long-term investment securities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

2. Earnings Per Share and Dividends

Earnings Per Share

The calculation of basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested, using the treasury stock method. The treasury stock method assumes proceeds from the exercise price of stock options, the unamortized compensation expense and assumed tax benefits of options and restricted stock are available to acquire shares at an average market price throughout the period, and therefore, reduce the dilutive effect.

For the three months ended September 30, 2011 and 2010, there were 26.4 million and 36.0 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation as their effect was anti-dilutive. For the nine months ended September 30, 2011 and 2010, there were 14.1 million and 36.1 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation as their effect was anti-dilutive.

The following table provides the calculation of diluted weighted-average shares outstanding (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Basic weighted-average shares outstanding	624.9	659.1	634.3	670.1
Common stock equivalents	2.2	2.2	4.0	2.3
Diluted weighted-average shares outstanding	<u>627.1</u>	<u>661.3</u>	<u>638.3</u>	<u>672.4</u>

Cash Dividends Paid

The Company's Board of Directors declared quarterly cash dividends of \$0.08 per common share in both the second and third quarters of 2011, and \$0.07 per common share in the first quarter of 2011, representing

Table of Contents

\$144.6 million in total dividends. Of this amount, \$49.6 million was paid on October 7, 2011, \$50.3 million was paid on June 30, 2011 and \$44.7 million was paid on March 31, 2011. During the nine months ended September 30, 2010, the Company's Board of Directors declared quarterly cash dividends of \$0.06 per common share, representing \$119.5 million in total dividends. Of this amount, \$39.4 million was paid on October 14, 2010, \$39.6 million was paid on June 30, 2010 and \$40.5 million was paid on March 31, 2010.

3. Acquisitions

Travelex Global Business Payments

In July 2011, the Company entered into an agreement with Travelex Holdings Limited to acquire its business-to-business payment operations known as Travelex Global Business Payments ("TGBP") for cash consideration of £606 million (approximately \$945 million based on currency exchange rates at September 30, 2011), subject to a working capital adjustment. With the acquisition of TGBP and the Company's existing Business Solutions business, the Company will have a presence in 18 countries and the ability to leverage TGBP's international business-to-business payments market expertise, distribution, product and capabilities with Western Union's brand, existing Business Solutions operations, global infrastructure and relationships, and financial strength. The acquisition is expected to close in the fourth quarter of 2011, subject to regulatory approval and satisfaction of closing conditions.

Finint, S.r.l.

On October 31, 2011, the Company acquired the remaining 70% interest in Finint S.r.l. ("Finint"), one of the Company's largest money transfer agents in Europe, for cash consideration of approximately €100 million (approximately \$140 million based on currency exchange rates at October 31, 2011), subject to a working capital adjustment. The Company previously held a 30% equity interest in Finint. The Company expects the acquisition of Finint will help accelerate the introduction of additional Western Union products and services, and will leverage its existing European infrastructure to build new opportunities across the European Union. The acquisition will be recognized at 100% of the fair value of Finint due to the revaluation of the Company's 30% interest to fair value. The acquisition will not impact the Company's revenue, because the Company is already recording all of the revenue arising from money transfers originating at Finint subagents. As of the acquisition date, the Company no longer incurs commission costs for transactions related to Finint; rather the Company now pays commissions to Finint subagents, resulting in lower overall commission expense. The Company's operating expenses include costs attributable to Finint's operations subsequent to the acquisition date.

Angelo Costa, S.r.l.

On April 20, 2011, the Company acquired the remaining 70% interest in European-based Angelo Costa S.r.l. ("Costa"), one of the Company's largest agents providing services in a number of European countries, primarily Italy, the United Kingdom, Belgium, Romania and the Netherlands. The Company previously held a 30% equity interest in Costa. The Company expects the acquisition of Costa will help accelerate the introduction of additional Western Union products and services, and will leverage its existing European infrastructure to build new opportunities across the European Union. The acquisition does not impact the Company's money transfer revenue, because the Company was already recording all of the revenue arising from money transfers originating at Costa subagents. As of the acquisition date, the Company no longer incurs commission costs for transactions related to Costa; rather the Company now pays commissions to Costa subagents, resulting in lower overall commission expense. The Company's operating expenses include costs attributable to Costa's operations subsequent to the acquisition date.

The Company acquired the remaining 70% interest in Costa for cash consideration of €95 million (\$135.7 million) which included a reduction of €5 million (\$7.1 million) for an initial working capital adjustment pursuant to the terms of the purchase agreement. The final consideration and the final purchase price allocation are subject to an additional working capital adjustment. The Company revalued its previous 30% equity interest

Table of Contents

to fair value of approximately \$46.2 million on the acquisition date, resulting in total value of \$181.9 million. In conjunction with the revaluation, the Company recognized a gain of \$29.4 million, recorded in “Other income, net” in the Company’s Condensed Consolidated Statements of Income for the amount by which the fair value of the 30% equity interest exceeded its previous carrying value. All assets and liabilities of Costa have been recorded at fair value, excluding the deferred tax liability. The following table summarizes the preliminary allocation of total value (in millions):

Assets:	
Settlement assets	\$ 51.2
Property and equipment	3.0
Goodwill	171.9
Other intangible assets	49.6
Other assets	4.1
Total assets	<u>\$ 279.8</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 10.2
Settlement obligations	55.5
Income taxes payable	10.5
Deferred tax liability, net	15.0
Other liabilities	6.7
Total liabilities	<u>97.9</u>
Total value	<u>\$ 181.9</u>

The preliminary valuation of assets acquired resulted in \$49.6 million of identifiable intangible assets, \$42.7 million of which were attributable to the network of subagents and were valued using an income approach, and \$6.9 million of other intangibles which were valued using both income and cost approaches. For the remaining assets and liabilities excluding goodwill and the deferred tax liability, fair value approximated carrying values. The intangible assets related to the network of subagents are being amortized over 11 years, subject to valuation completion. The remaining intangibles are being amortized over one to four years. The goodwill recognized of \$171.9 million is attributable to growth opportunities that will arise from the Company directly managing its agent relationships through a dedicated sales force, expected synergies, projected long-term business growth and an assembled workforce. All goodwill relates entirely to the consumer-to-consumer segment. Goodwill expected to be deductible for income tax purposes is approximately \$92.7 million.

4. Restructuring and Related Expenses

On May 25, 2010 and as subsequently revised, the Company’s Board of Directors approved a restructuring plan (the “Restructuring Plan”) designed to reduce the Company’s overall headcount and migrate positions from various facilities, primarily within North America and Europe, to regional operating centers. Details of the expenses incurred are included in the tables below. Included in these expenses are approximately \$2 million of non-cash expenses related to fixed asset and leasehold improvement write-offs and accelerated depreciation at impacted facilities. As of September 30, 2011, the Company has incurred all of the expenses related to the Restructuring Plan.

Table of Contents

The following table summarizes the activity for the restructuring and related expenses discussed above for the nine months ended September 30, 2011 and the related restructuring accruals at September 30, 2011 and December 31, 2010 (in millions):

	Severance, Outplacement and Related Benefits	Fixed Asset Write-Offs and Accelerated Depreciation	Lease Terminations	Other (b)	Total
Balance, December 31, 2010	\$ 34.3	\$ —	\$ —	\$ 1.1	\$ 35.4
Expenses (a)	26.1	1.3	3.5	15.9	46.8
Cash payments	(36.4)	—	(3.5)	(16.0)	(55.9)
Non-cash charges (a)	1.4	(1.3)	—	—	0.1
Balance, September 30, 2011	\$ 25.4	\$ —	\$ —	\$ 1.0	\$ 26.4
Total expenses	\$ 74.8	\$ 2.2	\$ 3.5	\$ 25.8	\$ 106.3

- (a) Expenses include non-cash write-offs and accelerated depreciation of fixed assets and leasehold improvements. However, these amounts were recognized outside of the restructuring accrual.
- (b) Other expenses related to the relocation of various operations to new and existing Company facilities including expenses for hiring, training, relocation, travel and professional fees. All such expenses will be recorded when incurred.

Restructuring and related expenses are reflected in the Condensed Consolidated Statements of Income as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Cost of services	\$ 3.2	\$ 4.6	\$ 10.6	\$ 14.0
Selling, general and administrative	10.7	9.4	36.2	34.5
Total restructuring and related expenses, pre-tax	\$ 13.9	\$ 14.0	\$ 46.8	\$ 48.5
Total restructuring and related expenses, net of tax	\$ 9.7	\$ 9.5	\$ 32.0	\$ 31.9

The following table summarizes the restructuring and related expenses by reportable segment (in millions). These expenses have not been allocated to the Company's segments disclosed in Note 15. While these items are identifiable to the Company's segments, these expenses have been excluded from the measurement of segment operating profit provided to the chief operating decision maker ("CODM") for purposes of assessing segment performance and decision making with respect to resource allocation.

	Consumer- to- Consumer	Global Business Payments	Other	Total
2010 expenses	\$ 44.7	\$ 12.8	\$ 2.0	\$ 59.5
First quarter 2011	19.1	3.5	1.4	24.0
Second quarter 2011	6.8	1.8	0.3	8.9
Third quarter 2011	7.8	5.9	0.2	13.9
Total expenses	\$ 78.4	\$ 24.0	\$ 3.9	\$ 106.3

During the three months ended September 30, 2010, \$12.0 million, \$1.4 million, and \$0.6 million of the restructuring expenses incurred were attributable to the consumer-to-consumer, global business payments, and other segments, respectively, for a total of \$14.0 million. During the nine months ended September 30, 2010, \$38.2 million, \$8.3 million, and \$2.0 million of the restructuring expenses incurred were attributable to the consumer-to-consumer, global business payments, and other segments, respectively, for a total of \$48.5 million.

Table of Contents

5. Fair Value Measurements

Fair value, as defined by the relevant accounting standards, represents the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information on how the Company measures fair value, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The following tables reflect assets and liabilities that were measured and carried at fair value on a recurring basis (in millions):

	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
September 30, 2011				
Assets:				
State and municipal debt securities	\$ —	\$ 834.8	\$ —	\$ 834.8
State and municipal variable rate demand notes	—	560.9	—	560.9
Corporate debt and other	0.1	101.2	—	101.3
Derivatives	—	130.3	—	130.3
Total assets	<u>\$ 0.1</u>	<u>\$ 1,627.2</u>	<u>\$ —</u>	<u>\$ 1,627.3</u>
Liabilities:				
Derivatives	\$ —	\$ 82.8	\$ —	\$ 82.8
Total liabilities	<u>\$ —</u>	<u>\$ 82.8</u>	<u>\$ —</u>	<u>\$ 82.8</u>
	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
December 31, 2010				
Assets:				
State and municipal debt securities	\$ —	\$ 849.1	\$ —	\$ 849.1
State and municipal variable rate demand notes	—	490.0	—	490.0
Agency mortgage-backed securities and other	0.1	29.9	—	30.0
Derivatives	—	69.8	—	69.8
Total assets	<u>\$ 0.1</u>	<u>\$ 1,438.8</u>	<u>\$ —</u>	<u>\$ 1,438.9</u>
Liabilities:				
Derivatives	\$ —	\$ 80.9	\$ —	\$ 80.9
Total liabilities	<u>\$ —</u>	<u>\$ 80.9</u>	<u>\$ —</u>	<u>\$ 80.9</u>

No non-recurring fair value adjustments were recorded during the three and nine months ended September 30, 2011, except those associated with the Costa acquisition in the nine months ended September 30, 2011, as disclosed in Note 3.

Other Fair Value Measurements

The carrying amounts for Western Union financial instruments, including cash and cash equivalents, settlement cash and cash equivalents, settlement receivables and settlement obligations approximate fair value due to their short-term maturities. The Company's borrowings had a carrying value and fair value of \$3,982.8 million and \$4,246.5 million, respectively, at September 30, 2011 and had a carrying value and fair value of \$3,289.9 million and \$3,473.6 million, respectively, at December 31, 2010 (see Note 12).

6. Commitments and Contingencies*Letters of Credit and Bank Guarantees*

The Company had approximately \$90 million in outstanding letters of credit and bank guarantees at September 30, 2011 with expiration dates through 2015, the majority of which contain a one-year renewal option. The letters of credit and bank guarantees are primarily held in connection with lease arrangements and certain agent agreements. The Company expects to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

Litigation and Related Contingencies

In the second quarter of 2009, the Antitrust Division of the United States Department of Justice (“DOJ”) served one of the Company’s subsidiaries with a grand jury subpoena requesting documents in connection with an investigation into money transfers, including related foreign exchange rates, from the United States to the Dominican Republic from 2004 through the date of subpoena. The Company is cooperating fully with the DOJ investigation. Due to the stage of the investigation, the Company is unable to predict the outcome of the investigation, or the possible loss or range of loss, if any, which could be associated with the resolution of any possible criminal charges or civil claims that may be brought against the Company. Should such charges or claims be brought, the Company could face significant fines, damage awards or regulatory consequences which could have a material adverse effect on the Company’s business, financial position and results of operations.

The Company and one of its subsidiaries are defendants in two purported class action lawsuits: James P. Tennille v. The Western Union Company and Robert P. Smet v. The Western Union Company, both of which are pending in the United States District Court for the District of Colorado. The original complaints asserted claims for violation of various consumer protection laws, unjust enrichment, conversion and declaratory relief, based on allegations that the Company waits too long to inform consumers if their money transfers are not redeemed by the recipients and that the Company uses the unredeemed funds to generate income until the funds are escheated to state governments. The Tennille complaint was served on the Company on April 27, 2009. The Smet complaint was served on the Company on April 6, 2010. On September 21, 2009, the Court granted the Company’s motion to dismiss the Tennille complaint and gave the plaintiff leave to file an amended complaint. On October 21, 2009, Tennille filed an amended complaint. The Company moved to dismiss the Tennille amended complaint and the Smet complaint. On November 8, 2010, the Court denied the Company’s motion to dismiss as to the plaintiffs’ unjust enrichment and conversion claims. On February 4, 2011, the Court dismissed plaintiffs’ consumer protection claims. On March 11, 2011, the plaintiffs filed an amended complaint that adds a claim for breach of fiduciary duty, various elements to its declaratory relief claim and Western Union Financial Services, Inc. as a defendant. On April 25, 2011, the Company and Western Union Financial Services, Inc. filed a motion to dismiss the breach of fiduciary duty and declaratory relief claims. Western Union Financial Services, Inc. has also moved to compel arbitration of the plaintiffs’ claims. The plaintiffs have not sought and the Court has not granted class certification. The Company and Western Union Financial Services, Inc. intend to vigorously defend themselves against both lawsuits. However, due to the preliminary stages of these lawsuits, the fact the plaintiffs have not quantified their damage demands, and the uncertainty as to whether they will ever be certified as class actions, the potential outcome cannot be determined.

On February 11, 2010, the Company signed an agreement and settlement, which resolved all outstanding legal issues and claims with the State of Arizona and requires the Company to fund a multi-state not-for-profit organization promoting safety and security along the United States and Mexico border, in which California, Texas and New Mexico are participating with Arizona. The accrual includes amounts for reimbursement to the State of Arizona for its costs associated with this matter. In addition, as part of the agreement and settlement, the Company has made and expects to make certain investments in its compliance programs along the United States and Mexico border and has engaged a monitor for those programs, which are expected to cost up to \$23 million over the period from signing to 2013.

Table of Contents

In the normal course of business, the Company is subject to claims and litigation. Management of the Company believes such matters involving a reasonably possible chance of loss will not, individually or in the aggregate, result in a material adverse effect on the Company's financial position, results of operations and cash flows. The Company accrues for loss contingencies as they become probable and estimable.

On January 26, 2006, the First Data Corporation ("First Data") Board of Directors announced its intention to pursue the distribution of all of its money transfer and consumer payments business and its interest in a Western Union money transfer agent, as well as its related assets, including real estate, through a tax-free distribution to First Data shareholders (the "Spin-off"). The Spin-off resulted in the formation of the Company and these assets and businesses no longer being part of First Data. Pursuant to the separation and distribution agreement with First Data in connection with the Spin-off, First Data and the Company are each liable for, and agreed to perform, all liabilities with respect to their respective businesses. In addition, the separation and distribution agreement also provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of the Company's business with the Company and financial responsibility for the obligations and liabilities of First Data's retained businesses with First Data. The Company also entered into a tax allocation agreement that sets forth the rights and obligations of First Data and the Company with respect to taxes imposed on their respective businesses both prior to and after the Spin-off as well as potential tax obligations for which the Company may be liable in conjunction with the Spin-off (see Note 13).

7. Related Party Transactions

The Company has ownership interests in certain of its agents accounted for under the equity method of accounting. The Company pays these agents, as it does its other agents, commissions for money transfer and other services provided on the Company's behalf. Commission expense recognized for these agents for the three months ended September 30, 2011 and 2010 totaled \$31.3 million and \$46.6 million, respectively, and \$110.3 million and \$135.8 million for the nine months ended September 30, 2011 and 2010, respectively. Commission expense recognized for Costa prior to April 20, 2011, the date of the acquisition (see Note 3), was considered a related party transaction.

The Company has a director who is also a director for a company holding significant investments in two of the Company's existing agents. These agents had been agents of the Company prior to the director being appointed to the board. The Company recognized commission expense of \$15.1 million and \$14.0 million for the three months ended September 30, 2011 and 2010, respectively, and \$43.5 million and \$40.3 million for the nine months ended September 30, 2011 and 2010, respectively, related to these agents.

8. Settlement Assets and Obligations

Settlement assets represent funds received or to be received from agents for unsettled money transfers, money orders and consumer payments. Western Union records corresponding settlement obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. Settlement assets and obligations also include amounts receivable from and payable to businesses for the value of customer cross-currency payment transactions related to the global business payments segment.

Table of Contents

Settlement assets and obligations consisted of the following (in millions):

	September 30,	December 31,
	2011	2010
Settlement assets:		
Cash and cash equivalents	\$ 288.9	\$ 133.8
Receivables from selling agents and business-to-business customers	971.1	1,132.3
Investment securities	1,497.0	1,369.1
	<u>\$ 2,757.0</u>	<u>\$ 2,635.2</u>
Settlement obligations:		
Money transfer, money order and payment service payables	\$ 2,159.2	\$ 2,170.0
Payables to agents	597.8	465.2
	<u>\$ 2,757.0</u>	<u>\$ 2,635.2</u>

Investment securities consist primarily of high-quality state and municipal debt securities, including variable rate demand notes. Variable rate demand note securities can be put (sold at par) typically on a daily basis with settlement periods ranging from the same day to one week, but that have varying maturities through 2043. Generally, these securities are used by the Company for short-term liquidity needs and are held for short periods of time, typically less than 30 days. The Company is required to hold specific high-quality, investment grade securities and such investments are restricted to satisfy outstanding settlement obligations in accordance with applicable state and foreign country requirements. The substantial majority of the Company's investment securities are classified as available-for-sale and recorded at fair value. Investment securities are exposed to market risk due to changes in interest rates and credit risk. Western Union regularly monitors credit risk and attempts to mitigate its exposure by making high-quality investments and through investment diversification. As of September 30, 2011, the majority of the Company's investment securities had credit ratings of "AA-" or better from a major credit rating agency.

Unrealized gains and losses on available-for-sale securities are excluded from earnings and presented as a component of accumulated other comprehensive income or loss, net of related deferred taxes. Gains and losses on investments are calculated using the specific-identification method and are recognized during the period the investment is sold or when an investment experiences an other-than-temporary decline in value. Proceeds from the sale and maturity of available-for-sale securities during the nine months ended September 30, 2011 and 2010 were \$10.5 billion and \$10.8 billion, respectively.

The components of investment securities, all of which are classified as available-for-sale, were as follows (in millions):

			Gross Unrealized	Gross Unrealized	Net Unrealized
	Amortized Cost	Fair Value	Gains	Losses	Gains/ (Losses)
September 30, 2011					
State and municipal debt securities (a)	\$ 822.9	\$ 834.8	\$ 12.5	\$ (0.6)	\$ 11.9
State and municipal variable rate demand notes	560.9	560.9	—	—	—
Corporate debt and other	101.1	101.3	0.9	(0.7)	0.2
	<u>\$ 1,484.9</u>	<u>\$ 1,497.0</u>	<u>\$ 13.4</u>	<u>\$ (1.3)</u>	<u>\$ 12.1</u>

Table of Contents

			Gross Unrealized	Gross Unrealized	Net Unrealized
	Amortized Cost	Fair Value	Gains	Losses	Gains/ (Losses)
December 31, 2010					
State and municipal debt securities (a)	\$ 844.1	\$ 849.1	\$ 7.0	\$ (2.0)	\$ 5.0
State and municipal variable rate demand notes	490.0	490.0	—	—	—
Agency mortgage-backed securities and other	29.9	30.0	0.1	—	0.1
	<u>\$ 1,364.0</u>	<u>\$ 1,369.1</u>	<u>\$ 7.1</u>	<u>\$ (2.0)</u>	<u>\$ 5.1</u>

(a) The majority of these securities are fixed-rate instruments.

The following summarizes the contractual maturities of investment securities as of September 30, 2011 (in millions):

	Fair Value
Due within 1 year	\$ 150.5
Due after 1 year through 5 years	699.7
Due after 5 years through 10 years	140.7
Due after 10 years	506.1
	<u>\$ 1,497.0</u>

Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay the obligations or the Company may have the right to put the obligation prior to its contractual maturity, as with variable rate demand notes. Variable rate demand notes, having a fair value of \$4.0 million, \$38.9 million, \$49.3 million and \$468.7 million, are included in the “Due within 1 year,” “Due after 1 year through 5 years,” “Due after 5 years through 10 years” and “Due after 10 years” categories, respectively, in the table above.

Table of Contents

9. Comprehensive Income

The components of other comprehensive income, net of tax, were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income	\$ 239.7	\$ 238.4	\$ 713.1	\$ 667.3
Unrealized gains on investment securities:				
Unrealized gains	5.2	5.6	12.2	6.3
Tax expense	(2.0)	(2.2)	(4.6)	(2.4)
Reclassification of gains into earnings	(4.1)	(1.3)	(5.2)	(2.4)
Tax expense	1.6	0.5	2.0	0.9
Net unrealized gains on investment securities	0.7	2.6	4.4	2.4
Unrealized gains/(losses) on hedging activities:				
Unrealized gains/(losses)	41.4	(69.6)	(16.2)	14.6
Tax (expense)/benefit	(2.8)	9.6	6.0	(0.2)
Reclassification of gains/(losses) into earnings	12.7	(13.6)	33.9	(23.4)
Tax (expense)/benefit	(2.2)	1.6	(6.2)	2.2
Net unrealized gains/(losses) on hedging activities	49.1	(72.0)	17.5	(6.8)
Foreign currency translation adjustments:				
Foreign currency translation adjustments	12.8	(10.8)	15.2	8.7
Tax (expense)/benefit	(2.0)	2.4	(2.6)	(1.7)
Net foreign currency translation adjustments	10.8	(8.4)	12.6	7.0
Pension liability adjustments:				
Reclassification of losses into earnings	2.0	1.5	6.1	4.6
Tax benefit	(0.8)	(0.5)	(2.5)	(1.7)
Net pension liability adjustments	1.2	1.0	3.6	2.9
Total comprehensive income	<u>\$ 301.5</u>	<u>\$ 161.6</u>	<u>\$ 751.2</u>	<u>\$ 672.8</u>

10. Employee Benefit Plan

The Company has a frozen defined benefit pension plan (the “Plan”) for which it had a recorded unfunded pension obligation of \$89.4 million and \$112.8 million as of September 30, 2011 and December 31, 2010, respectively, included in “Other liabilities” in the Condensed Consolidated Balance Sheets. The Company is required to fund \$22 million to the Plan in 2011. Through September 2011, the Company has made contributions of approximately \$21 million to the Plan, including a discretionary contribution of \$3 million.

The following table provides the components of net periodic benefit cost for the Plan (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest cost	\$ 4.5	\$ 5.1	\$ 13.5	\$ 15.1
Expected return on plan assets	(5.3)	(5.1)	(16.0)	(15.3)
Amortization of actuarial loss	2.0	1.5	6.1	4.6
Net periodic benefit cost	<u>\$ 1.2</u>	<u>\$ 1.5</u>	<u>\$ 3.6</u>	<u>\$ 4.4</u>

Table of Contents

11. Derivatives

The Company is exposed to foreign currency exchange risk resulting from fluctuations in exchange rates, primarily the euro, and to a lesser degree the British pound, Canadian dollar and other currencies, related to forecasted money transfer revenues and on money transfer settlement assets and obligations. The Company is also exposed to risk from derivative contracts written to its customers arising from its cross-currency business-to-business payments operations. Additionally, the Company is exposed to interest rate risk related to changes in market rates both prior to and subsequent to the issuance of debt. The Company uses derivatives to (a) minimize its exposures related to changes in foreign currency exchange rates and interest rates and (b) facilitate cross-currency business-to-business payments by writing derivatives to customers.

The Company executes derivatives with established financial institutions, with the substantial majority of these financial institutions having credit ratings of “A–” or better from a major credit rating agency. The Company also executes global business payments derivatives mostly with small and medium size enterprises. The primary credit risk inherent in derivative agreements represents the possibility that a loss may occur from the nonperformance of a counterparty to the agreements. The Company performs a review of the credit risk of these counterparties at the inception of the contract and on an ongoing basis. The Company also monitors the concentration of its contracts with any individual counterparty. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements, but takes action (including termination of contracts) when doubt arises about the counterparties’ ability to perform. The Company’s hedged foreign currency exposures are in liquid currencies, consequently there is minimal risk that appropriate derivatives to maintain the hedging program would not be available in the future.

Foreign Currency — Consumer-to-Consumer

The Company’s policy is to use longer-term foreign currency forward contracts, with maturities of up to 36 months at inception and a targeted weighted-average maturity of approximately one year, to mitigate some of the risk that changes in foreign currency exchange rates compared to the United States dollar could have on forecasted revenues denominated in other currencies related to its business. At September 30, 2011, the Company’s longer-term foreign currency forward contracts had maturities of a maximum of 24 months with a weighted-average maturity of approximately one year. These contracts are accounted for as cash flow hedges of forecasted revenue, with effectiveness assessed based on changes in the spot rate of the affected currencies during the period of designation. Accordingly, all changes in the fair value of the hedges not considered effective or portions of the hedge that are excluded from the measure of effectiveness are recognized immediately in “Derivative gains/(losses), net” within the Company’s Condensed Consolidated Statements of Income.

The Company also uses short duration foreign currency forward contracts, generally with maturities from a few days up to one month, to offset foreign exchange rate fluctuations on settlement assets and obligations between initiation and settlement. In addition, forward contracts, typically with maturities of less than one year, are utilized to offset foreign exchange rate fluctuations on certain foreign currency denominated cash positions. None of these contracts are designated as accounting hedges.

The aggregate equivalent United States dollar notional amounts of foreign currency forward contracts as of September 30, 2011 were as follows (in millions):

Contracts not designated as hedges:	
Euro	\$ 165.5
British pound	43.3
Other	101.7
Contracts designated as hedges:	
Euro	\$ 497.5
Canadian dollar	115.1
British pound	107.0
Other	109.8

Table of Contents

Foreign Currency — Global Business Payments

The Company writes derivatives, primarily foreign currency forward contracts and, to a much smaller degree, option contracts, mostly with small and medium size enterprises (customer contracts) and derives a currency spread from this activity as part of its global business payments operations. In this capacity, the Company facilitates cross-currency payment transactions for its customers but aggregates its global business payments foreign currency exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts). The derivatives written are part of the broader portfolio of foreign currency positions arising from its cross-currency business-to-business payments operations, which primarily include spot exchanges of currency in addition to forwards and options. Foreign exchange revenues from the total portfolio of positions were \$32.8 million and \$25.4 million in the three months ended September 30, 2011 and 2010, respectively, and \$89.8 million and \$77.0 million in the nine months ended September 30, 2011 and 2010, respectively. None of the derivative contracts used in global business payments operations are designated as accounting hedges. The duration of these derivative contracts is generally nine months or less.

The aggregate equivalent United States dollar notional amounts of foreign currency derivative customer contracts held by the Company as of September 30, 2011 were approximately \$1.8 billion. The significant majority of customer contracts are written in major currencies such as the Canadian dollar, euro, Australian dollar and the British pound.

The Company has forward contracts to offset foreign exchange rate fluctuations on a Canadian dollar denominated intercompany loan. These contracts, which are not designated as accounting hedges, had a notional amount of approximately 230 million and 245 million Canadian dollars at September 30, 2011 and December 31, 2010, respectively.

Interest Rate Hedging — Corporate

The Company utilizes interest rate swaps to effectively change the interest rate payments on a portion of its notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage its overall exposure to interest rates. The Company designates these derivatives as fair value hedges utilizing the short-cut method, which permits an assumption of no ineffectiveness if certain criteria are met. The change in fair value of the interest rate swaps is offset by a change in the carrying value of the debt being hedged within the Company's "Borrowings" in the Condensed Consolidated Balance Sheets and "Interest expense" in the Condensed Consolidated Statements of Income has been adjusted to include the effects of interest accrued on the swaps.

The Company, at times, utilizes derivatives to hedge the forecasted issuance of fixed-rate debt. These derivatives are designated as cash flow hedges of the variability in the fixed-rate coupon of the debt expected to be issued. The effective portion of the change in fair value of the derivatives is recorded in "Accumulated other comprehensive loss."

At September 30, 2011 and December 31, 2010, the Company held interest rate swaps in an aggregate notional amount of \$695 million and \$1,195 million, respectively. The aggregate notional amount held at September 30, 2011 related to notes due in November 2011.

Table of Contents

Balance Sheet

The following table summarizes the fair value of derivatives reported in the Condensed Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010 (in millions):

		Derivative Assets			Derivative Liabilities	
		Fair Value			Fair Value	
	Balance Sheet Location	September 30,	December 31,		September 30,	December 31,
		2011	2010	Balance Sheet Location	2011	2010
Derivatives — hedges:						
Interest rate hedges — Corporate	Other assets	\$ 10.4	\$ 8.0	Other liabilities	\$ —	\$ 1.6
Foreign currency cash flow hedges — Consumer-to-consumer	Other assets	31.5	14.7	Other liabilities	10.3	31.1
Total		\$ 41.9	\$ 22.7		\$ 10.3	\$ 32.7
Derivatives — undesignated:						
Foreign currency — Global business payments	Other assets	\$ 81.7	\$ 46.9	Other liabilities	\$ 71.3	\$ 36.2
Foreign currency — Consumer-to-consumer	Other assets	6.7	0.2	Other liabilities	1.2	12.0
Total		\$ 88.4	\$ 47.1		\$ 72.5	\$ 48.2
Total derivatives		\$ 130.3	\$ 69.8		\$ 82.8	\$ 80.9

Income Statement

The following tables summarize the location and amount of gains and losses of derivatives in the Condensed Consolidated Statements of Income segregated by designated, qualifying hedging instruments and those that are not, for the three and nine months ended September 30, 2011 and 2010 (in millions):

Fair Value Hedges

The following table presents the location and amount of gains/(losses) from fair value hedges for the three months ended September 30, 2011 and 2010 (in millions):

	Gain/(Loss) Recognized in Income on Derivatives				Gain/(Loss) Recognized in Income on Related Hedged Item (a)		
		Amount				Amount	
	Income Statement Location	September 30, 2011	September 30, 2010		Income Statement Location	September 30, 2011	September 30, 2010
Derivatives		2011	2010	Hedged Items		2011	2010
Interest rate contracts				Fixed-rate debt			
	Interest expense	\$ 3.4	\$ 4.9		Interest expense	\$ 3.0	\$ 0.7
Total gain		\$ 3.4	\$ 4.9			\$ 3.0	\$ 0.7

The following table presents the location and amount of gains/(losses) from fair value hedges for the nine months ended September 30, 2011 and 2010 (in millions):

Derivatives	Gain/(Loss) Recognized in Income on Derivatives			Hedged Items	Gain/(Loss) Recognized in Income on Related Hedged Item (a)		
	Income Statement Location	Amount			Income Statement Location	Amount	
		September 30,	September 30,			September 30,	September 30,
		2011	2010			2011	2010
Interest rate contracts	Interest expense	\$ 11.6	\$ 14.8	Fixed-rate debt	Interest expense	\$ 8.7	\$ 3.3
Total gain		\$ 11.6	\$ 14.8			\$ 8.7	\$ 3.3

Table of Contents

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash flow hedges for the three months ended September 30, 2011 and 2010 (in millions):

Derivatives	Amount of Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)		Income Statement Location	Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Income Statement Location	Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)			
	September 30, 2011	September 30, 2010		Amount	September 30, 2011		September 30, 2010	Amount	September 30, 2011	September 30, 2010
Foreign currency contracts	\$ 60.6	\$ (69.6)	Revenue	\$ (11.8)	\$ 13.9	Derivative gains/ (losses), net	\$ (8.0)	\$ 3.6		
Interest rate contracts (c)	(19.2)	—	Interest expense	(0.9)	(0.3)	Interest expense	—	—		
Total gain/(loss)	\$ 41.4	\$ (69.6)		\$ (12.7)	\$ 13.6		\$ (8.0)	\$ 3.6		

The following table presents the location and amount of gains/(losses) from cash flow hedges for the nine months ended September 30, 2011 and 2010 (in millions):

Derivatives	Amount of Gain/(Loss) Recognized in OCI on Derivatives (Effective Portion)		Income Statement Location	Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		Income Statement Location	Gain/(Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) (b)			
	September 30, 2011	September 30, 2010		Amount			September 30, 2011	September 30, 2010	Amount	
				September 30, 2011	September 30, 2010				September 30, 2011	September 30, 2010
Foreign currency contracts	\$ 5.4	\$ 18.8	Revenue	\$ (32.2)	\$ 24.5	Derivative gains/ (losses), net	\$ (7.5)	\$ 0.6		
Interest rate contracts (c)	(21.6)	(4.2)	Interest expense	(1.7)	(1.1)	Interest expense	—	(0.1)		
Total gain/(loss)	\$ (16.2)	\$ 14.6		\$ (33.9)	\$ 23.4		\$ (7.5)	\$ 0.5		

Table of Contents

Undesignated Hedges

The following table presents the location and amount of net gains/(losses) from undesignated hedges for the three and nine months ended September 30, 2011 and 2010 (in millions):

Derivatives	Income Statement Location	Gain/(Loss) Recognized in Income on Derivatives (d)			
		Amount			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	2011	2010
Foreign currency contracts (e)	Selling, general and administrative	\$ 44.8	\$ (36.0)	\$ 11.5	\$ 12.3
Foreign currency contracts (f)	Derivative gains/(losses), net	3.6	(4.1)	0.5	0.9
Total gain/(loss)		<u>\$ 48.4</u>	<u>\$ (40.1)</u>	<u>\$ 12.0</u>	<u>\$ 13.2</u>

- (a) The net gain of \$3.0 million and \$0.7 million in the three months ended September 30, 2011 and 2010, respectively, was comprised of a loss in value on the debt of \$3.4 million and \$4.9 million, respectively, and amortization of hedge accounting adjustments of \$6.4 million and \$5.6 million, respectively. The net gain of \$8.7 million and \$3.3 million in the nine months ended September 30, 2011 and 2010, respectively, was comprised of a loss in value on the debt of \$11.6 million and \$14.8 million, respectively, and amortization of hedge accounting adjustments of \$20.3 million and \$18.1 million, respectively.
- (b) The portion of the change in fair value of a derivative excluded from the effectiveness assessment for foreign currency forward contracts designated as cash flow hedges represents the difference between changes in forward rates and spot rates.
- (c) The Company uses derivatives to hedge the forecasted issuance of fixed-rate debt and records the effective portion of the derivative's fair value in "Accumulated other comprehensive loss" in the Condensed Consolidated Balance Sheets. These amounts are reclassified to "Interest expense" over the life of the related notes.
- (d) The Company uses foreign currency forward and option contracts as part of its international business-to-business payments operations. These derivative contracts are excluded from this table as they are managed as part of a broader currency portfolio that includes non-derivative currency exposures. The gains and losses on these derivatives are included as part of the broader disclosure of portfolio revenue for this business discussed above.
- (e) The Company uses foreign currency forward contracts to offset foreign exchange rate fluctuations on settlement assets and obligations as well as certain foreign currency denominated positions. Foreign exchange loss on settlement assets and obligations and cash balances for the three and nine months ended September 30, 2011, were \$46.5 million and \$20.9 million, respectively. Foreign exchange gain/(loss) on settlement assets and obligations and cash balances for the three and nine months ended September 30, 2010, were \$34.3 million and \$(15.1) million, respectively.
- (f) The derivative contracts used in the Company's revenue hedging program are not designated as hedges in the final month of the contract.

An accumulated other comprehensive pre-tax loss of \$11.3 million related to the foreign currency forward contracts is expected to be reclassified into revenue within the next 12 months as of September 30, 2011. Approximately \$3.8 million of net losses on the forecasted debt issuance hedges are expected to be recognized in interest expense within the next 12 months as of September 30, 2011. No amounts have been reclassified into earnings as a result of the underlying transaction being considered probable of not occurring within the specified time period.

Table of Contents

12. Borrowings

The Company's outstanding borrowings consisted of the following (in millions):

	September 30, 2011	December 31, 2010
Due in less than one year (a):		
5.400% notes (effective rate of 2.7%) due November 2011	\$ 696.3	\$ 696.3
Due in greater than one year:		
Floating rate notes, due 2013 (b)	300.0	—
6.500% notes (effective rate of 5.9%) due 2014	500.0	500.0
5.930% notes due 2016 (c)	1,000.0	1,000.0
3.650% notes (effective rate of 4.4%) due 2018 (d)	400.0	—
5.253% notes due 2020 (c)	324.9	324.9
6.200% notes due 2036 (c)	500.0	500.0
6.200% notes due 2040 (c)	250.0	250.0
Other borrowings	5.9	5.9
Total borrowings at par value	3,977.1	3,277.1
Fair value hedge accounting adjustments, net (a)	27.8	36.6
Unamortized discount, net	(22.1)	(23.8)
Total borrowings at carrying value (e)	\$ 3,982.8	\$ 3,289.9

- (a) The Company utilizes interest rate swaps designated as fair value hedges to effectively change the interest rate payments on a portion of its notes from fixed-rate payments to short-term LIBOR-based variable rate payments in order to manage its overall exposure to interest rates. The changes in fair value of these interest rate swaps result in an offsetting hedge accounting adjustment recorded to the carrying value of the related note. These hedge accounting adjustments will be reclassified as reductions to or increases in "Interest expense" over the life of the related notes, and cause the effective rate of interest to differ from the notes' stated rate.
- (b) On March 7, 2011, the Company issued \$300 million of aggregate principal amount of unsecured floating rate notes due March 7, 2013 ("2013 Notes"). Interest is payable quarterly at a per annum interest rate equal to three-month LIBOR plus 58 basis points (0.91% at September 30, 2011) and is reset quarterly. See below for additional detail relating to the debt issuance.
- (c) The difference between the stated interest rate and the effective interest rate is not significant.
- (d) On August 22, 2011, the Company issued \$400 million of aggregate principal amount of 3.650% unsecured fixed rate notes due 2018 ("2018 Notes"). In anticipation of this issuance, the Company entered into interest rate lock contracts to fix the interest rate of the debt issuance, and recorded a loss on the contracts of \$21.6 million, which increased the effective rate to 4.4%, in "Accumulated other comprehensive loss," which will be amortized into interest expense over the life of the 2018 notes. See below for additional detail relating to the debt issuance.
- (e) At September 30, 2011, the Company's weighted-average effective rate on total borrowings was approximately 4.8%.

The aggregate fair value of the Company's borrowings, based on quotes from multiple banks, excluding the impact of related interest rate swaps, was \$4,246.5 million and \$3,473.6 million at September 30, 2011 and December 31, 2010, respectively.

The Company's maturities of borrowings at par value as of September 30, 2011 are \$700 million in November 2011, \$300 million in 2013, \$500 million in 2014 and approximately \$2.5 billion thereafter.

The Company's obligations with respect to its outstanding borrowings, as described above, rank equally.

Table of Contents

On September 23, 2011, the Company entered into a credit agreement which expires January 2017 providing for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250.0 million letter of credit sub-facility and a \$150.0 million swing line sub-facility (the “Revolving Credit Facility”). The Revolving Credit Facility replaced the Company’s \$1.5 billion revolving credit facility that was set to expire in September 2012. Consistent with the prior facility, the Revolving Credit Facility contains certain covenants that, among other things, limit or restrict the Company’s ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, or incur certain subsidiary level indebtedness, subject to certain exceptions. Also consistent with the prior facility, the Company is required to maintain compliance with a consolidated interest coverage ratio covenant. As of September 30, 2011, the Company did not have any outstanding borrowings under this agreement. The Revolving Credit Facility supports borrowings under the Company’s \$1.5 billion commercial paper program.

Interest due under the Revolving Credit Facility is fixed for the term of each borrowing and is payable according to the terms of that borrowing. Generally, interest is calculated using a selected LIBOR rate plus an interest rate margin of 90 basis points. A facility fee of 10 basis points is also payable quarterly on the total facility, regardless of usage. Both the interest rate margin and facility fee percentage are based on certain of the Company’s credit ratings.

2018 Notes

On August 22, 2011, the Company issued \$400 million of aggregate principal amount of unsecured notes due August 22, 2018. Interest with respect to the 2018 Notes is payable semiannually in arrears on February 22 and August 22 of each year, based on the fixed per annum interest rate of 3.650%. The 2018 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company’s and certain of its subsidiaries’ ability to incur certain types of security interests, or enter into certain sale and leaseback transactions. If a change of control triggering event occurs, holders of the 2018 Notes may require the Company to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest. The Company may redeem the 2018 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 35 basis points.

2013 Notes

On March 7, 2011, the Company issued \$300 million of aggregate principal amount of unsecured floating rate notes due March 7, 2013. Interest with respect to the 2013 Notes is payable quarterly in arrears on each March 7, June 7, September 7 and December 7, beginning June 7, 2011, at a per annum interest rate equal to the three-month LIBOR plus 58 basis points (reset quarterly). The 2013 Notes are subject to covenants that, among other things, limit or restrict the ability of the Company to sell or transfer assets or merge or consolidate with another company, and limit or restrict the Company’s and certain of its subsidiaries’ ability to incur certain types of security interests, or enter into sale and leaseback transactions. If a change of control triggering event occurs, holders of the 2013 Notes may require the Company to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest.

13. Income Taxes

The Company’s effective tax rates on pre-tax income for the three months ended September 30, 2011 and 2010 were 23.6% and 22.7%, respectively, and 22.7% and 22.1% for the nine months ended September 30, 2011 and 2010, respectively. The increase in the Company’s effective tax rate for the three months ended September 30, 2011 is primarily the result of a cumulative tax planning benefit from certain foreign acquisitions that benefited tax expense for the three months ended September 30, 2010. The increase in the Company’s effective tax rate for the nine months ended September 30, 2011 is primarily due to higher taxes associated with the Costa remeasurement gain, offset by benefits from adjustments to reserves related to uncertain tax positions. The tax

Table of Contents

rate for the nine months ended September 30, 2010 was also impacted by the cumulative tax benefit mentioned above and the settlement with the United States Internal Revenue Service (“IRS”) of certain issues relating to the 2002-2004 tax years. The Company continues to benefit from an increasing proportion of profits being foreign-derived, and therefore taxed at lower rates than the Company’s combined federal and state tax rates in the United States.

Uncertain Tax Positions

The Company has established contingency reserves for material, known tax exposures, including potential tax audit adjustments with respect to its international operations, which were restructured in 2003. The Company’s tax reserves reflect management’s judgment as to the resolution of the issues involved if subject to judicial review. While the Company believes its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, the Company’s income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue, and (ii) any difference from the Company’s tax position as recorded in the financial statements and the final resolution of a tax issue during the period.

Unrecognized tax benefits represent the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the Company’s financial statements, and are reflected in “Income taxes payable” in the Condensed Consolidated Balance Sheets. The total amount of unrecognized tax benefits as of September 30, 2011 and December 31, 2010 was \$716.4 million and \$618.7 million, respectively, excluding interest and penalties. A substantial portion of the Company’s unrecognized tax benefits relate to the 2003 restructuring of the Company’s international operations whereby the Company’s income from certain foreign-to-foreign money transfer transactions has been taxed at relatively low foreign tax rates compared to the Company’s combined federal and state tax rates in the United States. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$650.0 million and \$555.5 million as of September 30, 2011 and December 31, 2010, respectively, excluding interest and penalties.

The Company recognizes interest and penalties with respect to unrecognized tax benefits in “Provision for income taxes” in its Condensed Consolidated Statements of Income, and records the associated liability in “Income taxes payable” in its Condensed Consolidated Balance Sheets. The Company recognized \$2.6 million and \$1.9 million in interest and penalties during the three months ended September 30, 2011 and 2010, respectively, and \$6.2 million and \$4.6 million during the nine months ended September 30, 2011 and 2010, respectively. The Company has accrued \$60.0 million and \$52.4 million for the payment of interest and penalties at September 30, 2011 and December 31, 2010, respectively.

The change in unrecognized tax benefits during the nine months ended September 30, 2011 is substantially attributable to recurring accruals on existing uncertain tax positions. The unrecognized tax benefits accrual at September 30, 2011, consists of federal, state and foreign tax matters. It is reasonably possible that the Company’s total unrecognized tax benefits will decrease by up to \$670 million during the next 12 months in connection with various matters which may arise or which may be resolved, including certain matters related to the Company’s 2003 international restructuring and other less significant but recurring accruals on existing uncertain tax positions.

The Company and its subsidiaries file tax returns for the United States, for multiple states and localities, and for various non-United States jurisdictions, and the Company has identified the United States and Ireland as its two major tax jurisdictions. The United States federal income tax returns of First Data, which include the Company, are eligible to be examined for the years 2003 through 2006. The Company’s United States federal income tax returns since the Spin-off are also eligible to be examined. The IRS completed its examination of the United States federal consolidated income tax returns of First Data for 2003 and 2004, which included the Company, and issued a Notice of Deficiency in December 2008. The Notice of Deficiency alleges significant additional taxes, interest and penalties owed with respect to a variety of adjustments involving the Company and

Table of Contents

its subsidiaries, and the Company generally has responsibility for taxes associated with these potential Company-related adjustments under the tax allocation agreement with First Data executed at the time of the Spin-off. The Company agrees with a number of the adjustments in the Notice of Deficiency; however, the Company does not agree with the Notice of Deficiency regarding several substantial adjustments representing total alleged additional tax and penalties due of approximately \$114 million. As of September 30, 2011, interest on the alleged amounts due for unagreed adjustments would be approximately \$40.8 million. A substantial part of the alleged amounts due for these unagreed adjustments relates to the Company's international restructuring, which took effect in the fourth quarter of 2003, and, accordingly, the alleged amounts due related to such restructuring largely are attributable to 2004. If the IRS' position in the Notice of Deficiency were sustained, the Company's tax provision related to 2003 and later years would materially increase. On March 20, 2009, the Company filed a petition in the United States Tax Court contesting those adjustments with which it does not agree. In September 2010, IRS Counsel referred the case to the IRS Appeals Division for possible settlement. The Company's discussions with the IRS Appeals Division are continuing and further progress has been made toward a resolution of those adjustments and related tax matters which, if finalized as currently contemplated, will improve the Company's current and future tax position. The Company continues to believe its overall reserves are adequate, including those associated with the adjustments alleged in the Notice of Deficiency.

An examination of the United States federal consolidated income tax returns of First Data that cover the Company's 2005 and pre-spin-off 2006 taxable periods is ongoing, as is an examination of the Company's United States federal consolidated income tax returns for the 2006 post-spin-off period through 2009. The Irish income tax returns of certain subsidiaries for the years 2006 and forward are eligible to be examined by the Irish tax authorities, although no examinations have commenced.

In the first quarter of 2010, the Company made a \$250 million refundable tax deposit relating to potential United States federal tax liabilities, including those arising from the Company's 2003 international restructuring, which have been previously accrued in the Company's financial statements. The deposit was recorded as a reduction to "Income taxes payable" in the Condensed Consolidated Balance Sheets and a decrease in cash flows from operating activities in the Condensed Consolidated Statement of Cash Flows. Making the deposit limits the further accrual of interest charges with respect to such potential tax liabilities, to the extent of the deposit.

At September 30, 2011, no provision had been made for United States federal and state income taxes on foreign earnings of approximately \$3.0 billion, which are expected to be reinvested outside the United States indefinitely. Upon distribution of those earnings to the United States in the form of actual or constructive dividends, the Company would be subject to United States income taxes (subject to an adjustment for foreign tax credits), state income taxes and possible withholding taxes payable to various foreign countries. Determination of this amount of unrecognized deferred United States tax liability is not practicable because of the complexities associated with its hypothetical calculation.

Tax Allocation Agreement with First Data

The Company and First Data each are liable for taxes imposed on their respective businesses both prior to and after the Spin-off. If such taxes have not been appropriately apportioned between First Data and the Company, subsequent adjustments may occur that may impact the Company's financial position or results of operations.

Also under the tax allocation agreement, with respect to taxes and other liabilities that result from a final determination that is inconsistent with the anticipated tax consequences of the Spin-off (as set forth in the private letter ruling and relevant tax opinion) ("Spin-off Related Taxes"), the Company will be liable to First Data for any such Spin-off Related Taxes attributable solely to actions taken by or with respect to the Company. In addition, the Company will also be liable for half of any Spin-off Related Taxes (i) that would not have been imposed but for the existence of both an action by the Company and an action by First Data or (ii) where the Company and First Data each take actions that, standing alone, would have resulted in the imposition of such Spin-off Related Taxes. The Company may be similarly liable if it breaches certain representations or covenants set forth in the tax allocation agreement. If the Company is required to indemnify First Data for taxes incurred as

Table of Contents

a result of the Spin-off being taxable to First Data, it likely would have a material adverse effect on the Company's business, financial position and results of operations. First Data generally will be liable for all Spin-off Related Taxes, other than those described above.

14. Stock Compensation Plans

For the three and nine months ended September 30, 2011, the Company recognized stock-based compensation expense of \$7.1 million and \$22.4 million, respectively, resulting from stock options, restricted stock awards, restricted stock units, performance based restricted stock units and deferred stock units in the Condensed Consolidated Statements of Income. For the three and nine months ended September 30, 2010, the Company recognized stock-based compensation expense of \$8.6 million and \$29.2 million, respectively. During the nine months ended September 30, 2011, the Company granted 1.8 million options at a weighted-average exercise price of \$20.90, 1.4 million restricted stock units at a weighted-average grant date fair value of \$20.10 and 0.4 million performance based restricted stock units at a weighted-average grant date fair value of \$19.99. The performance based restricted stock units are restricted stock awards, primarily granted to the Company's executives, which require certain financial and strategic performance objectives to be met over the next two years plus an additional one year vesting period after the two-year performance period. During the nine months ended September 30, 2011, the Company had stock option and restricted stock cancellations and forfeitures of 2.2 million and 0.5 million, respectively.

As of September 30, 2011, the Company had 31.7 million outstanding options at a weighted-average exercise price of \$19.03, and had 26.3 million options exercisable at a weighted-average exercise price of \$19.39. Approximately 33% of the outstanding options at September 30, 2011 were held by employees of First Data. The Company had 3.6 million non-vested restricted stock awards and units at a weighted-average grant date fair value of \$16.89 as of September 30, 2011.

The Company used the following assumptions for the Black-Scholes option pricing model to determine the value of Western Union options granted in the nine months ended September 30, 2011:

Stock options granted:

Weighted-average risk-free interest rate	2.5%
Weighted-average dividend yield	1.4%
Volatility	30.9%
Expected term (in years)	5.8
Weighted-average grant date fair value	\$ 6.01

All assumptions used to calculate the fair value of Western Union's stock options granted during the nine months ended September 30, 2011 were determined on a consistent basis with those assumptions disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

15. Segments

As previously described in Note 1, the Company classifies its businesses into two reportable operating segments: consumer-to-consumer and global business payments. Operating segments are defined as components of an enterprise that engage in business activities, about which separate financial information is available that is evaluated regularly by the Company's CODM in deciding where to allocate resources and in assessing performance.

The consumer-to-consumer reporting segment is viewed as one global network where a money transfer can be sent from one location to another, around the world. The segment consists of three regions, which primarily coordinate agent network management and marketing activities. The CODM makes decisions regarding resource allocation and monitors performance based on specific corridors within and across these regions, but also reviews total revenue and operating profit of each region. These regions frequently interact on transactions with

Table of Contents

consumers and share processes, systems and licenses, thereby constituting one global consumer-to-consumer money transfer network. The regions and corridors generally offer the same services distributed by the same agent network, have the same types of customers, are subject to similar regulatory requirements, are processed on the same system and have similar economic characteristics, allowing the geographic regions to be aggregated into one reporting segment.

The global business payments segment processes payments from consumers or businesses to other businesses.

All businesses that have not been classified into consumer-to-consumer or global business payments are reported as “Other.” These businesses primarily include the Company’s money order and prepaid services businesses.

During the three and nine months ended September 30, 2011 and September 30, 2010, the Company incurred expenses of \$13.9 million and \$46.8 million, respectively, and \$14.0 million and \$48.5 million, respectively, for restructuring and related activities. These expenses were not allocated to the Company’s segments. While these items were identifiable to the Company’s segments, they were not included in the measurement of segment operating profit provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on restructuring and related activities refer to Note 4.

The following table presents the Company’s reportable segment results for the three and nine months ended September 30, 2011 and 2010 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Consumer-to-consumer:				
Transaction fees	\$ 922.2	\$ 881.1	\$ 2,660.0	\$ 2,531.1
Foreign exchange revenues	257.2	235.4	730.0	667.3
Other revenues	13.9	11.8	36.5	33.2
	<u>1,193.3</u>	<u>1,128.3</u>	<u>3,426.5</u>	<u>3,231.6</u>
Global business payments:				
Transaction fees	147.7	143.9	438.6	434.3
Foreign exchange revenues	37.0	27.7	99.5	83.2
Other revenues	6.8	7.6	22.2	22.8
	<u>191.5</u>	<u>179.2</u>	<u>560.3</u>	<u>540.3</u>
Other:				
Transaction fees	13.3	11.1	39.6	31.9
Other revenues	12.7	11.0	33.7	31.9
	<u>26.0</u>	<u>22.1</u>	<u>73.3</u>	<u>63.8</u>
Total consolidated revenues	<u>\$ 1,410.8</u>	<u>\$ 1,329.6</u>	<u>\$ 4,060.1</u>	<u>\$ 3,835.7</u>
Operating income/(loss):				
Consumer-to-consumer	\$ 346.3	\$ 337.4	\$ 984.7	\$ 932.5
Global business payments	33.8	27.0	101.1	98.4
Other	(3.2)	0.8	(12.4)	(4.4)
Total segment operating income	<u>376.9</u>	<u>365.2</u>	<u>1,073.4</u>	<u>1,026.5</u>
Restructuring and related expenses (Note 4)	(13.9)	(14.0)	(46.8)	(48.5)
Total consolidated operating income	<u>\$ 363.0</u>	<u>\$ 351.2</u>	<u>\$ 1,026.6</u>	<u>\$ 978.0</u>

THE WESTERN UNION COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

Item 2.

This report on Form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from those expressed in, or implied by, our forward-looking statements. Words such as “expects,” “intends,” “anticipates,” “believes,” “estimates,” “guides,” “provides guidance,” “provides outlook” and other similar expressions or future or conditional verbs such as “will,” “should,” “would” and “could” are intended to identify such forward-looking statements. Readers of the Form 10-Q of The Western Union Company (the “Company,” “Western Union,” “we,” “our” or “us”) should not rely solely on the forward-looking statements and should consider all uncertainties and risks discussed in the “Risk Factors” section and throughout the Annual Report on Form 10-K for the year ended December 31, 2010. The statements are only as of the date they are made, and the Company undertakes no obligation to update any forward-looking statement.

Possible events or factors that could cause results or performance to differ materially from those expressed in our forward-looking statements include the following: changes in immigration laws, patterns and other factors related to migrants; our ability to adapt technology in response to changing industry and consumer needs or trends; our failure to develop and introduce new products, services and enhancements, and gain market acceptance of such products; the failure by us, our agents or subagents to comply with our business and technology standards and contract requirements or applicable laws and regulations, especially laws designed to prevent money laundering, terrorist financing and anti-competitive behavior, and/or changing regulatory or enforcement interpretations of those laws; the impact on our business of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules promulgated there-under; changes in United States or foreign laws, rules and regulations including the Internal Revenue Code and governmental or judicial interpretations thereof; changes in general economic conditions and economic conditions in the regions and industries in which we operate; political conditions and related actions in the United States and abroad which may adversely affect our businesses and economic conditions as a whole; interruptions of United States government relations with countries in which we have or are implementing material agent contracts; mergers, acquisitions and integration of acquired businesses and technologies into our Company, and the realization of anticipated financial benefits from these acquisitions; changes in, and failure to manage effectively exposure to, foreign exchange rates, including the impact of the regulation of foreign exchange spreads on money transfers and payment transactions; our ability to resolve tax matters with the Internal Revenue Service and other tax authorities consistent with our reserves; failure to comply with the settlement agreement with the State of Arizona; liabilities and unanticipated developments resulting from litigation and regulatory investigations and similar matters, including costs, expenses, settlements and judgments; failure to maintain sufficient amounts or types of regulatory capital to meet the changing requirements of our regulators worldwide; deterioration in consumers' and clients' confidence in our business, or in money transfer and payment service providers generally; failure to manage credit and fraud risks presented by our agents, clients and consumers or non-performance by our banks, lenders, other financial services providers or insurers; any material breach of security of or interruptions in any of our systems; our ability to attract and retain qualified key employees and to manage our workforce successfully; our ability to maintain our agent network and business relationships under terms consistent with or more advantageous to us than those currently in place; failure to implement agent contracts according to schedule; adverse rating actions by credit rating agencies; failure to compete effectively in the money transfer industry with respect to global and niche or corridor money transfer providers, banks and other money transfer services providers, including telecommunications providers, card associations, card-based payment providers and electronic and internet providers; our ability to protect our brands and our other intellectual property rights; our failure to manage the potential both for patent protection and patent liability in the context of a rapidly developing legal framework for

Table of Contents

intellectual property protection; cessation of various services provided to us by third-party vendors; adverse movements and volatility in capital markets and other events which affect our liquidity, the liquidity of our agents or clients, or the value of, or our ability to recover our investments or amounts payable to us; decisions to downsize, sell or close units, or to transition operating activities from one location to another or to third parties, particularly transitions from the United States to other countries; changes in industry standards affecting our business; changes in accounting standards, rules and interpretations; significantly slower growth or declines in the money transfer market and other markets in which we operate; adverse consequences from our spin-off from First Data Corporation (“First Data”); decisions to change our business mix; catastrophic events; and management’s ability to identify and manage these and other risks.

Overview

We are a leading provider of money movement services, operating in two business segments:

- *Consumer-to-consumer* — money transfer services between consumers, primarily through a global network of third-party agents using our multi-currency, real-time money transfer processing systems. This service is available for international cross-border transfers — that is, the transfer of funds from one country to another — and, in certain countries, intra-country transfers — that is, money transfers from one location to another in the same country.
- *Global business payments* — the processing of payments from consumers or businesses to other businesses. Our business payments services allow consumers to make payments to a variety of organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. Western Union Business Solutions (“Business Solutions”), which is also included in this segment, facilitates cross-border, cross-currency business-to-business payment transactions. The majority of the segment’s revenue was generated in the United States during all periods presented. However, international expansion and other key strategic initiatives have resulted in international revenue continuing to increase in this segment.

Businesses not considered part of the segments described above are categorized as “Other” and represented 2% or less of consolidated revenue for all periods presented.

Significant Financial and Other Highlights

Significant financial and other highlights for the three and nine months ended September 30, 2011 included:

- We generated \$1,410.8 million and \$4,060.1 million, respectively, in total consolidated revenues compared to \$1,329.6 million and \$3,835.7 million, respectively, for the comparable periods in the prior year, representing an increase of 6% for both periods.
- We incurred \$13.9 million and \$46.8 million, respectively, of restructuring and related expenses, as described within “Operating expenses overview.” Restructuring and related expenses recognized for the three and nine months ended September 30, 2010 were \$14.0 million and \$48.5 million, respectively. As of September 30, 2011, we have incurred all of the expenses related to our restructuring plan.
- We generated \$363.0 million and \$1,026.6 million in consolidated operating income, respectively, compared to \$351.2 million and \$978.0 million, respectively, for the comparable periods in the prior year, representing an increase of 3% and 5%, respectively. The results include the restructuring and related expenses mentioned above.
- Our operating income margin was 26% and 25% for the three and nine months ended September 30, 2011, respectively, and is consistent with the comparable periods in the prior year. The results include the restructuring and related expenses mentioned above.

Table of Contents

- In April 2011, we completed the acquisition of one of our largest agents, European-based Angelo Costa, S.r.l. (“Costa”), for cash consideration of \$135.7 million. We recognized a pre-tax gain of \$29.4 million in connection with the remeasurement of our former equity interest in Costa to fair value.
- Consolidated net income was \$239.7 million and \$713.1 million, respectively, representing an increase of 1% and 7% over the comparable periods in the prior year, respectively. The results include \$9.7 million and \$32.0 million in restructuring and related expenses, net of tax, respectively. Additionally, for the nine months ended September 30, 2011, we recognized an \$18.3 million gain, net of tax, related to our acquisition of Costa. Restructuring and related expenses recognized in the corresponding periods in 2010 were \$9.5 million and \$31.9 million, respectively, net of tax.
- Our consumers transferred \$21 billion and \$61 billion in consumer-to-consumer principal, respectively, of which \$19 billion and \$55 billion related to cross-border principal, which represented increases of 8% and 9% in consumer-to-consumer principal, respectively, and 8% in cross-border principal for both periods over the comparable periods in the prior year.
- Consolidated cash flows provided by operating activities for the nine months ended September 30, 2011 and 2010 were \$882.8 million and \$709.9 million, respectively. Cash flows provided by operating activities in the prior period were impacted by a \$250 million refundable tax deposit we made relating to potential United States federal tax liabilities, including those arising from our 2003 international restructuring, which have been previously accrued for in our financial statements.

Results of Operations

The following discussion of our consolidated results of operations and segment results refers to the three and nine months ended September 30, 2011 compared to the same periods in 2010. The results of operations should be read in conjunction with the discussion of our segment results of operations, which provide more detailed discussions concerning certain components of the condensed consolidated statements of income. All significant intercompany accounts and transactions between our Company’s segments have been eliminated.

We incurred expenses of \$13.9 million and \$46.8 million for the three and nine months ended September 30, 2011, respectively, for restructuring and related activities, which have not been allocated to the segments. Restructuring and related expenses recognized in the three and nine months ended September 30, 2010 were \$14.0 million and \$48.5 million, respectively. While these items are identifiable to our segments, they are not included in the measurement of segment operating profit provided to the chief operating decision maker (“CODM”) for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on restructuring and related activities refer to “Operating expenses overview.”

Table of Contents

Overview

The following table sets forth our results of operations for the three and nine months ended September 30, 2011 and 2010.

(in millions, except per share amounts)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenues:						
Transaction fees	\$ 1,083.2	\$ 1,036.1	5%	\$ 3,138.2	\$ 2,997.3	5%
Foreign exchange revenues	294.2	263.1	12%	829.5	750.5	11%
Other revenues	33.4	30.4	10%	92.4	87.9	5%
Total revenues	1,410.8	1,329.6	6%	4,060.1	3,835.7	6%
Expenses:						
Cost of services	800.0	752.6	6%	2,309.6	2,194.9	5%
Selling, general and administrative	247.8	225.8	10%	723.9	662.8	9%
Total expenses	1,047.8	978.4	7%	3,033.5	2,857.7	6%
Operating income	363.0	351.2	3%	1,026.6	978.0	5%
Other income/(expense):						
Interest income	1.1	0.5	*	3.6	1.9	89%
Interest expense	(46.7)	(44.8)	4%	(134.3)	(124.7)	8%
Derivative (losses)/gains, net	(5.3)	1.0	*	(4.7)	0.8	*
Other income, net	1.8	0.7	*	30.8	0.9	*
Total other expense, net	(49.1)	(42.6)	15%	(104.6)	(121.1)	(14)%
Income before income taxes	313.9	308.6	2%	922.0	856.9	8%
Provision for income taxes	74.2	70.2	6%	208.9	189.6	10%
Net income	\$ 239.7	\$ 238.4	1%	\$ 713.1	\$ 667.3	7%
Earnings per share:						
Basic	\$ 0.38	\$ 0.36	6%	\$ 1.12	\$ 1.00	12%
Diluted	\$ 0.38	\$ 0.36	6%	\$ 1.12	\$ 0.99	13%
Weighted-average shares outstanding:						
Basic	624.9	659.1		634.3	670.1	
Diluted	627.1	661.3		638.3	672.4	

* Calculation not meaningful

Revenues Overview

The majority of transaction fees and foreign exchange revenues were contributed by our consumer-to-consumer segment, which is discussed in greater detail in “Segment Discussion.”

For the three and nine months ended September 30, 2011 compared to the corresponding periods in the prior year, consolidated revenue increased 6%, due to consumer-to-consumer transaction growth and the weakening of the United States dollar compared to most other foreign currencies, which positively impacted revenue, offset by slight price reductions. The weakening of the United States dollar compared to most other foreign currencies positively impacted revenue growth by approximately 1% in both the three and nine months ended September 30, 2011, respectively.

Table of Contents

The Europe, Middle East, Africa and South Asia (“EMEASA”) region of our consumer-to-consumer segment represented 44% and 43% of our total consolidated revenue for the three and nine months ended September 30, 2011, respectively. For the three and nine months ended September 30, 2011 compared to the corresponding period in the prior year, the EMEASA region experienced revenue growth primarily driven by the same factors described above. The United Kingdom, France, Germany, and the Gulf States continued to experience revenue growth for the three and nine months ended September 30, 2011 versus the same periods in 2010. The growth in these previously mentioned markets for the three months ended September 30, 2011 was partially offset by softness in Southern Europe and Russia. The results for the nine months ended September 30, 2011 were impacted by declines resulting from the political unrest in Libya and the Ivory Coast.

The Americas region (including North America, Central America, the Caribbean and South America) of our consumer-to-consumer segment represented 31% and 32% of our total consolidated revenue for the three and nine months ended September 30, 2011, respectively. For the three and nine months ended September 30, 2011, the Americas experienced revenue growth due to transaction growth, slightly offset by pricing reductions.

Foreign exchange revenues increased for the three and nine months ended September 30, 2011 over the corresponding previous periods due to increasing foreign exchange revenues in our consumer-to-consumer segment, driven primarily by the increased amount of cross-border principal sent. Additionally, foreign exchange revenues were positively impacted by the revenue growth experienced in Business Solutions for the three months ended September 30, 2011.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a benefit to transaction fees and foreign exchange revenues for the three and nine months ended September 30, 2011 of \$18.2 million and \$48.4 million, respectively, over the same periods in the previous year, net of foreign currency hedges, that would not have occurred had there been constant currency rates. The largest benefit was related to the EMEASA region.

Operating Expenses Overview

Restructuring and related activities

On May 25, 2010 and as subsequently revised, our Board of Directors approved a restructuring plan (the “Restructuring Plan”) designed to reduce our overall headcount and migrate positions from various facilities, primarily within North America and Europe, to regional operating centers upon completion of the Restructuring Plan. Total expense incurred under the Restructuring Plan from the period from inception, May 25, 2010, through September 30, 2011 of \$106 million consists of \$75 million for severance and employee related benefits, \$5 million for facility closures, including lease terminations, and \$26 million for other expenses. Included in these expenses are \$2 million of non-cash expenses related to fixed asset and leasehold improvement write-offs and accelerated depreciation at impacted facilities. Total cost savings of approximately \$55 million are expected to be generated in 2011, of which approximately \$38 million was generated in the first nine months of the year. Cost savings of approximately \$70 million are expected to be generated in 2012 and annually thereafter.

For the three and nine months ended September 30, 2011, restructuring and related expenses of \$3.2 million and \$10.6 million, respectively, are classified within “Cost of services” and \$10.7 million and \$36.2 million, respectively, are classified within “Selling, general and administrative” in the condensed consolidated statements of income. For the three and nine months ended September 30, 2010, restructuring and related expenses of \$4.6 million and \$14.0 million, respectively, were classified within “Cost of services” and \$9.4 million and \$34.5 million, respectively, were classified within “Selling, general and administrative” in the condensed consolidated statements of income.

Cost of services

Cost of services primarily consists of agent commissions, which represent approximately 70% of total cost of services for the three and nine months ended September 30, 2011. Also included in cost of services are expenses

Table of Contents

for call centers, settlement operations and related information technology costs. Expenses within these functions include personnel, software, equipment, telecommunications, bank fees, depreciation, amortization and other expenses incurred in connection with providing money transfer and other payment services. Cost of services increased for the three and nine months ended September 30, 2011 compared to the corresponding periods in the prior year primarily due to agent commissions, which increase in relation to revenue increases, and the weakening of the United States dollar compared to most other foreign currencies, which resulted in a negative impact on the translation of our expenses, partially offset by commission savings resulting from the acquisition of Costa. Cost of services as a percentage of revenue was 57% for both the three and nine months ended September 30, 2011 and 2010 and included commission savings resulting from the acquisition of Costa, offset by negative currency impacts.

Selling, general and administrative

Selling, general and administrative expenses (“SG&A”) increased for the three and nine months ended September 30, 2011 compared to the same periods in the prior year primarily due to the weakening of the United States dollar compared to most other foreign currencies, which resulted in a negative impact on the translation of our expenses and investments in strategic initiatives, including marketing-related expenditures, costs associated with acquisition activity and increased expenses resulting from the acquisition of Costa, partially offset by restructuring savings.

During the three and nine months ended September 30, 2011, marketing-related expenditures, principally classified within SG&A, were approximately 4.5% and 4.0% of revenue, respectively. During the three and nine months ended September 30, 2010, marketing expenditures were approximately 3.7% and 3.8% of revenue, respectively. Marketing-related expenditures include advertising, events, loyalty programs and the cost of employees dedicated to marketing activities. When making decisions with respect to marketing-related expenditures, we review opportunities for advertising and other marketing-related expenditures together with opportunities for fee adjustments, as discussed in “Segment Discussion,” for consumer-to-consumer revenues and other initiatives in order to best maximize the return on these investments.

Total other expense, net

Total other expense, net increased during the three months ended September 30, 2011 compared to the corresponding period in 2010 due to derivatives losses resulting from fluctuations in foreign currency forward rates compared to spot rates, primarily related to the euro, and increased interest expense in 2011 due to our debt issuances in the first and third quarters of 2011. Total other expense, net decreased during the nine months ended September 30, 2011 compared to the corresponding period in 2010 due to the second quarter gain of \$29.4 million in connection with the remeasurement of our former equity interest in Costa to fair value, partially offset by increased interest expense in 2011, as described above.

Income taxes

Our effective tax rates on pre-tax income for the three months ended September 30, 2011 and 2010 were 23.6% and 22.7%, respectively, and 22.7% and 22.1% for the nine months ended September 30, 2011 and 2010, respectively. The increase in our effective tax rate for the three months ended September 30, 2011 is primarily the result of a cumulative tax planning benefit from certain foreign acquisitions that benefited tax expense for the three months ended September 30, 2010. The increase in our effective tax rate for the nine months ended September 30, 2011 is primarily due to higher taxes associated with the Costa remeasurement gain, offset by benefits from adjustments to reserves related to uncertain tax positions. The tax rate for the nine months ended September 30, 2010 was also impacted by the cumulative tax benefit mentioned above and the settlement with the United States Internal Revenue Service (“IRS”) of certain issues relating to the 2002-2004 tax years. We continue to benefit from an increasing proportion of profits being foreign-derived, and therefore taxed at lower rates than our combined federal and state tax rates in the United States.

Table of Contents

We have established contingency reserves for material, known tax exposures, including potential tax audit adjustments with respect to our international operations restructured in 2003. As of September 30, 2011, the total amount of tax contingency reserves was \$708.7 million, including accrued interest and penalties, net of related benefits. Our reserves reflect our judgment as to the resolution of the issues involved if subject to judicial review. While we believe that our reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed our related reserve. With respect to these reserves, our income tax expense would include (i) any changes in tax reserves arising from material changes during the period in facts and circumstances (i.e. new information) surrounding a tax issue and (ii) any difference from our tax position as recorded in the financial statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in our consolidated financial statements in future periods and could impact our operating cash flows.

The IRS completed its examination of the United States federal consolidated income tax returns of First Data for 2003 and 2004, of which we are a part, and issued a Notice of Deficiency in December 2008. The Notice of Deficiency alleges significant additional taxes, interest and penalties owed with respect to a variety of adjustments involving us and our subsidiaries, and we generally have responsibility for taxes associated with these potential Western Union-related adjustments under the tax allocation agreement with First Data executed at the time of the spin-off. We agree with a number of the adjustments in the Notice of Deficiency; however, we do not agree with the Notice of Deficiency regarding several substantial adjustments representing total alleged additional tax and penalties due of approximately \$114 million. As of September 30, 2011, interest on the alleged amounts due for unagreed adjustments would be approximately \$40.8 million. A substantial part of the alleged amounts due for these unagreed adjustments relates to our international restructuring, which took effect in the fourth quarter 2003, and, accordingly, the alleged amounts due related to such restructuring largely are attributable to 2004. If the IRS' position in the Notice of Deficiency were sustained, our tax provision related to 2003 and later years would materially increase. On March 20, 2009, we filed a petition in the United States Tax Court contesting those adjustments with which we do not agree. In September 2010, IRS Counsel referred the case to the IRS Appeals Division for possible settlement. Our discussions with the IRS Appeals Division are continuing and further progress has been made toward a resolution of those adjustments and related tax matters which, if finalized as currently contemplated, will improve our current and future tax position. We continue to believe our overall reserves are adequate, including those associated with adjustments alleged in the Notice of Deficiency.

In 2010, we made a \$250 million refundable tax deposit relating to potential United States federal tax liabilities, including those arising from our 2003 international restructuring, which have been previously accrued in our financial statements, which is included as a reduction to "Income taxes payable" on the condensed consolidated balance sheets at both September 30, 2011 and December 31, 2010. Making the deposit limits the further accrual of interest charges with respect to such potential tax liabilities, to the extent of the deposit.

Earnings per share

During the three months ended September 30, 2011 and 2010, basic and diluted earnings per share were \$0.38 and \$0.36, respectively. During the nine months ended September 30, 2011 and 2010, basic earnings per share were \$1.12 and \$1.00, respectively, and diluted earnings per share were \$1.12 and \$0.99, respectively. Unvested shares of restricted stock are excluded from basic shares outstanding. Diluted earnings per share reflects the potential dilution that could occur if outstanding stock options at the presented dates are exercised and shares of restricted stock have vested. For the three months ended September 30, 2011 and 2010, there were 26.4 million and 36.0 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation under the treasury stock method as their effect was anti-dilutive. For the nine months ended September 30, 2011 and 2010, there were 14.1 million and 36.1 million, respectively, of outstanding options to purchase shares of Western Union stock excluded from the diluted earnings per share calculation under the treasury stock method as their effect was anti-dilutive.

Earnings per share increased for the three and nine months ended September 30, 2011 compared to the same period in the prior year as a result of the previously described factors impacting net income and lower weighted-

Table of Contents

average shares outstanding. The lower number of shares outstanding was due to stock repurchases exceeding stock option exercises.

Segment Discussion

We manage our business around the consumers and businesses we serve and the types of services we offer. Each of our two segments addresses a different combination of consumer groups, distribution networks and services offered. Our segments are consumer-to-consumer and global business payments. Businesses not considered part of these segments are categorized as “Other.”

We incurred expenses of \$13.9 million and \$46.8 million for restructuring and related activities during the three and nine months ended September 30, 2011, respectively, which were not allocated to segments. Restructuring and related expenses recognized in both the three and nine months ended September 30, 2010 were \$14.0 million and \$48.5 million, respectively. While these items were identifiable to our segments, they were not included in the measurement of segment operating profit provided to the CODM for purposes of assessing segment performance and decision making with respect to resource allocation. For additional information on restructuring and related activities refer to “Operating expenses overview.”

The following table sets forth the components of segment revenues as a percentage of the consolidated totals for the three and nine months ended September 30, 2011 and 2010.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Consumer-to-consumer (a)				
EMEASA	44%	44%	43%	44%
Americas	31%	32%	32%	32%
APAC	9%	9%	9%	8%
Total consumer-to-consumer	84%	85%	84%	84%
Global business payments	14%	13%	14%	14%
Other	2%	2%	2%	2%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

- (a) The consumer-to-consumer geographic split is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, we split the revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the revenue is attributed to that region.

Table of Contents

Consumer-to-Consumer Segment

The following table sets forth our consumer-to-consumer segment results of operations for the three and nine months ended September 30, 2011 and 2010.

(dollars and transactions in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenues:						
Transaction fees	\$ 922.2	\$ 881.1	5%	\$ 2,660.0	\$ 2,531.1	5%
Foreign exchange revenues	257.2	235.4	9%	730.0	667.3	9%
Other revenues	13.9	11.8	18%	36.5	33.2	10%
Total revenues	<u>\$ 1,193.3</u>	<u>\$ 1,128.3</u>	6%	<u>\$ 3,426.5</u>	<u>\$ 3,231.6</u>	6%
Operating income	\$ 346.3	\$ 337.4	3%	\$ 984.7	\$ 932.5	6%
Operating income margin	29%	30%		29%	29%	
Key indicator:						
Consumer-to-consumer transactions	57.64	54.91	5%	166.79	157.57	6%

The table below sets forth transaction and revenue growth rates by region for the three and nine months ended September 30, 2011.

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Consumer-to-consumer transaction growth (a)		
EMEASA	3%	4%
Americas	6%	7%
APAC	7%	10%
Consumer-to-consumer revenue growth (a)		
EMEASA	5%	5%
Americas	6%	6%
APAC	11%	13%

- (a) In determining the revenue and transaction growth rates under the regional view in the above table, the geographic split is determined based upon the region where the money transfer is initiated and the region where the money transfer is paid. For transactions originated and paid in different regions, we split the transaction count and revenue between the two regions, with each region receiving 50%. For money transfers initiated and paid in the same region, 100% of the revenue and transactions are attributed to that region.

When referring to revenue and transaction growth rates for individual countries in the following discussion, all transactions to, from and within those countries, and 100% of the revenue associated with each transaction to, from and within those countries are included. The countries of India and China combined represented approximately 8% of our consolidated revenues during both the three and nine months ended September 30, 2011 and approximately 7% during both the three and nine months ended September 30, 2010. No individual country, other than the United States, represented more than approximately 6% of our consolidated revenues during both of the three and nine month periods ended September 30, 2011 and 2010.

Transaction fees and foreign exchange revenues

For both the three and nine months ended September 30, 2011 compared to the corresponding periods in the prior year, consumer-to-consumer money transfer revenue grew 6%, on transaction growth of 5% and 6%, respectively, and the weakening of the United States dollar compared to most other foreign currencies, which positively impacted revenue, offset by slight price reductions. The weakening of the United States dollar compared to most other foreign currencies positively impacted our revenue growth by approximately 2% and 1% for the three and nine months ended September 30, 2011, respectively.

Table of Contents

Revenue in our EMEASA region increased 5% for both the three and nine months ended September 30, 2011, compared to the corresponding periods in the prior year due to transaction growth of 3% and 4%, respectively, as well as the other factors described above. The United Kingdom, France, Germany, and the Gulf States continued to experience revenue growth for the three and nine months ended September 30, 2011 versus the same periods in 2010. The growth in these previously mentioned markets for the three months ended September 30, 2011 was partially offset by softness in Southern Europe and Russia. The results for the nine months ended September 30, 2011 were impacted by declines resulting from the political unrest in Libya and the Ivory Coast. Our money transfer business to India experienced revenue growth of 13% and 11%, respectively, and transaction growth of 11% and 8%, respectively, for the three and nine months ended September 30, 2011 versus the same periods in 2010.

Americas revenue increased 6% for both the three and nine months ended September 30, 2011, compared to the same periods in 2010 due to transaction growth of 6% and 7%, respectively. For both the three and nine months ended September 30, 2011, transaction growth was partially offset by slight price reductions. Our domestic business experienced revenue growth of 9% and 8% for the three and nine months ended September 30, 2011, respectively, due to transaction growth of 14% and 18%, respectively. Transaction growth in our domestic business was higher than revenue growth due to transaction growth being greater in lower principal bands, which have a lower revenue per transaction. Our United States outbound business experienced both transaction and revenue growth in the three and nine months ended September 30, 2011. Mexico revenue increased 5% and 2%, respectively, for the three and nine months ended September 30, 2011, on transaction growth of 2% for the three months ended September 30, 2011, and flat transactions for the nine months ended September 30, 2011.

APAC revenue increased 11% and 13% for the three and nine months ended September 30, 2011, respectively, compared to the same periods in 2010 due to transaction growth of 7% and 10%, respectively, and the weakening of the United States dollar compared to most other foreign currencies, which positively impacted revenue. China's revenue increased 5% and 10% for the three and nine months ended September 30, 2011, respectively on transaction growth of 4% and 6% for the three and nine months ended September 30, 2011, respectively.

Foreign exchange revenues for the three and nine months ended September 30, 2011 grew compared to the same periods in 2010, driven primarily by increased amounts of cross-border principal sent.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a benefit to transaction fees and foreign exchange revenues for the three months ended September 30, 2011 of approximately \$17.9 million over the same period in the previous year, net of foreign currency hedges, that would not have occurred had there been constant currency rates. The weakening of the United States dollar resulted in a net benefit of \$47.1 million for the nine months ended September 30, 2011. The largest benefit was related to the EMEASA region.

We have historically implemented and will likely implement future strategic fee reductions and actions to reduce foreign exchange spreads, where appropriate, taking into account a variety of factors. Fee reductions and foreign exchange actions generally reduce revenues in the short term, but are done in anticipation that they will result in increased transaction volumes and increased revenues over time. In certain corridors, we may also implement fee or foreign exchange spread increases. In 2011, we adjusted our reporting of the net impact of price reductions. We now calculate the impact of price reductions against prior year transaction volumes, rather than current year transaction volumes. We believe utilizing prior year transaction volumes more appropriately differentiates between the impacts of price reductions versus other items impacting revenue. Under the new methodology, we anticipate that fee decreases and foreign exchange actions will be approximately 1% of total Western Union revenue for the full year 2011 compared to approximately 3% for the full year 2010, as fee reductions are smaller than planned and there is some offset by modest increases in foreign currency spreads in some corridors. Under the previous methodology, we reported that the impact of price reductions in 2010 was 4%.

Table of Contents

The majority of transaction growth is derived from more mature agent locations; new agent locations typically contribute only marginally to growth in the first few years of their operation. Increased productivity, measured by transactions per location, is often experienced as locations mature. We believe that new agent locations will help our growth by increasing the number of locations available to send and receive money. We generally refer to locations with more than 50% of transactions being initiated (versus paid) as “send locations” and to the balance of locations as “receive locations.” Send locations are the engine that drives consumer-to-consumer revenue. They contribute more transactions per location than receive locations. However, a wide network of receive locations is necessary to build each corridor and to help ensure global distribution and convenience for consumers. The number of send and receive transactions at an agent location can vary significantly due to such factors as customer demographics around the location, migration patterns, the location’s class of trade, hours of operation, length of time the location has been offering our services, regulatory limitations and competition. Each of the more than 485,000 agent locations in our agent network is capable of providing one or more of our services; however, not every location completes a transaction in a given period. For example, as of September 30, 2011, more than 85% of agent locations in the United States, Canada and Western Europe (representing at least one of our three money transfer brands: Western Union[®], Orlandi Valuta^(sm) and Vigo[®]) experienced money transfer activity in the previous 12 months. In the developing regions of Asia and other areas where there are primarily receive locations, approximately 70% of locations experienced money transfer activity in the previous 12 months. We periodically review locations to determine whether they remain enabled to perform money transfer transactions.

Operating income

Consumer-to-consumer operating income increased 3% and 6% during the three and nine months ended September 30, 2011 compared to the same periods in 2010 due to revenue growth. The change in operating income margin for the three and nine months ended September 30, 2011 compared to the same periods in the prior year was primarily due to negative currency impacts, including the effect of foreign currency hedges, and investments in strategic initiatives, including marketing related expenditures, offset by restructuring savings and revenue leverage.

Global Business Payments Segment

The following table sets forth our global business payments segment results of operations for the three and nine months ended September 30, 2011 and 2010.

(dollars and transactions in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenues:						
Transaction fees	\$ 147.7	\$ 143.9	3%	\$ 438.6	\$ 434.3	1%
Foreign exchange revenues	37.0	27.7	34%	99.5	83.2	20%
Other revenues	6.8	7.6	(11%)	22.2	22.8	(3%)
Total revenues	<u>\$ 191.5</u>	<u>\$ 179.2</u>	7%	<u>\$ 560.3</u>	<u>\$ 540.3</u>	4%
Operating income	\$ 33.8	\$ 27.0	25%	\$ 101.1	\$ 98.4	3%
Operating income margin	18%	15%		18%	18%	
Key indicator:						
Global business payments transactions	108.0	103.4	4%	319.5	299.6	7%

Revenues

During the three and nine months ended September 30, 2011, revenue growth in international bill payments, Business Solutions, and United States electronic bill payments were partially offset by a decline in United States cash-based bill payments.

Table of Contents

Transaction growth during both the three and nine months ended September 30, 2011 compared to the same period in 2010 was due to growth in our international bill payments and United States electronic bill payments businesses. Both businesses have a lower revenue per transaction than our United States cash-based bill payments services.

Operating income

For the three and nine months ended September 30, 2011, operating income increased compared to the same period in the prior year primarily due to revenue leverage, restructuring savings, and a decrease in integration and investment spending in our Business Solutions business compared to the same period in the prior year but were partially offset by declines in our United States cash-based bill payments business, which has a higher margin than other payment services in the segment.

The changes in operating income margins in the segment are due to the same factors mentioned above.

Other

The following table sets forth other results for the three and nine months ended September 30, 2011 and 2010.

(dollars in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2011	2010	% Change	2011	2010	% Change
Revenues	\$ 26.0	\$ 22.1	18%	\$ 73.3	\$ 63.8	15%
Operating (loss)/income	\$ (3.2)	\$ 0.8	*	\$ (12.4)	\$ (4.4)	*

* Calculation not meaningful

Revenues

Revenue grew for the three and nine months ended September 30, 2011 compared to the same period in the prior year primarily due to volume increases in our prepaid business and an increase in our money order business.

Operating (loss)/income

During the three and nine months ended September 30, 2011, the operating loss and the increase in operating loss, respectively, were due to costs associated with acquisition activity.

Capital Resources and Liquidity

Our primary source of liquidity has been cash generated from our operating activities, primarily from net income and fluctuations in working capital. Our working capital is affected by the timing of interest payments on our outstanding borrowings, timing of income tax payments, including our refundable tax deposit described further in “Cash Flows from Operating Activities” and collections on receivables, among other items. The majority of our interest payments are due in the second and fourth quarters which results in a decrease in the amount of cash provided by operating activities in those quarters, and a corresponding increase to the first and third quarters.

Our future cash flows could be impacted by a variety of factors, some of which are out of our control, including changes in economic conditions, especially those impacting the migrant population, and changes in income tax laws or the status of income tax audits, including the resolution of outstanding tax matters.

A significant portion of our cash flows from operating activities has been generated from subsidiaries, some of which are regulated entities. These subsidiaries may transfer all excess cash to the parent company for general

Table of Contents

corporate use, except for assets subject to legal or regulatory restrictions. Assets subject to legal or regulatory restrictions, totaling approximately \$230 million as of September 30, 2011, include assets outside of the United States subject to restrictions from being transferred outside of the countries where they are located. We are also required to maintain cash and investment balances in our regulated subsidiaries related to certain of our money transfer obligations. Significant changes in the regulatory environment for money transmitters could impact our primary source of liquidity.

We believe we have adequate liquidity to meet our business needs, including the pending acquisition of Travelex Global Business Payments (“TGBP”), dividends and share repurchases, through our existing cash balances and our ability to generate cash flows through operations. In addition, we have capacity to borrow up to \$1.65 billion in the aggregate under our revolving credit facility, which supports borrowings under our \$1.5 billion commercial paper program. No amounts were drawn on either the revolving credit facility or the commercial paper program as of and during the nine months ended September 30, 2011. In conjunction with our announced acquisition of TGBP in early July 2011, Standard & Poor’s and Fitch affirmed their credit ratings and ratings outlook. Moody’s Investors Service also maintained their credit rating, but adjusted their rating outlook from stable to negative. This change in outlook could, among other things, potentially increase our future borrowing costs.

Cash and Investment Securities

As of September 30, 2011, we had cash and cash equivalents of \$2.7 billion, of which approximately \$1.5 billion was held by our foreign entities. Our ongoing cash management strategies to fund our business needs could cause United States and foreign cash balances to fluctuate.

Repatriating foreign funds to the United States would, in many cases, result in significant tax obligations because most of these funds have been taxed at relatively low foreign tax rates compared to our combined federal and state tax rate in the United States. We expect to use foreign funds to expand and fund our international operations and to acquire businesses internationally.

In many cases, we receive funds from money transfers and certain other payment services before we settle the payment of those transactions. These funds, referred to as “Settlement assets” on our condensed consolidated balance sheets, are not used to support our operations. However, we earn income from investing these funds. We maintain a portion of these settlement assets in highly liquid investments, classified as “Cash and cash equivalents” within “Settlement assets,” to fund settlement obligations.

Investment securities, classified within settlement assets, were \$1.5 billion as of September 30, 2011. Substantially all of these investments are state and municipal debt securities. Most state regulators in the United States require us to maintain specific high-quality, investment grade securities and such investments are intended to secure relevant outstanding settlement obligations in accordance with applicable regulations. Substantially all of our investment securities in the condensed consolidated balance sheets are classified as available-for-sale and recorded at fair value.

Investment securities are exposed to market risk due to changes in interest rates and credit risk. We regularly monitor credit risk and attempt to mitigate our exposure by making high quality investments, including diversifying our investment portfolio. As of September 30, 2011, the majority of our investment securities had credit ratings of “AA–” or better from a major credit rating agency. Our investment securities are also actively managed with respect to concentration. As of September 30, 2011, all investments with a single issuer and each individual security was less than 10% of our investment securities portfolio.

Cash Flows from Operating Activities

Cash provided by operating activities increased to \$882.8 million during the nine months ended September 30, 2011, from \$709.9 million in the comparable period in the prior year, primarily due to a \$250.0 million

Table of Contents

refundable tax deposit made in the first quarter of 2010 relating to potential United States federal tax liabilities, including those arising from our 2003 international restructuring, which have been previously accrued in our financial statements. Making the deposit limits the further accrual of interest charges with respect to such potential tax liabilities, to the extent of the deposit.

Financing Resources

On September 23, 2011, we entered into a credit agreement which expires January 2017 providing for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250.0 million letter of credit sub-facility and a \$150.0 million swing line sub-facility (the “Revolving Credit Facility”). The Revolving Credit Facility replaced our \$1.5 billion revolving credit facility that was set to expire in September 2012. Consistent with the prior facility, the Revolving Credit Facility contains certain covenants that, among other things, limit or restrict our ability to sell or transfer assets or merge or consolidate with another company, grant certain types of security interests, incur certain types of liens, impose restrictions on subsidiary dividends, enter into sale and leaseback transactions, or incur certain subsidiary level indebtedness, subject to certain exceptions. Also consistent with the prior facility, we are required to maintain compliance with a consolidated interest coverage ratio covenant. As of September 30, 2011, we did not have any outstanding borrowings under this agreement. The Revolving Credit Facility supports borrowings under our \$1.5 billion commercial paper program.

Interest due under the Revolving Credit Facility is fixed for the term of each borrowing and is payable according to the terms of that borrowing. Generally, interest is calculated using a selected LIBOR rate plus an interest rate margin of 90 basis points. A facility fee of 10 basis points is also payable quarterly on the total facility, regardless of usage. Both the interest rate margin and facility fee percentage are based on certain of our credit ratings.

On August 22, 2011, we issued \$400 million of aggregate principal amount of unsecured notes due August 22, 2018 (“2018 Notes”) for general corporate purposes, including repayment of debt. Interest with respect to the 2018 Notes is payable semiannually in arrears on February 22 and August 22 each year based on the fixed per annum interest rate of 3.650%. The 2018 Notes are subject to covenants that, among other things, limit or restrict our ability to sell or transfer assets or merge or consolidate with another company, and limit or restrict our and certain of our subsidiaries’ ability to incur certain types of security interests, or enter into certain sale and leaseback transactions. If a change of control triggering event occurs, holders of the 2018 Notes may require us to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest. We may redeem the 2018 Notes at any time prior to maturity at the greater of par or a price based on the applicable treasury rate plus 35 basis points.

On March 7, 2011, we issued \$300 million of aggregate principal amount of unsecured floating rate notes due March 7, 2013 (“2013 Notes”) for general corporate purposes. Interest with respect to the 2013 Notes is payable quarterly in arrears on each March 7, June 7, September 7 and December 7, beginning June 7, 2011, at a per annum interest rate equal to the three-month LIBOR plus 58 basis points (reset quarterly). The 2013 Notes are subject to covenants that, among other things, limit or restrict our ability to sell or transfer assets or merge or consolidate with another company, and limit or restrict our and certain of our subsidiaries’ ability to incur certain types of security interests, or enter into sale and leaseback transactions. If a change of control triggering event occurs, holders of the 2013 Notes may require us to repurchase some or all of their notes at a price equal to 101% of the principal amount of their notes, plus any accrued and unpaid interest.

At September 30, 2011, we have outstanding borrowings at par value of \$3,977.1 million. The substantial majority of these outstanding borrowings consists of unsecured fixed-rate notes and associated swaps with maturities ranging from 2011 to 2040, and our borrowings also include our 2013 Notes issued for general corporate purposes. Our revolving credit facility expires in January 2017 and provides for unsecured financing facilities in an aggregate amount of \$1.65 billion, including a \$250.0 million letter of credit sub-facility and a \$150.0 million swing line sub-facility. The purpose of our Revolving Credit Facility, which is diversified through a group of 17 participating institutions, is to provide general liquidity and to support our commercial paper

Table of Contents

program, which we believe enhances our short term credit rating. The largest commitment from any single financial institution within the total committed balance of \$1.65 billion is approximately 12%. As of and during the nine months ended September 30, 2011, we had no outstanding borrowings on either this facility or our previous facility and had \$1.65 billion available to borrow. If the amount available to borrow under the Revolving Credit Facility decreased, or if the Revolving Credit Facility were eliminated, the cost and availability of borrowing under the commercial paper program may be impacted.

Pursuant to our commercial paper program, we may issue unsecured commercial paper notes in an amount not to exceed \$1.5 billion outstanding at any time, reduced to the extent of borrowings outstanding on our Revolving Credit Facility. Our commercial paper borrowings may have maturities of up to 397 days from date of issuance. Interest rates for borrowings are based on market rates at the time of issuance. We had no commercial paper borrowings outstanding as of and during the nine months ended September 30, 2011.

Cash Priorities

Liquidity

Our objective is to maintain strong liquidity and a capital structure consistent with our current credit ratings. We have existing cash balances, cash flows from operating activities, access to the commercial paper markets and our \$1.65 billion Revolving Credit Facility available to support the needs of our business.

Capital Expenditures

The total aggregate amount paid for contract costs, purchases of property and equipment, and purchased and developed software was \$124.3 million and \$87.8 million for the nine months ended September 30, 2011 and 2010, respectively. Amounts paid for new and renewed agent contracts vary depending on the terms of existing contracts as well as the timing of contract signings. Other capital expenditures during these periods included investments in our information technology infrastructure and purchased and developed software.

Acquisition of Businesses

In July 2011, we entered into an agreement with Travelex Holdings Limited to acquire its business-to-business payment operations known as Travelex Global Business Payments ("TGBP") for cash consideration of £606 million (approximately \$945 million based on currency exchange rates at September 30, 2011), subject to a working capital adjustment. With the acquisition of TGBP and our existing Business Solutions business, we will have a presence in 18 countries and the ability to leverage TGBP's international business-to-business payments market expertise, distribution, product and capabilities with our brand, existing Business Solutions operations, global infrastructure and relationships, and financial strength. The acquisition is expected to close in the fourth quarter of 2011, subject to regulatory approval and satisfaction of closing conditions.

On October 31, 2011, we acquired the remaining 70% interest in Finint, one of our largest money transfer agents in Europe, for cash consideration of approximately €100 million (approximately \$140 million based on currency exchange rates at October 31, 2011), subject to a working capital adjustment. We previously held a 30% equity interest in Finint. The acquisition will be recognized at 100% of the fair value of Finint due to the revaluation of our 30% interest to fair value.

On April 20, 2011, we acquired the remaining 70% interest in Costa, one of our largest money transfer agents in Europe, for cash consideration of €95 million (\$135.7 million), which included a reduction of €5 million (\$7.1 million) for an initial working capital adjustment pursuant to the terms of the purchase agreement. The final consideration and the final purchase price allocation are subject to an additional working capital adjustment. We previously held a 30% equity interest in Costa.

Table of Contents

Share Repurchases and Dividends

During the nine months ended September 30, 2011 and 2010, 40.3 million and 31.7 million, respectively, of shares were repurchased for \$800.0 million and \$514.4 million, respectively, excluding commissions, at an average cost of \$19.83 and \$16.23 per share, respectively. At September 30, 2011, \$615.5 million remains available under share repurchase authorizations approved by our Board of Directors.

Our Board of Directors declared quarterly cash dividends of \$0.08 per common share in both the second and third quarters of 2011, and \$0.07 per common share in the first quarter of 2011, representing \$144.6 million in total dividends.

Debt Service Requirements

Our 2011 debt service requirements will include \$696.3 million of our 5.400% notes maturing in November 2011, payments on future borrowings under our commercial paper program, if any, and interest payments on all outstanding indebtedness. We intend to use our cash, including cash generated from operations and proceeds from our 2011 borrowings, Revolving Credit Facility or commercial paper program, to meet our debt obligations as they come due.

Our ability to continue to grow the business, make acquisitions, return capital to shareholders, including share repurchases and dividends, and service our debt will depend on our ability to continue to generate excess operating cash through our operating subsidiaries and to continue to receive dividends from those operating subsidiaries, our ability to obtain adequate financing and our ability to identify acquisitions that align with our long-term strategy.

Off-Balance Sheet Arrangements

Other than facility and equipment leasing arrangements, we have no material off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Pension Plan

We have a frozen defined benefit pension plan for which we have a recorded unfunded pension obligation of \$89.4 million as of September 30, 2011. We are required to fund \$22 million to the plan in 2011. Through September 2011, we have made contributions of approximately \$21 million to the plan, including a discretionary contribution of \$3 million.

Our Restructuring Plan may cause us to be required to make accelerated contributions to the plan in future periods.

Other Commercial Commitments

We had approximately \$90 million in outstanding letters of credit and bank guarantees at September 30, 2011, with expiration dates through 2015, the majority of which contain a one-year renewal option. The letters of credit and bank guarantees are primarily held in connection with lease arrangements and certain agent agreements. We expect to renew the letters of credit and bank guarantees prior to expiration in most circumstances.

As of September 30, 2011, our total amount of unrecognized income tax benefits was \$776.4 million, including associated interest and penalties. The timing of related cash payments for substantially all of these liabilities is inherently uncertain because the ultimate amount and timing of such liabilities is affected by factors which are variable and outside our control.

Table of Contents

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates. Our Critical Accounting Policies and Estimates disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates” in our 2010 Annual Report on Form 10-K included:

- Income taxes
- Derivative financial instruments
- Other intangible assets
- Goodwill impairment testing
- Acquisitions — purchase price allocation
- Restructuring and related expenses

There have not been any material changes to the methodology previously applied by management for critical accounting policies previously disclosed, except for the methodology applied in management’s goodwill impairment testing, which changed during the three and nine months ended September 30, 2011. Pursuant to the issuance of a new accounting pronouncement, the process will now include a qualitative assessment first to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, and then the standard two-step impairment test as performed in the past, if necessary.

Risk Management

We are exposed to market risks arising from changes in market rates and prices, including changes in foreign currency exchange rates and interest rates and credit risk related to our agents and customers. A risk management program is in place to manage these risks.

Foreign Currency Exchange Rates

We provide consumer-to-consumer money transfer services in more than 200 countries and territories. We manage foreign exchange risk through the structure of the business and an active risk management process. We settle with the vast majority of our agents in United States dollars or euros. However, in certain circumstances, we settle in other currencies. We typically require the agent to obtain local currency to pay recipients; thus, we generally are not reliant on international currency markets to obtain and pay illiquid currencies. The foreign currency exposure that does exist is limited by the fact that the majority of transactions are paid within 24 hours after they are initiated. To mitigate this risk further, we enter into short-term foreign currency forward contracts, generally with maturities from a few days up to one month, to offset foreign exchange rate fluctuations between transaction initiation and settlement. We also utilize foreign currency forward contracts, typically with terms of less than one year at inception, to offset foreign exchange rate fluctuations on certain foreign currency denominated cash positions and intercompany loans. In certain consumer money transfer and global business payments transactions involving different send and receive currencies, we generate revenue based on the difference between the exchange rate set by us to the customer and the rate at which we or our agents are able to acquire currency, helping to provide protection against currency fluctuations. We promptly buy and sell foreign currencies as necessary to cover our net payables and receivables which are denominated in foreign currencies.

We use longer-term foreign currency forward contracts to mitigate risks associated with changes in foreign currency exchange rates on consumer-to-consumer revenues denominated primarily in the euro, and to a lesser

Table of Contents

degree the British pound, Canadian dollar and other currencies. We use contracts with maturities of up to 36 months at inception to mitigate some of the impact that changes in foreign currency exchange rates could have on forecasted revenues, with a targeted weighted-average maturity of approximately one year. We believe the use of longer-term foreign currency forward contracts provides predictability of future cash flows from our international consumer-to-consumer operations.

We have additional foreign exchange risk and associated foreign exchange risk management due to the nature of our Business Solutions business. The significant majority of this business' revenue is from exchanges of currency at the spot rate enabling customers to make cross-currency payments. This business also writes foreign currency forward and option contracts for our customers to facilitate future payments. The duration of these derivatives contracts is generally nine months or less. Global Business Payments aggregates its foreign exchange exposures arising from customer contracts, including the derivative contracts described above, and hedges the resulting net currency risks by entering into offsetting contracts with established financial institution counterparties. The foreign exchange risk is actively managed.

At December 31, 2010, a hypothetical uniform 10% strengthening or weakening in the value of the United States dollar relative to all other currencies in which our profits are generated would have resulted in a decrease/increase to pre-tax annual income of approximately \$32 million based on our 2011 forecast of consumer-to-consumer unhedged exposure to foreign currency. The exposure as of September 30, 2011 is not materially different based on our forecast of unhedged exposure to foreign currency through September 30, 2011. There are inherent limitations in this sensitivity analysis, primarily due to the assumption that foreign exchange rate movements are linear and instantaneous, that the unhedged exposure is static, and that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

Interest Rates

We invest in several types of interest bearing assets, with a total value at September 30, 2011 of \$4.0 billion. Approximately \$3.1 billion of these assets bear interest at floating rates and are therefore sensitive to changes in interest rates. These assets primarily include money market funds and state and municipal variable rate securities and are included in our condensed consolidated balance sheets within "Cash and cash equivalents" and "Settlement assets." To the extent these assets are held in connection with money transfers and other related payment services awaiting redemption, they are classified as "Settlement assets." Earnings on these investments will increase and decrease with changes in the underlying short-term interest rates.

Substantially all of the remainder of our interest bearing assets consist of highly rated state and municipal debt securities, the majority of which are fixed-rate instruments. These investments may include investments made from cash received from our money transfer business and other related payment services awaiting redemption classified within "Settlement assets" in the condensed consolidated balance sheets. As interest rates rise, the fair value of these fixed-rate interest-bearing securities will decrease; conversely, a decrease to interest rates would result in an increase to the fair values of the securities. We have classified these investments as available-for-sale within "Settlement assets" in the condensed consolidated balance sheets, and accordingly, recorded these instruments at their fair value with the net unrealized gains and losses, net of the applicable deferred income tax effect, being added to or deducted from our "Total stockholders' equity" on our condensed consolidated balance sheets.

As of September 30, 2011, we had \$300 million of floating rate notes, which had an effective interest rate of 0.91%, or 58 basis points above three-month LIBOR. Additionally, \$695 million of our total \$4.0 billion of fixed-rate borrowings at par value are effectively floating rate debt through interest rate swap agreements, changing this fixed-rate debt to LIBOR-based floating rate debt, with weighted-average spreads of approximately 400 basis points above LIBOR. These interest rate swap agreements expire in November 2011. Borrowings under our commercial paper program mature in such a short period that the financing is effectively floating rate. No commercial paper borrowings were outstanding as of or during the nine months ended September 30, 2011.

Table of Contents

We review our overall exposure to floating and fixed rates by evaluating our net asset or liability position in each, also considering the duration of the individual positions. We manage this mix of fixed versus floating exposure in an attempt to minimize risk, reduce costs and improve returns. Our exposure to interest rates can be modified by changing the mix of our interest bearing assets, as well as by adjusting the mix of fixed versus floating rate debt. The latter is accomplished primarily through the use of interest rate swaps and the decision regarding terms of any new debt issuances (i.e., fixed versus floating). We use interest rate swaps designated as hedges to increase the percentage of floating rate debt, subject to market conditions. At September 30, 2011, our weighted average effective rate was approximately 4.8%.

A hypothetical 100 basis point increase/decrease in interest rates would result in a decrease/increase to pre-tax income of approximately \$10 million annually based on borrowings on September 30, 2011 that are sensitive to interest rate fluctuations. The same 100 basis point increase/decrease in interest rates, if applied to our cash and investment balances on September 30, 2011 that are sensitive to interest rate fluctuations, would result in an offsetting benefit/reduction to pre-tax income of approximately \$31 million annually. There are inherent limitations in the sensitivity analysis presented, primarily due to the assumption that interest rate changes would be instantaneous. As a result, the analysis is unable to reflect the potential effects of more complex market changes, including changes in credit risk regarding our investments, which may positively or negatively affect income. In addition, the current mix of fixed versus floating rate debt and investments and the level of assets and liabilities will change over time.

Credit Risk

Our interest earning assets include investment securities, substantially all of which are state and municipal debt securities, which are classified in "Settlement assets" and accounted for as available-for-sale securities, and money market fund investments, which are classified in "Cash and cash equivalents." The majority of our investment securities had credit ratings of "AA-" or better from a major credit rating agency.

To manage our exposures to credit risk with respect to investment securities, money market investments, derivatives and other credit risk exposures resulting from our relationships with banks and financial institutions, we regularly review investment concentrations, trading levels, credit spreads and credit ratings, and we attempt to diversify our investments among global financial institutions. We also limit our investment level in any individual money market fund to no more than \$100 million.

We are also exposed to credit risk related to receivable balances from agents in the money transfer, walk-in bill payment and money order settlement process. In addition, we are exposed to credit risk directly from consumer transactions particularly through our internet services and electronic channels, where transactions are originated through means other than cash, and therefore are subject to "chargebacks," insufficient funds or other collection impediments, such as fraud. We perform a credit review before each agent signing and conduct periodic analyses. Our losses associated with bad debts have been less than 1% of our revenues in all periods presented.

We are exposed to credit risk relating to derivative financial instruments written by us to our customers in our Business Solutions business. The duration of these derivative contracts is generally nine months or less. The credit risk associated with our derivative contracts increases when foreign currency exchange rates move against our customers, possibly impacting their ability to honor their obligations to deliver currency to us or to maintain appropriate collateral with us. To mitigate risk, we perform credit reviews of the customer on an ongoing basis and we may require certain customers to post collateral or increase collateral based on the fair value of the customer's contract and their risk profile. The credit risk arising from our spot foreign currency exchange contracts is largely mitigated, as in most cases we require the receipt of funds from our customers before releasing the associated cross-currency payment.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information under the caption “Risk Management” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 of Part I of this report is incorporated herein by reference.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of the Principal Executive Officer and Principal Financial Officer, have evaluated the effectiveness of our controls and procedures related to our reporting and disclosure obligations as of September 30, 2011, which is the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that, as of September 30, 2011, the disclosure controls and procedures were effective to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported, as applicable, within the time periods specified in the rules and forms of the Securities and Exchange Commission, and are designed to ensure that information required to be disclosed by us in the reports that we file or submit are accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

On May 25, 2010 and as subsequently revised, our Board of Directors approved a restructuring plan including the elimination and relocation of employees who, among other functions, staffed certain of our operational accounting, IT and other functions. Accordingly, we have experienced significant turnover in these areas during the transition of these operations to new or existing Company facilities and third-party providers. Management believes it is taking the necessary steps to monitor and maintain appropriate internal controls during this period of change.

There were no additional changes that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of The Western Union Company

We have reviewed the condensed consolidated balance sheet of The Western Union Company (the Company) as of September 30, 2011, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2011 and 2010, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2011 and 2010. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of The Western Union Company as of December 31, 2010, and the related consolidated statements of income, cash flows, and stockholders' equity/(deficiency) for the year then ended (not presented herein) and in our report dated February 25, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2010, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Denver, Colorado
November 3, 2011

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In October 2011, Elektra del Milenio de C.V. (“Elektra”), the Company’s largest agent in Mexico, served a Demand for Arbitration on two of the Company’s subsidiaries, alleging that the Company’s subsidiaries intentionally breached obligations relating to exclusivity in the parties’ International Money Transfer Agreement. Elektra claims that the alleged breach caused it to lose profits that it would otherwise have earned from offering the Company’s services or other money transfer services. The Company’s subsidiaries intend to defend themselves vigorously and are preparing a response to the Demand for Arbitration.

On July 26, 2010, U.F.C.W. Local 1776 & Participating Employers Pension Fund filed a Verified Shareholder Double Derivative Complaint and Jury Demand in United States District Court for the District of Colorado, alleging that the Company’s Board of Directors failed to appropriately oversee the Company’s compliance program, particularly in regard to the alleged deficiencies which resulted in the Company’s agreement and settlement with the State of Arizona and other states in early 2010. In addition to naming the Company’s Board members as individual defendants, the complaint names the Company and its subsidiary Western Union Financial Services, Inc. as nominal defendants. The complaint seeks damages from the individual defendants for breach of fiduciary duty and waste of corporate assets and an order requiring various corrective measures. On September 10, 2010, the United States District Court for the District of Colorado dismissed the complaint for lack of subject matter jurisdiction. On September 23, 2010, the plaintiff re-filed the complaint in Maricopa County Superior Court in Arizona. The complaint was removed to the United States District Court for the District of Arizona. On September 29, 2011, the Court denied Defendants’ motion to dismiss on jurisdictional grounds.

In the second quarter of 2009, the Antitrust Division of the United States Department of Justice (“DOJ”) served one of the Company’s subsidiaries with a grand jury subpoena requesting documents in connection with an investigation into money transfers, including related foreign exchange rates, from the United States to the Dominican Republic from 2004 through the date of subpoena. The Company is cooperating fully with the DOJ investigation. Due to the stage of the investigation, the Company is unable to predict the outcome of the investigation, or the possible loss or range of loss, if any, which could be associated with the resolution of any possible criminal charges or civil claims that may be brought against the Company. Should such charges or claims be brought, the Company could face significant fines, damage awards or regulatory consequences which could have a material adverse effect on the Company’s business, financial position and results of operations.

In the normal course of business, the Company is subject to other claims and litigation. The Company’s Management believes that such matters involving a reasonably possible chance of loss will not, individually or in the aggregate, result in a materially adverse effect on the Company’s financial position, results of operations or cash flows. The Company accrues for loss contingencies as they become probable and estimable.

Item 1A. Risk Factors

There have been no material changes to the risk factors described in our 2010 Annual Report on Form 10-K.

Table of Contents

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about the Company's repurchases of shares of the Company's common stock during the third quarter of 2011:

	Total Number of Shares Repurchased*	Average Price Paid per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs**	Remaining Dollar Value of Shares that May Yet Be Repurchased Under the Plans or Programs (in millions)
July 1 - 31	7,392	\$ 20.03	—	\$ 755.8
August 1 - 31	4,977,431	\$ 16.38	4,972,126	\$ 674.4
September 1 - 30	3,695,092	\$ 15.93	3,694,928	\$ 615.5
Total	8,679,915	\$ 16.19	8,667,054	

* These amounts represent both shares authorized by the Board of Directors for repurchase under a publicly announced plan, as described below, as well as shares withheld from employees to cover tax withholding obligations on restricted stock awards and units that have vested.

** On February 1, 2011, the Board of Directors authorized an additional \$1 billion of common stock repurchases through December 31, 2012. At September 30, 2011, \$615.5 million remains available under share repurchase authorizations approved by the Company's Board of Directors. Management has historically and may continue to establish prearranged written plans pursuant to Rule 10b5-1. A Rule 10b5-1 plan permits the Company to repurchase shares at times when the Company may otherwise be prevented from doing so, provided the plan is adopted when the Company is not aware of material non-public information.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

See "Exhibit Index" for documents filed herewith and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

The Western Union Company
(Registrant)

Date: November 3, 2011

By: _____ / s / H IKMET E RSEK
Hikmet Ersek
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 3, 2011

By: _____ / s / S COTT T. S CHEIRMAN
Scott T. Scheirman
Executive Vice President and Chief
Financial Officer
(Principal Financial Officer)

Date: November 3, 2011

By: _____ / s / A MINTORE T.X. S CHENKEL
Amintore T.X. Schenkel
Senior Vice President, Chief Accounting Officer,
and Controller (Principal Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Description
4	Form of 3.650% Note due 2018 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on August 22, 2011 and incorporated herein by reference thereto)
10.1	Mutual Separation Agreement and Release, dated as of August 25, 2011, between Western Union, LLC and David Yates*
10.2	Credit Agreement, dated as of September 23, 2011, among The Western Union Company, the banks named therein, as lenders, Wells Fargo Bank, National Association, in its capacity as the swing line bank, Wells Fargo Bank, National Association, Citibank, N.A. and JPMorgan Chase Bank, N.A., in their respective capacities as issuing lenders, Citibank, N.A. and JPMorgan Chase Bank, N.A., as syndication agents, Bank of America, N.A., Barclays Bank PLC and U.S. Bank National Association, as documentation agents, and Wells Fargo Bank, National Association, as administrative agent (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 29, 2011 and incorporated herein by reference thereto)
12	Computation of Ratio of Earnings to Fixed Charges
15	Letter from Ernst & Young LLP Regarding Unaudited Interim Financial Information
31.1	Certification of Principal Executive Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Principal Financial Officer of The Western Union Company Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Management contract and compensatory plan required to be filed as an exhibit pursuant to Item 6 of this report.

MUTUAL SEPARATION AGREEMENT AND RELEASE

This is a Mutual Separation Agreement and Release (“Mutual Separation Agreement” or “Agreement”) between David G. Yates (“Executive”) and Western Union, LLC (the “Company”), an Affiliate of The Western Union Company (“Western Union”), whereby the parties have reached a mutual agreement that Executive hereby voluntarily separates from his employment with the Company effective September 30, 2011 (“Separation Date”).

For purposes of this Agreement, “Affiliate” means a Person that directly, or indirectly through one or more intermediaries, owns or controls, is owned or is controlled by, or is under common ownership or control with, another Person. As used herein, “control” means the power to direct the management or affairs of a Person, and “ownership” means the beneficial ownership of at least 10% of the voting securities of the Person. The Company and/or Western Union shall be deemed to control any settlement network in which it has any equity ownership. As used herein, “Person” means any corporation, limited or general partnership, limited liability company, joint venture, association, organization or other entity.

1. Terms and Consideration. In consideration for Executive’s execution of this Agreement, but subject to the paragraph in this Agreement titled “Review Period and Revocation” and the terms of the paragraph titled “Consideration and Remedy,” the Company agrees to provide to Executive the following payments and benefits:

- (a) Continued Employment. From the date this Agreement is executed through and including the Separation Date, Executive shall continue to be employed by the Company and shall continue to receive Executive’s regular base salary as of the date this Agreement is executed, paid in regular installments on the 15th and last business day of each month, and shall continue to be an active participant under the Company’s incentive compensation and equity plans, health, welfare, and retirement benefit programs (to the extent Executive participated in such programs immediately prior to the date of this Agreement) in accordance with the terms of such plans and programs. Effective on the Separation Date, Executive’s employment by the Company shall voluntarily terminate and, subject to the requirements of applicable law, Executive will not be eligible to continue active participation in any Western Union benefit plan or program, provided that Executive shall be permitted to utilize the Mayo Clinic Executive Health Program benefit a maximum of one time during 2011 and one time during 2012. In addition, the Company agrees that it will not seek payment from Executive in connection with Executive’s use of a Company-provided vehicle during Executive’s term of employment with the Company. Furthermore, following the Separation Date the Company shall timely pay Executive ten days of accrued but unused vacation, unpaid Base Salary, incurred but unreimbursed business expenses (in accordance with Company policy), and afford Executive the continuation/conversion rights available under the Company’s employee welfare benefits plans.
- (b) Bonus for Year of Separation. Provided that the Compensation and Benefits Committee of Western Union’s Board of Directors (“Compensation Committee”) has certified that the applicable performance goals under the Western Union Senior Executive Annual Incentive Plan (“SEAIP”) have been achieved for 2011, a prorated bonus under the SEAIP for 2011, and provided further that Executive executes the 2011 SEAIP Award Acceptance Agreement in the form attached hereto as Exhibit 1 in accordance with subparagraph (c) below (the “SEAIP Award Agreement”). Such prorated bonus shall be equal to 75 percent of the bonus Executive would have been eligible to receive had Executive not separated from employment based on the bonus payout percentages approved by the Compensation Committee for actively employed named executive officers as a result of the level of attainment of the corporate financial and strategic leadership team goals established by the Compensation Committee for 2011 under the SEAIP. Any bonus payable to Executive under this subparagraph shall be paid in a lump sum cash payment at the same time that bonus payments for 2011 are paid to actively employed named executive officers under the SEAIP.

- (c) Other Agreements . Provided that Executive executes and returns to the Company on or within five business days following the Separation Date the complete release in the form attached hereto as Schedule 1 (“September 30, 2011 Release” or “Release”), including the Exhibit A attached to the September 30, 2011 Release, which is the Global Non-Disclosure and U.S. Non-Solicitation and U.S. Non-Competition Agreement (“Release – Exhibit A”), the deed of settlement and compromise under the laws of England and Wales in the form attached hereto as Schedule 2 (the “UK Release”), the Consulting Agreement in the form attached hereto as Schedule 3 (“Consulting Agreement”), and the SEAIP Award Agreement in the form attached hereto as Exhibit 1, all of which documents are incorporated herein by reference, Executive shall be eligible to receive compensation in accordance with the terms and conditions of this Agreement and the Schedules (defined herein below). Exhibit 1 to this Agreement, the Schedule 1 and the attached Release—Exhibit A, the Schedule 2 and Exhibits 1 and 2, and the Schedule 3, collectively, shall hereafter be referred to as the “Schedules.” In the event Executive does not sign the SEAIP Award Agreement, the September 30, 2011 Release and the Release—Exhibit A attached thereto, the UK Release, and the Consulting Agreement or if Executive revokes the September 30, 2011 Release within seven (7) days of execution of the same, the Company shall have no obligation to provide to Executive any payment Executive could have become eligible for under the September 30, 2011 Release and the attached Release—Exhibit A, the Consulting Agreement and the UK Release.
- (d) Lump Sum Cash Payment to Cover Certain Costs . Provided that Executive executes and returns to the Company on or within five business days following the Separation Date, the September 30, 2011 Release and the attached Release—Exhibit A, the Consulting Agreement and the UK Release, and subject to the expiration of the revocation period for the September 30, 2011 Release, the Company will make a lump sum cash payment to Executive in the gross amount of \$100,000.00, less tax withholding and other legally allowed deductions, to be paid within 30 days following the Separation Date. Such lump sum cash payment is intended to cover, among other things, Executive’s relocation costs in order for Executive to relocate from Colorado to the United Kingdom. In addition, the Company agrees to pay the reasonable legal fees to Executive and expenses actually incurred by Executive in conjunction with the negotiation and review of this Agreement and the Schedules on behalf of the Executive, up to a maximum gross amount of \$25,000.00 (less tax withholding and other legally required deductions), provided that Executive furnishes to the Company no later than October 31, 2011 a summary invoice for Seyfarth Shaw that provide the amount of the legal fees and expenses incurred by Executive in connection with the negotiation and review of the Agreement and the Schedules.

2. Complete Release .

- (a) In consideration of those payments and benefits listed in Paragraph 1(a) and 1(b) above which are payable only under this Agreement, Executive agrees to and hereby does knowingly and voluntarily release and discharge the Company, Western Union, their subsidiaries and Affiliates, their agents, executives, directors, officers, employees, and their predecessors and successors, including the subsidiaries, Affiliates, agents, executives, directors, officers and employees of such predecessors and successors (the “Released Parties”), from any and all claims, causes of action and demands of any kind, whether known or unknown, which Executive has or ever has had and which are based on acts or omissions occurring up to and including the date of this Agreement. Included in the release set forth in the preceding sentence, without limiting its scope, are claims arising under Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, and the Age Discrimination in Employment Act of 1967 (“ADEA”), each as amended, as well as any other federal, state or local employment or labor laws, wrongful discharge or employment claims, as well as any claims in contract, tort, or common law, and which are related to Executive’s employment with the Company, Western Union, and/or their subsidiaries and Affiliates or the termination of that employment (the “Claims”). The terms “Claims” is

intended to be broad and all-encompassing and is not limited to those claims specifically cited in the foregoing sentence. Furthermore, notwithstanding the foregoing, nothing in this Agreement waives a claim which by law cannot be waived.

Executive further acknowledges and agrees that the payments under this Agreement shall be in lieu of any severance benefits that may be payable to Executive under Western Union's Severance / Change in Control Policy (Executive Committee Level) ("Severance Policy") upon Executive's separation from employment with the Company and Executive therefore hereby waives any severance benefits to which Executive may be entitled under the Severance Policy upon Executive's separation from employment.

In addition, Executive acknowledges and agrees that all outstanding awards Executive has received under Western Union's 2006 Long-Term Incentive Plan ("LTIP") shall be governed by the terms of the applicable award agreements as they apply to an award holder who is not eligible for benefits under the Severance Policy and who has voluntarily terminated employment with or service to the Company effective on the Separation Date. Accordingly, Executive acknowledges and agrees that Executive's restricted stock unit award granted August 2, 2010, cash performance grant award granted August 2, 2010, performance share unit award granted February 24, 2011, and nonqualified stock option award granted February 24, 2011 shall all be forfeited in their entirety and cancelled by Western Union effective on the Separation Date. With respect to Executive's nonqualified stock option award granted August 2, 2010, such award shall cease to vest on the Separation Date and the unvested portion of such award shall be forfeited and cancelled by Western Union as of the Separation Date. The portion of Executive's August 2, 2010 nonqualified stock option award that is vested as of the Separation Date may be exercised by Executive until the close of the New York Stock Exchange ("NYSE") on the 30th calendar day following the Separation Date (or if the NYSE is closed on such date, until the close of the NYSE on the next following day on which the NYSE is open), after which time such option shall be forfeited and cancelled by Western Union.

Executive does not waive claims, causes of action or demands of any kind that may arise after the date this Agreement is executed and which are based on acts or omissions occurring after such date, or claims, causes of action, or demands which by law cannot be released by private agreement between the Company and the Executive. The foregoing release shall not apply to (i) Executive's right to indemnification under the Company's bylaws or otherwise, (ii) rights to directors and officers liability insurance (to the extent eligible), (iii) obligations of the Company created by this Agreement, or (iv) claims, causes of action or demands of any kind that may arise after the date this Agreement is executed and which are based on acts or omissions occurring after such date. Furthermore, notwithstanding the foregoing, nothing in this Agreement waives a claim which by law cannot be waived.

- (b) Executive further agrees that while nothing in this Agreement shall limit Executive's right to maintain a pending charge of discrimination, or file a future charge of discrimination, with any federal, state or local governmental agency relating to Executive's employment with the Company and/or participate in any proceeding relating to any action or Executive's employment, whether brought by an agency or by another on Executive's behalf, Executive expressly waives by this Agreement the right to recover monetary damages and any other relief personal to Executive if such charge, lawsuit or action is pursued. Notwithstanding this provision, Executive may bring a claim against the Company to enforce this Agreement or to challenge the validity of this Agreement under ADEA.

3. Termination from Employment. Prior to the Separation Date, the employment of Executive is subject to termination by Executive, or by the Company, Western Union and their subsidiaries and Affiliates (for the purpose of this Paragraph 3, collectively the "Company") under the following circumstances:

- (a) Termination by Executive. Prior to the Separation Date, Executive may terminate Executive's employment, at any time. In the event of such termination, the Company shall have no

obligation thereafter to continue to provide to Executive the payments and benefits hereunder and such consideration immediately shall cease (except to the extent that such payments and benefits are required by law), including any payments and benefits Executive would be eligible for under the Consulting Agreement referenced in Paragraph 1.

- (b) Termination by the Company. Prior to the Separation Date, Executive's employment may be terminated by the Company for "Cause." For purposes of this Agreement, Cause shall be determined by the Company in good faith and shall be limited to the following events:

- Theft, dishonesty or other irregularities impacting the Company, such as the falsification of any Company records or lying during an investigation.
- Damage, loss or destruction of Company, employee, supplier or customer property due to Executive's grossly negligent or intentional acts or failures to act.
- Unauthorized removal from premises or use of property belonging to the Company without the appropriate level of approval.
- Executive has committed or engaged in grossly negligent or willful conduct that is likely to be detrimental to the Company.
- Executive has willfully disobeyed the lawful directive of his supervisor, the Company's General Counsel Officer, or the Board of Directors.
- Executive has willfully refused or is unwilling to perform reasonable duties assigned.
- Willfully engaging in any activity inconsistent with, or which impairs or interferes with, the Company's compliance with state, federal, and other laws.
- Material breach by Executive of any term of this Agreement.

None of the foregoing events shall be deemed to be Cause for termination unless (i) the Company shall have notified the Executive in writing (setting forth in reasonable detail the nature of the event(s) constituting Cause) of such event within ten days of the Company first having knowledge of such event, and (ii) the Executive shall have failed to remedy or cure such event to the Company's reasonable satisfaction within ten days of receiving such notice.

- (c) Termination for Cause. In the event the Company terminates Executive's employment for Cause, the Company shall have no obligation thereafter to provide to Executive the consideration hereunder and such consideration immediately shall cease (except to the extent that such payments and benefits are required by law), including any payment Executive could be eligible for under the Consulting Agreement referenced in Paragraph 1. In addition, the Company shall be entitled to all remedies available at law and equity; and the prevailing party shall be entitled to reasonable attorneys' fees and costs of court incurred by the prevailing party in any lawsuit or other action in connection with such termination.

4. Cooperation. From the date of execution of this Agreement and thereafter until December 31, 2012, Executive agrees to cooperate fully with the Company, its financial and legal advisors, and/or government officials in any claims, investigations, administrative proceedings, lawsuits, and other legal, internal or business matters, as reasonably requested by the Company. Company will take into consideration the Executive's personal and business commitments, will give the Executive as much advance notice as reasonably possible, and ask that Executive be available at such time or times, and at such location or locations, as are mutually convenient to the Company and the Executive. Company agrees to reimburse Executive for the actual out-of-pocket expenses Executive incurs, in accordance with the Western Union's Global Travel and Expense Policy ("Travel Policy"), as a result of Executive's complying with this Paragraph 4, subject to Executive's submission to the Company of documentation substantiating such expenses as the Company requires under its Travel Policy.

To the extent that it is consistent with the Company's by-laws, certificate of incorporation and applicable laws, the Company will engage on its own behalf to represent Executive with legal counsel of its choosing if necessary in connection with such cooperation, and in any event will reimburse Executive for documented,

reasonable and necessary out-of-pocket travel expenses as are required and which Executive incurs in complying with Executive's obligations under this paragraph in accordance with Western Union's Global Travel and Expenses Policy. If for any reason the Company determines that a conflict of interest may exist between Executive and the Company, the Company may require Executive to obtain separate counsel in which case the Company will subsequently reimburse Executive for the reasonable and necessary legal fees associated with the use of such counsel and/or related travel expenses (as limited above), to the extent that such reimbursement is permitted by the Company's by-laws, certificate of incorporation and applicable laws.

5. Non-Disparagement. Executive agrees not to intentionally make any direct or indirect derogatory statements regarding, or disparage in any way, the business or reputation of the Company or its subsidiaries or Affiliates, or any of their directors, officers, managers or employees, unless such statements are required by law. Company agrees that its officers and Executive Committee Members shall not intentionally make any direct or indirect derogatory statements regarding, or disparage in any way, the reputation of Executive, unless such statements are required by law.

6. Non-Admission. Nothing in this Agreement is intended to be or shall be construed as an admission by the Executive, the Company or any of the other Released Parties that he or they violated any law, interfered with any right, breached any obligation or otherwise engaged in any improper or illegal conduct with respect to the other or otherwise, the parties hereto expressly deny any such improper or illegal conduct.

7. Severability and Governing Law. In the event that any provision of this Agreement is deemed unenforceable, the parties agree that a court of competent jurisdiction shall have jurisdiction to reform such provision to the extent necessary to cause it to be enforceable to the maximum extent permitted by law. The provisions in this Agreement are severable, and if any provision is determined to be prohibited or unenforceable in any jurisdiction, the remaining provisions shall nevertheless be binding and enforceable. This Agreement shall be governed by and interpreted in accordance with the laws of the state of Colorado without regard to principles of conflicts of law.

8. Other Agreements, Survivability, and Successorship. Executive acknowledges that, except as provided in this paragraph, this Agreement (including the Schedules) is the entire agreement between the Company and Executive concerning the subject matter hereof and that Executive has not relied on any other representations or statements, written or oral, by the Released Parties or their employees or agents concerning the terms of the Agreement or any other matters not contained herein. From and after the Separation Date this Agreement (including all Schedules) shall supersede any non-solicitation, non-compete, non-disclosure, confidentiality, clawback or other written agreement that Executive may have signed while employed with the Company, Western Union, and/or their subsidiaries or Affiliates, except for the terms and conditions of Executive's nonqualified stock option award granted August 2, 2010 (other than the restrictive covenant provisions thereof), and for avoidance of doubt, subject to Executive's execution of this Agreement (and the Schedules) and Executive does not revoke the September 30, 2011 Release, the Company and Executive agree that the Restrictive Covenant Agreement for Employees in Colorado executed by Executive in 2010 shall be considered null and void effective on the Separation Date. In addition to this paragraph, the paragraphs in this Agreement necessary to carry out the intentions of the parties shall survive the termination of this Agreement.

This Agreement inures to the benefit of the Executive's heirs and permitted assigns, provided that the Consulting Agreement shall not be subject to assignment by Executive without the Company's prior written consent, and any successors or assigns of the Company, Western Union, and/or their subsidiaries and Affiliates, and Executive's obligations apply equally to the Company, Western Union, their subsidiaries, Affiliates, and/or their successors and assigns.

In the event of Executive's death prior to Executive's receipt of all of the sums due to Executive under this Agreement and the Schedules, the unpaid balance of such sums shall be paid to Executive's estate.

9. Consideration and Remedy. Executive acknowledges that in addition to this paragraph, the following paragraphs are material provisions of this Agreement: Complete Release; Termination from Employment; Cooperation; Non-Disparagement; and Other Agreements, Survivability and Successorship (collectively, the "Material Provisions"). Executive further acknowledges that (i) the first \$5,000.00 payable to Executive as

payments pursuant to Paragraph 1(a) and 1(b) of this Agreement is consideration (the "ADEA Consideration") for Executive's release and waiver in the "Complete Release" paragraph of this Agreement of any claims, causes of action and demands of any kind arising under the Age Discrimination in Employment Act of 1967, as amended (the "ADEA Released Claims"); and (ii) the remainder of the amount payable to Executive as payments and benefits described in Paragraph 1(a) and 1(b) of this Agreement are consideration (the "Other Consideration") for (a) the Executive's release and waiver in the "Complete Release" paragraph of this Agreement of any claims, causes of action and demands of any kind other than the ADEA Released Claims (the "Other Released Claims"); and (b) the Executive's obligations pursuant to the Material Provisions. In the event of a breach by Executive of the Material Provisions (excluding ADEA Released Claims) or in the event Executive challenges the enforceability of this Agreement as to any of the Other Released Claims, the Company shall be entitled to immediately cease providing to Executive the Other Consideration and any other benefits under this Agreement, except to the extent that such payments and benefits are required, either under this paragraph or by law. The Company, Western Union, and/or their subsidiaries and Affiliates shall also be entitled to all remedies available at law or equity.

10. Paragraph Headings. The paragraph headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

11. Amendments in Writing. No modification, amendment to, or waiver of this Agreement or any of its provisions shall be binding upon Executive or the Company, Western Union, its subsidiaries or Affiliates unless made in writing and duly signed by both parties.

12. Review Period and Revocation. Executive acknowledges that Executive was given a period of at least 21 calendar days to review this Agreement ("Review Period") from the date Executive received it. Executive agrees that to the extent there are changes made to the terms of this Agreement, whether they are material or immaterial, the 21-day period for review of this Agreement is not recommenced. To accept this Agreement, Executive must sign both originals and return them to Scott Scheirman on or before the last day of the Review Period. Executive acknowledges that the Company and Released Parties have made no promises to Executive other than those contained in this Agreement. EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE WAS ADVISED IN WRITING BY THIS AGREEMENT TO REVIEW THIS AGREEMENT WITH AN ATTORNEY BEFORE SIGNING THIS AGREEMENT. Executive is further advised that Executive has 7 days after Executive signs this Agreement to revoke it by notifying the Company of such revocation in writing. In the event Executive revokes this Agreement as specified in the immediately preceding sentence, the Company shall deem this Agreement to be void in its entirety, in which case neither party shall be bound by its terms and no payment shall be made to the Executive hereunder. If Executive properly revokes this Agreement, Executive shall nevertheless remain subject to any other agreement that Executive signed while employed with the Company, Western Union, and/or their subsidiaries or Affiliates as referenced in the paragraph titled "Other Agreements, Survivability and Successorship".

Executive’s signature below indicates that Executive has carefully read, reviewed, and fully understands this Agreement. Executive acknowledges that Executive’s signature below constitutes a knowing and voluntary execution of this Agreement and Executive signs the same of Executive’s own free will and it is Executive’s intention to be bound thereby.

Dated this _____ day of _____, 2011.

David G. Yates

Western Union, LLC

By:

Title

Dated this _____ day of _____, 2011.

EXHIBIT 1 TO MUTUAL SEPARATION AGREEMENT AND RELEASE**THE WESTERN UNION COMPANY
INCENTIVE AWARD ACCEPTANCE AGREEMENT**

Pursuant to The Western Union Company Senior Executive Annual Incentive Plan (the "Plan"), David G. Yates ("the Participant") has been identified as eligible to participate in the Plan for the Performance Period set forth below and has been determined to be eligible to receive the Incentive Award described below. Certain terms and conditions of the Incentive Award are set forth immediately below in this Incentive Award Acceptance Agreement. Other terms and conditions are set forth in the Incentive Award Agreement which is appended to this Incentive Award Acceptance Agreement. The Incentive Award Acceptance Agreement and the Incentive Award Agreement are together the "Agreement" which is made and entered into between The Western Union Company, a Delaware corporation ("the Company"), and the Participant as of the beginning of the Performance Period set forth below. Capitalized terms not otherwise defined in this Incentive Award Acceptance Agreement are defined in the Plan or the Incentive Award Agreement.

Maximum Award: 11.52% of the Incentive Pool

Target Award: \$495,317 (actual Award, if any, to reflect Participant's September 30, 2011 Separation Date)

Performance Period: January 1, 2011 – December 31, 2011

Incentive Pool: 3.0% of Operating Income for fiscal year 2011

Vesting Date: December 31, 2011

The Participant acknowledges receipt of copies of the Incentive Award Agreement, The Western Union Company Clawback Policy (the "Clawback Policy") and the Plan (which are incorporated by reference and made a part hereof) and this Incentive Award Acceptance Agreement and agrees to abide by all of the terms and conditions of the Incentive Award Agreement, the Clawback Policy and the Plan.

In witness whereof, the parties have executed the Agreement as of _____, 2011.

THE WESTERN UNION COMPANY,
a Delaware corporation

By: _____
Name: _____
Title: _____

Agreed and Accepted:

Participant

INCENTIVE AWARD AGREEMENT
THE WESTERN UNION COMPANY
SENIOR EXECUTIVE ANNUAL INCENTIVE PLAN

Pursuant to the provisions of The Western Union Company Senior Executive Annual Incentive Plan (the "Plan"), David G. Yates (the "Participant"), has been identified as eligible to participate in the Plan for the Performance Period set forth in the Incentive Award Acceptance Agreement and has been determined to be eligible to receive an Incentive Award (the "Award"), upon and subject to the restrictions, terms and conditions set forth in the Incentive Award Acceptance Agreement, the Plan and below. Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless the Participant shall accept this Agreement by executing the Incentive Award Acceptance Agreement and returning it to the Company at such time as shall be satisfactory to the Company.

2. Service Vesting Requirement. Except as otherwise determined by the Committee, if the Participant's employment in his current position with the Company terminates for any reason prior to the date set forth in the Incentive Award Acceptance Agreement (the "Vesting Date"), the Participant shall not be entitled to receive the Incentive Award.

3. Committee Discretion. Notwithstanding anything herein to the contrary, in all cases, the Committee shall have the sole and absolute discretion, taking into account such factors as the Committee deems appropriate, to determine the amount of the Award payable to the Participant (not to exceed the maximum award set forth in the Incentive Award Acceptance Agreement) or to decide that no payment shall be made.

4. Payment. If the Committee certifies that the applicable Performance Measures have been achieved and has determined the amount and approved the payment of the Award to the Participant, the Participant shall receive, during the period beginning on January 1 and ending on March 15 (March 31, in the case of a Participant who is not a United States taxpayer) of the calendar year immediately following the year in which the Vesting Date occurs, a lump sum cash payment from the Company in an amount equal to the Award determined by the Committee, subject to the deduction of taxes and other amounts pursuant to the Plan, unless the Participant is eligible to and elects to defer a permissible portion of the Award into The Western Union Company Supplemental Incentive Savings Plan ("SISP") by an election made no later than 6 months prior to end of the performance period. All payments under this Agreement are intended to be exempt from Section 409A of the Code as "short-term deferrals," within the meaning of Treasury regulations promulgated under Section 409A of the Code.

5. Withholding. All payments under this Agreement are subject to withholding of any federal, state, local or other income, social insurance, payroll or other tax-related items which may be required to be withheld or paid in connection with such award.

6. Award Confers No Rights to Continued Employment. In no event shall the Participant's eligibility for the Award or its acceptance by the Participant give or be deemed to give the Participant any right to continued employment by the Company, or any Subsidiary or Affiliate of the Company.

7. Nontransferability of Award. The Award and any rights thereunder shall not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process.

8. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and the Clawback Policy and shall be interpreted in accordance therewith. The Participant hereby acknowledges receipt of a copy of the Plan and the Clawback Policy.

9. Meaning of Certain Terms. As used herein, employment by the Company shall include employment by a Subsidiary or an Affiliate of the Company.

10. Administration. The authority to administer and interpret this Agreement shall be vested in the Committee, and the Committee shall have all the powers with respect to this Agreement as it has with respect to the Plan. Any interpretation, determination or other action made or taken by the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

11. Amendment and Termination. The Committee may at any time amend or terminate the Plan. The Committee may, in its sole discretion, reduce or eliminate the Award at any time and for any reason.

12. Special 409A Provisions. Notwithstanding any other provision of this Agreement to the contrary, if any payment hereunder is subject to section 409A of the Code and if such payment is to be paid on account of the Participant's separation from service (within the meaning of section 409A of the Code), if the Participant is a specified employee (within the meaning of section 409A(a)(2)(B) of the Code), and if any such payment otherwise is required to be made prior to the first day of the seventh month following the Participant's separation from service, such payment shall be delayed until the first day of the seventh month following the Participant's separation from service. To the extent that any payments or benefits under this Agreement are subject to section 409A of the Code and are paid or provided on account of the Participant's termination of employment, the determination as to whether the Participant has had a termination of employment (or separation from service) shall be made in accordance with section 409A and the guidance issued thereunder.

13. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not otherwise governed by the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to the conflicts of laws principles.

14. Statute of Limitations. Any action, claim or lawsuit relating to this Agreement must be filed no more than 6 months after the date of the event that is the subject of the action, claim or lawsuit. The Participant voluntarily waives any statute of limitations to the contrary.

15. Clawback Policy. Notwithstanding any provision of this Agreement to the contrary, if the Board determines that any Incentive Compensation (as defined in the Company's Clawback Policy) received by or paid to the Participant resulted from any financial result or performance metric that was impacted by the Participant's misconduct or fraud and that compensation should be recovered from the Participant (such amount being recovered, the "Clawbacked Compensation"), then upon such determination, the Board may recover such Clawbacked Compensation by (a) cancelling all or any portion of the Award (the "Clawbacked Portion") and, in such case, the Participant shall not be entitled to receive the Clawbacked Portion of the Award and the Clawbacked Portion of the Award shall automatically and without further action of the Company be cancelled, (b) requiring the Participant to repay to the Company any portion of the Clawbacked Portion of the Award the Participant has already received or (c) any combination of the remedies set forth in clauses (a) or (b). The foregoing remedies are in addition to and separate from any other relief available to the Company due to the Participant's misconduct or fraud. Any determination by the Board with respect to the foregoing shall be final, conclusive and binding upon the Participant and all persons claiming through the Participant.

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS

SCHEDULE 1 TO MUTUAL SEPARATION AGREEMENT AND RELEASE

SEPTEMBER 30, 2011 RELEASE

This September 30, 2011 Release ("Release") is hereby entered into between David G. Yates ("Executive") and Western Union, LLC ("Company"), an Affiliate of The Western Union Company ("Western Union"), effective September 30, 2011 ("Separation Date").

For purposes of this Release, "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, owns or controls, is owned or is controlled by, or is under common ownership or control with, another Person. As used herein, "control" means the power to direct the management or affairs of a Person, and "ownership" means the beneficial ownership of at least 10% of the voting securities of the Person. The Company and/or Western Union shall be deemed to control any settlement network in which it has any equity ownership. As used herein, "Person" means any corporation, limited or general partnership, limited liability company, joint venture, association, organization or other entity.

The defined terms provided in paragraph 1(c) of the Mutual Separation Agreement and Release executed between Executive and the Company ("Mutual Separation Agreement" or "Agreement") shall apply to this Release and the attached Release – Exhibit A.

1. Consideration. Provided Executive (1) is in compliance with and has not breached the Mutual Separation Agreement; (2) has executed this Release and not revoked it pursuant to the paragraph in this Release titled "Review Period and Revocation" and subject to the terms of this Release; and (3) has executed the Release – Exhibit A and is in compliance with and has not breached the Release – Exhibit A, then Executive may enter into, no later than on or within five business days following September 30, 2011, the UK Release and the Consulting Agreement and receive the benefits described therein subject to the terms and conditions therein.

2. Complete Release.

- (a) In consideration for those payments described in the Consulting Agreement, which are payable only in the event that Executive executes this Release, Executive agrees to and hereby does knowingly and voluntarily release and discharge the Company, Western Union, their subsidiaries and Affiliates, their agents, executives, directors, officers, employees, and their predecessors and successors, including the subsidiaries, Affiliates, agents, executives, directors, officers and employees of such predecessors and successors (the "Released Parties"), from any and all claims, causes of action and demands of any kind, whether known or unknown, which Executive has, or ever has had and which are based on acts or omissions occurring up to and including the date of this Release. Included in the release set forth in the preceding sentence, without limiting its scope, are claims arising under Title VII of the Civil Rights Act of 1964, the Employee Retirement Income Security Act of 1974, and the Age Discrimination in Employment Act of 1967 ("ADEA"), each as amended, as well as any other federal, state or local employment or labor laws, wrongful discharge or employment claims, as well as any claims in contract, tort, or common law, and which are related to Executive's employment with the Company, Western Union, and/or their subsidiaries and Affiliates or the termination of that employment (the "Claims"). The terms "Claims" is intended to be broad and all-encompassing and is not limited to those claims specifically cited in the foregoing sentence. Furthermore, notwithstanding the foregoing, nothing in this Release waives a claim which by law cannot be waived.

Executive does not waive claims, causes of action or demands of any kind that may arise

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS

after the date this Release is executed and which are based on acts or omissions occurring after such date, or claims, causes of action, or demands which by law cannot be released by private agreement between the Company and the Executive. The foregoing release shall not apply to (i) Executive's right to indemnification under the Company's bylaws or otherwise, (ii) rights to directors and officers liability insurance (to the extent eligible), (iii) obligations of the Company created by this Release, or (iv) claims, causes of action or demands of any kind that may arise after the date this Release is executed and which are based on acts or omissions occurring after such date. Furthermore, notwithstanding the foregoing, nothing in this Release waives a claim which by law cannot be waived.

- (b) Executive further agrees that while nothing in this Release shall limit Executive's right to maintain a pending charge of discrimination, or file a future charge of discrimination, with any federal, state or local governmental agency relating to Executive's employment with the Company and/or participate in any proceeding relating to any action or Executive's employment, whether brought by an agency or by another on Executive's behalf, Executive expressly waives by this Release the right to recover monetary damages and any other relief personal to Executive if such charge, lawsuit or action is pursued. Notwithstanding this provision, Executive may bring a claim against the Company to enforce this Release or to challenge the validity of this Release under ADEA.

3. Return of Company Property. On or before the Separation Date, Executive will resign from all titles and positions with the Company, Western Union, and/or their subsidiaries or Affiliates, and return to the Company all property within Executive's possession belonging to the Company, Western Union, and/or their subsidiaries or Affiliates, any customers of the Company, Western Union, and/or their subsidiaries or Affiliates or any entity with whom the Company, Western Union, and/or their subsidiaries or Affiliates has entered into a confidentiality agreement. Such property to be returned includes, but is not limited to, reports, maps, files, memoranda, records, credit cards, keys, passes, customer lists, information, forms, software, formulas, plans, documents, systems, designs, methodologies, product features, technology, any trade secrets, confidential information or third party information as defined in the attached Release—Exhibit A, and other written material (whether in electronic or paper format), equipment and access codes, and copies of same that Executive has requested or received, prepared or helped to prepare in connection with Executive's employment with the Company, Western Union, and/or their subsidiaries or Affiliates. Executive will not at any time, now or thereafter, retain any copies, duplicates, reproductions or excerpts of such property. Notwithstanding the foregoing, the Company shall not prohibit Executive from retaining the cell phone number *****.

4. Restrictive Covenant Agreement. Executive understands that Executive is required to execute and abide by the Release—Exhibit A, which is incorporated herein by reference. Additionally, Executive is bound by the restrictive covenants set forth in Schedules 2 and 3 of the Mutual Separation Agreement.

5. Cooperation. Executive agrees to cooperate with the Company as provided in Paragraph 4 of the Mutual Separation Agreement.

6. Non-Disparagement. Executive agrees not to intentionally make any direct or indirect derogatory statements regarding, or disparage in any way, the business or reputation of the Company or its subsidiaries or Affiliates, or any of their directors, officers, managers or employees, unless such statements are required by law. Company agrees that its officers and Executive Committee Members shall not intentionally make any direct or indirect derogatory statements regarding, or disparage in any way, the reputation of Executive, unless such statements are required by law.

7. Non-Admission. Nothing in this Release is intended to be or shall be construed as an admission by the Executive, the Company or any of the other Released Parties that he or they violated any law, interfered with any

CONFIDENTIAL MATERIAL APPEARING IN THIS DOCUMENT HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 24B-2 PROMULGATED THEREUNDER. OMITTED INFORMATION HAS BEEN REPLACED WITH ASTERISKS

right, breached any obligation or otherwise engaged in any improper or illegal conduct with respect to the other or otherwise, the parties hereto expressly denying any such improper or illegal conduct.

8. Severability and Governing Law. In the event that any provision of this Release is deemed unenforceable, the parties agree that a court of competent jurisdiction shall have jurisdiction to reform such provision to the extent necessary to cause it to be enforceable to the maximum extent permitted by law. The provisions in this Release are severable, and if any provision is determined to be prohibited or unenforceable in any jurisdiction, the remaining provisions shall nevertheless be binding and enforceable. This Release shall be governed by and interpreted in accordance with the laws of the state of Colorado without regard to principles of conflicts of law.

9. Affirmation of Compliance. Executive specifically acknowledges familiarity with the Company's Code of Conduct, including the internal channels and procedures made available by the Company for the purpose of reporting employee concerns regarding any conduct, action, or omission that might give rise to possible noncompliance with law, regulation, or Company policy. Executive further specifically affirms and represents that Executive has disclosed to the office of general counsel, the ethics officer, human resources or to the outside audit committee of the Company in writing any information or knowledge about the Company or any of its employees or agents that Executive believes represents possible or actual noncompliance, including but not limited to violation of any securities laws or regulations, fraudulent activity or other unlawful conduct. Executive represents and believes that Executive's resignation from employment with the Company is unrelated to any expressed concern about the adequacy of the Company's approach or response to any compliance matters and Executive acknowledges further that Executive has no direct knowledge that Executive's resignation from employment with the Company is related to any such concern. Furthermore, employee represents that he does not believe that his resignation is in any way in retaliation for having raised any compliance concern as described above. Executive further acknowledges that the Company, in entering providing the consideration under this Release, has relied on Executive's specific acknowledgements, affirmations, and representations in this regard.

10. Other Agreements, Survivability, and Successorship. Executive acknowledges that, except as provided in this paragraph, this Release and the Mutual Separation Agreement (including all Schedules thereto) are the entire agreement between the Company and Executive concerning the subject matter hereof and that Executive has not relied on any other representations or statements, written or oral, by the Released Parties or their employees or agents concerning the terms of the Release or any other matters not contained herein.

This Release inures to the benefit of any successors or assigns of the Company, Western Union, and/or their subsidiaries and Affiliates, and Executive's obligations apply equally to the Company, Western Union, their subsidiaries, Affiliates, and/or their successors and assigns.

In the event of Executive's death prior to Executive's receipt of all of the sums due to Executive under the Mutual Separation Agreement and the Schedules, the unpaid balance of such sums shall be paid to Executive's estate.

11. Consideration and Remedy. Executive acknowledges that the following paragraphs are material provisions of this Release: Complete Release, Return of Company Property; Restrictive Covenant Agreement; Cooperation; Non-Disparagement; Affirmation of Compliance; and Other Agreements, Survivability and Successorship (collectively, the "Material Provisions"). Executive further acknowledges that (i) the first \$50,000 payable to Executive pursuant to the Consulting Agreement is consideration (the "ADEA Consideration") for Executive's release and waiver in the "Complete Release" paragraph of this Release of any claims, causes of action and demands of any kind arising under the Age Discrimination in Employment Act of 1967, as amended (the "ADEA Released Claims"); and (ii) the remainder of the amount payable to Executive pursuant to the Consulting Agreement is consideration (the "Other Consideration") for (a) the Executive's release and waiver in the "Complete Release" paragraph of this Release of any claims, causes of action and demands of any kind other than the ADEA Released Claims (the "Other Released Claims"); and (b) the Executive's obligations pursuant to the Material

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Provisions. In the event of a breach by the Executive of the Material Provisions (excluding ADEA Released Claims) or in the event Executive challenges the enforceability of this Release as to any of the Other Released Claims, the Company shall be entitled to immediately cease providing to the Executive the Other Consideration and any other benefits under this Release, except to the extent that such payments and benefits are required, either under this paragraph or by law. The Company, Western Union, and/or their subsidiaries and Affiliates shall also be entitled to all remedies available at law or equity.

12. Code Section 409A. Notwithstanding any provision of this Release to the contrary, this Release will be construed, administered or deemed amended as necessary to comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") to avoid taxation under Code Section 409A(a)(1) to the extent subject to Code Section 409A. However, under no circumstances shall the Company, Western Union, or their subsidiaries or Affiliates or any of their employees, officers, directors, service providers or agents have any liability to Executive for any taxes, penalties or interest due on amounts paid or payable under this Release, including any taxes, penalties or interest imposed under Code Section 409A. The payments to Executive pursuant to this Release are intended to be exempt from Code Section 409A to the maximum extent possible, first, to the extent such payments are scheduled to be paid and are in fact paid during the short-term deferral period, as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and then under the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii), and for this purpose each payment shall be considered a separate payment such that the determination of whether a payment qualifies as a short-term deferral shall be made without regard to whether other payments so qualify and the determination of whether a payment qualifies under the separation pay exemption shall be made without regard to any payments which qualify as short-term deferrals. To the extent any amounts under this Release are payable by reference to Executive's "termination of employment" or "separation from employment" such terms shall be deemed to refer to Executive's "separation from service," within the meaning of Code Section 409A. Notwithstanding any other provision in this Release, if Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of Executive's separation from service, then to the extent any amount payable under this Release (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Code Section 409A, (ii) is payable upon Executive's separation from service and (iii) under the terms of this Release would be payable prior to the six-month anniversary of Executive's separation from service, such payment shall be delayed until the earlier to occur of (a) the six-month anniversary of the separation from service or (b) the date of Executive's death.

13. Paragraph Headings. The paragraph headings in this Release are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provisions hereof.

14. Review Period and Revocation. Executive acknowledges that Executive was given a period of at least 21 calendar days to review this Release ("Review Period") from the date Executive received it. Executive agrees that to the extent there are changes made to the terms of this Release, whether they are material or immaterial, the 21-day period for review of this Release is not recommenced. Executive cannot sign the Release or the Release – Exhibit A prior to Executive's Separation Date. To accept this Release and the Release – Exhibit A, Executive must sign originals of both and return them to Scott Scheirman on or no later than five business days following the Separation Date. Executive acknowledges that the Company and Released Parties have made no promises to Executive other than those contained in this Release. EXECUTIVE ACKNOWLEDGES THAT EXECUTIVE WAS ADVISED IN WRITING BY THIS RELEASE TO REVIEW THIS RELEASE WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE. Executive is further advised that Executive has seven days after Executive signs this Release to revoke it by notifying the Company of such revocation in writing. In the event Executive revokes this Release as specified in the immediately preceding sentence, the Company shall deem this Release and the Release – Exhibit A to be void in its entirety, in which case neither party shall be bound by its terms and no payment shall be made to the Executive hereunder. If Executive properly revokes this Release, Executive shall nevertheless remain subject to any other agreement that Executive signed while employed with the Company, Western Union, and/or their subsidiaries or Affiliates as referenced in the paragraph titled "Other Agreements, Survivability and Successorship" and the Release – Exhibit A shall be declared null and void.

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Executive’s signature below indicates that Executive has carefully read, reviewed, and fully understands this Release and the attached Release—Exhibit A. Executive acknowledges that Executive’s signature below constitutes a knowing and voluntary execution of this Release and Executive signs the same of Executive’s own free will and it is Executive’s intention to be bound thereby.

Dated this _____ day of _____, 2011.

David G. Yates

WESTERN UNION, LLC

By: _____

Title: _____

Dated this _____ day of _____, 2011.

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EXHIBIT A TO SEPTEMBER 30, 2011 RELEASE

GLOBAL NON-DISCLOSURE, AND U.S. NON-SOLICITATION AND U.S. NON-COMPETITION AGREEMENT

For purposes of this Exhibit A, "Company" refers to Western Union, LLC, The Western Union Company or its Affiliates (as defined in the Agreement) (hereinafter individually and collectively referred to as the "Company" for purposes of this Exhibit A).

Executive agrees that the Company is engaged in a highly competitive business and has expended, and continues to expend, significant money, skill, and time to develop and maintain valuable customer relationships, trade secrets, and confidential and proprietary information. Executive agrees that Executive's work for the Company has brought Executive into close contact with many of the Company's customers, Trade Secrets, Confidential Information, and Third Party Information (as defined below) and the Company has provided Executive access to such information to perform Executive's job duties, the disclosure of which would cause the Company significant and irreparable harm. Executive recognizes that any unauthorized disclosure of Third Party Information could breach non-disclosure obligations or violate applicable laws or Company policy. Executive further agrees that the covenants in this Agreement are reasonable and necessary to protect the Company's legitimate business interests in its customer relationships, Trade Secrets, Confidential Information, and Third Party Information (as defined in Section I below). Company has provided Executive access to "trade secret" information as that term is used in Colorado Revised Statute § 8-2-113 and Executive is "executive and management personnel" as that term is used in Colorado Revised Statute § 8-2-113.

I. Nondisclosure of Trade Secrets, Confidential Information and Third Party Information .¹ Executive agrees that for so long as the pertinent information or documentation remains a Trade Secret, Executive will not use, disclose, or disseminate to any other person, organization, or entity or otherwise employ any Company Trade Secrets. Executive further agrees that for two (2) years after the cessation of Executive's employment with the Company, Executive will not use, disclose, or disseminate to any other person, organization, or entity or otherwise employ any Company Confidential Information. The obligations set forth herein shall not apply to any Trade Secrets or Confidential Information which shall have become generally known to competitors of the Company through no act or omission of Executive, nor shall the obligations set forth herein apply to disclosures made pursuant to the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7245. Executive agrees that for so long as the pertinent information or documentation is subject to protection under Company nondisclosure obligations, policy or applicable law but in any event not less than two (2) years, Executive will not use, disclose, or disseminate to any other person, organization, or entity or otherwise employ any Third Party Information.

A. Company "Trade Secrets" includes but is not limited to the following:

1. any data or information that is competitively sensitive or commercially valuable, and not generally known to the public, including, but not limited to, products planning information, marketing strategies, marketing results, forecasts or strategies, plans, finance, operations, reports, data, customer relationships, customer profiles, customer lists, sales estimates, business plans, and internal performance results relating to the past, present or future business activities of the Company, its customers, clients, and suppliers; and

¹ For avoidance of doubt this covenant applies on a global basis without limitations.

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2. any scientific or technical information, design, process, procedure, formula, or improvement, computer software, object code, source code, specifications, inventions, systems information, whether or not patentable or copyrightable.
- B. Company “Confidential Information” means any data or information and documentation, other than Trade Secrets, which is valuable to the Company and not generally known to the public, including but not limited to:
1. Financial information, including but not limited to earnings, assets, debts, prices, fee structures, volumes of purchases or sales, or other financial data, whether relating to the Company generally, or to particular products, services, geographic areas, or time periods; and
 2. Supply and service information, including but not limited to information concerning the goods and services utilized or purchased by the Company, the names and addresses of suppliers, terms of supplier service contracts, or of particular transactions, or related information about potential suppliers, to the extent that such information is not generally known to the public, and to the extent that the combination of suppliers or use of particular suppliers, though generally known or available, yields advantages to the Company the details of which are not generally known.
- C. “Third Party Information” means any data or information of the Company’s customers, suppliers, consumers or employees that the Company is prohibited by law, contract or Company policy from disclosing. By way of example such information includes but is not limited to:
1. Product specifications, marketing strategies, pricing, sales volumes, discounts;
 2. Nonpublic personal information regarding consumers, including but not limited to names, addresses, credit card numbers, financial transactions, and account balances;

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3. Personnel information, including but not limited to employees' personal or medical histories, compensation or other terms of employment, actual or proposed promotions, hiring, resignations, disciplinary actions, terminations or reasons therefore, training methods, performance, skills, qualifications and abilities, or other employee information; and
4. Customer information, which is not protected by a separate confidentiality agreement, including but not limited to any compilations of past, existing or prospective customers, agreements between customers and the Company, status of customer accounts or credit, the identity of customer representatives responsible for entering into contracts with the Company, specific customer needs and requirements, or related information about actual or prospective customers or other nonpublic consumer information.

II. Non-Solicitation of Customers . Executive agrees that through December 31, 2012, Executive will not solicit, contact, call upon, or attempt to communicate with any customer or prospective customer of the Company for the purpose of providing any products or services substantially similar to those Executive provided while employed with the Company. This restriction shall apply only to any customer or prospective customer of the Company with whom Executive had contact or about whom Executive learned Trade Secrets, Confidential Information, or Third Party Information during the last twenty-four (24) months of Executive's employment with the Company. For the purpose of this Section II, "contact" means interaction between Executive and the customer, or prospective customer which takes place to further the business relationship, or making sales to or performing services for the customer, or prospective customer on behalf of the Company.

III. Non-Solicitation of Employees. Executive agrees that through December 31, 2012, Executive will not recruit, hire, or attempt to recruit or hire, directly or by assisting others, any manager level or above employee of the Company with whom Executive had contact during Executive's last twenty-four (24) months of employment with the Company.

IV. Non-Competition. Executive agrees that through December 31, 2012, Executive will not provide any services of any kind to Competitors in the U.S. For purposes of this Section IV, "Competitor(s)" shall be defined as (i) ***, ***, ***, ***, and other similar consumer money transfer companies or divisions of companies engaged in a similar service which are directly competitive with the Company, (ii) *** B2B business payments, and other similar B2B payment companies or divisions of companies engaged in a similar service who are directly competitive with the Company, (iii) *** and *** and (iv) ***.

The Company acknowledges that its activities in e-commerce, mobile payments, cards, ATMs, stored value and pre-paid form, at present, a small part of the Company's overall revenues and to some degree depend upon the integration of services being supplied by many external industry participants. Nothing in this Exhibit A shall be construed as preventing Executive from engaging in any of these business areas, unless the express and primary purpose of such engagement is directly competitive with the Company's consumer money transfer business or its B2B payments or is on behalf of a Competitor.

The Company expressly acknowledges that this Exhibit A is not intended to restrict Executive from pursuing other work (subject to the terms of this Exhibit A), including but not limited to the acceptance of a full time executive role. As such, the Company will ensure that the scope of Services requested under the Consulting Agreement do not impede Executive's ability to work in other roles.

The Company is aware of Executive's role as a Board Member of WorldPay, and acknowledges that Executive has received requests from a number of private equity houses including, but not limited to, Advent International, Bain Capital and Investcorp to act as an advisor to them and their portfolio companies. The Company is also aware that Executive has received approaches from management consultants to provide specialist consultancy in the field of payments. Nothing in this Exhibit A shall prevent Executive from advising firms of this sort or working within their portfolio companies

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provided that such engagement does not violate the provisions of this Section IV.

Executive may, at any time, make a written request to the Chief Financial Officer of The Western Union Company ("CFO") that the CFO review any written offers received by Executive where Executive believes the CFO may have a concern that Executive's prospective role may violate this Exhibit A. The CFO shall review such requests in a reasonable manner and without undue delay and provide feedback to Executive no later than ten (10) business days after receipt of the written request. If no response is made within such time-frame, Executive will be deemed to have received approval from the CFO to continue pursuing the role.

- V. **Successorship**. This Agreement inures to the benefit of any successors or assigns of the Company, and Executive's obligations apply equally to the Company and its successors or assigns.
- VI. **Amendments in Writing**. No modification, amendment to, or waiver of this Agreement or any of its provisions shall be binding upon Executive or the Company unless made in writing and duly signed by both parties, except that Executive agrees that the Company may, at its option and without consideration, agree in a writing to be signed by both parties to substitute less restrictive provisions relating to the provisions contained herein.
- VII. **Severability**. The provisions (including subparagraphs) in this Agreement are severable and, if any provision is determined to be prohibited or unenforceable in any jurisdiction, it shall be deemed modified to render it enforceable. To the extent the provision cannot be modified to render it enforceable, it shall be severed and the remaining provisions shall nevertheless be binding and enforceable.
- VIII. **Court's Right to Modify Restrictions**. The parties have attempted to limit Executive's activities only to the extent necessary to protect the Company's Trade Secrets. The parties agree that, if the scope or enforceability of this Agreement, or any part thereof, is in any way disputed at any time, a court or other trier of fact may modify and enforce the paragraph to the extent it believes to be reasonable under the applicable law and circumstances.
- IX. **Injunctive Relief**. Executive understands, acknowledges, and agrees that in the event of a breach or threatened breach of any of the covenants contained in this Agreement, the Company shall suffer irreparable injury for which there is no adequate remedy at law, and the Company will therefore be entitled to seek temporary, preliminary, and/or permanent injunctive relief, without bond or other security from the courts, enjoining additional breaches and threatened breaches. Executive further acknowledges that the Company also shall have the right to seek a remedy at law as well as or in lieu of equitable relief in the event of any such breach.
- X. **Choice of Law**. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado without regard to principles of conflict of law.
- XI. **Waiver of Jury Trial**. The parties agree to waive their right to trial by jury for any dispute hereunder.
- XII. **Waiver of Breach**. The Company's waiver of a breach of any provision of this Agreement by the Executive does not waive any subsequent breach by the Executive, nor does the Company's failure to take action against any other employee for similar breaches operate as a waiver by the Company of Executive's breach of this Agreement.
- XIII. **Attorney's Fees**. If the Company must enforce any of its rights under this Agreement through legal proceedings, the prevailing party shall be reimbursed by the other party for all reasonable costs, expenses, and attorney's fees incurred in connection with such legal proceedings.

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XIV. Other Obligations. This Agreement is in addition to and not in lieu of other non-solicitation, non-disclosure, and non-competition obligations that Executive owes to the Company under Schedules 2 and 3 to the Mutual Separation Agreement and Release between Executive and the Company.

This Agreement is dated the _____ day of September, 2011.

ON BEHALF OF
COMPANY

EXECUTIVE

By: _____

David G. Yates

Title: _____

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SCHEDULE 2 TO MUTUAL SEPARATION AGREEMENT AND RELEASE

Deed of Settlement and Compromise

THIS DEED (“ **Agreement** ”) is made on ____ September, 2011

BETWEEN:

- (1) **Western Union Operations (UK) Limited** , a company incorporated in England and registered under number 05278674 whose registered office is at 7 Albemarle Street, London, W1S 4HR (the “ **Company** ”); and
- (2) **Mr. David G. Yates** of *** (the “ **Executive** ”).

WHEREAS:

- A. The Executive was employed by the Company on a fixed term basis from 2 August 2010 until 30 September 2010. On the expiry of the fixed term period, his employment with the Company ceased and he became employed by Western Union, LLC (“ **WULLC** ”) with effect from 1 October 2010 and relocated to the United States.
- B. Following discussions between WULLC and the Executive, it has been agreed that the Executive’s Employment (as defined below) will terminate on 30 September 2011 by mutual consent on the terms and conditions contained in the Mutual Separation Agreement and Release (as defined below).
- C. In addition to entering into the Mutual Separation Agreement and Release, the September 30, 2011 Release and the Global Non-Disclosure, and U.S. Non-Solicitation and U.S. Non-Competition Agreement attached as Exhibit A thereto, and the Consulting Agreement, the Company and the Executive have agreed to enter into this Agreement to record and implement the terms on which they have agreed to settle any claims which the Executive has or may have in connection with his Employment or its termination against any Group Company (as defined below) and or any other of their current or former employees, officers, members, shareholders or agents whether or not those claims are, or could be, in the contemplation of the parties at the time of signing this Agreement.
- D. The parties intend that this Agreement shall have effect as a statutory compromise agreement.

IT IS HEREBY AGREED AS FOLLOWS :

In this Agreement, unless the context indicates otherwise:

“ **Advisor** ” means Peter L. Talibart, a solicitor in the practice of Seyfarth Shaw (UK) LLP;

“ **Affiliate** ” means a Person that directly, or indirectly through one or more intermediaries, owns or controls, is owned or is controlled by, or is under common ownership or control with, another Person. As used herein, “control” means the power to direct the management or affairs of a Person, and “ownership” means the beneficial ownership of at least 10% of the voting securities of the Person. The Company and/or Western Union shall be deemed to control any settlement network in which it has any equity ownership. As used herein, “Person” means any corporation, limited or general partnership, limited liability company, joint venture, association, organization or other entity;

“ **Consulting Agreement** ” means the agreement entered into by Western Union Financial Services, Inc. and Executive attached as Schedule 3 to the Mutual Separation Agreement and Release;

“ **Confidential Information** ” includes all information that the Company and any other Group Company has identified as being, indicated to the Executive as being, or is by its nature confidential or that the Company or any other Group Company is obligated to third parties to keep confidential, including but

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not limited to the following: proprietary information; trade secrets; know how; computer programs and software; inventions, unpatented inventions, discoveries and improvements; marketing, manufacturing, organizational, operating, financial and business plans, strategies and materials; strategic models; research and development; programming data; engineering and patent drawings and applications; the Company's and any other Group Company's policies and manuals; sales and marketing forecasts, targets and data; personnel information (including the identity of the Company's and any other Group Company's employees, directors, agents and consultants and their responsibilities, competencies, abilities, assignments and compensation); sensitive personal data including medical information about employees; pricing and non public financial information; current and prospective client lists and information on clients and prospective clients and their employees and directors; information concerning planned or pending acquisitions or divestitures; information concerning purchases of major equipment or property; information concerning current and prospective projects; and the identities of the Company's and any other Group Company's suppliers, vendors and business partners, whether such Confidential Information is held in hard copy, electronic or other form. Confidential Information shall also include documents, disks, memory, notebooks, tapes or any other medium, whether or not in readable form, on which Confidential Information may from time to time be referred to, written, held of recorded;

" Employment " means the Executive's employment with any Group Company the terms of which are set out in the Employment Agreement;

" Employment Agreement " means the Executive's contract of employment (as amended from time to time) and any other contract, arrangement or understanding with any Group Company which currently applies or has previously applied to the Executive;

" Employment Legislation " has the meaning set out at Clause 2.3;

" Global Non-Disclosure, and U.S. Non-Solicitation and U.S. Non-Competition Agreement " means the agreement attached as Exhibit A to the September 30, 2011 Release to be executed by Executive on September 30, 2011.

" Group Company " means the Company, Western Union, LLC, their ultimate parent The Western Union Company, their respective Holding companies, Affiliates and Subsidiaries, as applicable, and **" Group Companies "** will be interpreted accordingly;

" Holding " and **" Subsidiary "** have the same meaning as given in section 1159 of the Companies Act 2006, as amended or re-enacted;

" Key Employee " means any person who was an employee, director or consultant of any Group Company at any time during the last 12 months of the Executive's employment and: (i) who was employed or engaged in a senior management role and/or (ii) is in possession of Confidential Information belonging to any Group Company and which is likely to be able to assist or benefit a business in, or proposing to be in, competition with any Group Company and/or (iii) who the Executive managed, had material dealings or otherwise worked closely with at any time during that 12 month period;

" Mutual Separation Agreement and Release " means the mutual separation agreement and release made between Western Union, LLC and the Executive dated on or about the date of this Agreement;

" Schedules " means collectively the September 30, 2011 Release attached as Schedule 1 to the Mutual Separation Agreement and Release and the attached Exhibit A; this Agreement, attached as Schedule 2 to the Mutual Separation Agreement and Release, and the Exhibits thereto; and the Consultancy Agreement, attached as Schedule 3 to the Mutual Separation Agreement and Release, and Exhibit 1 to the Mutual Separation Agreement and Release;

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“ **September 30, 2011 Release** ” means the release made between Western Union, LLC and Executive, effective September 30, 2011, attached as Schedule 1 to the Mutual Separation Agreement and Release; and

“ **Separation Date** ” means 30 September 2011.

1. Separation from Employment
 - 1.1 The Executive’s Employment will terminate on the Separation Date by mutual consent.
 - 1.2 Subject to and conditional on the Executive returning an executed copy of this Agreement and his Advisor returning an executed copy of the Certificate in the form attached as Exhibit 1 to the Agreement, WULLC shall make a lump sum cash payment to the Executive in the gross amount of US\$100,000.00, less any required tax withholding and other legally allowed deductions, to be paid within 30 days following the Separation Date, as set forth in Paragraph 1(d) of the Mutual Separation Agreement and Release.
 - 1.3 The Executive shall procure that the Certificate in Exhibit 1 is provided to the Company.
 - 1.4 The Executive warrants and undertakes to comply fully with the post-employment restrictive covenants contained in Exhibit 2 to this Agreement.
2. Compromise of claims
 - 2.1 Subject to and conditional on the terms contained in the Mutual Separation Agreement and Release, the Executive agrees and warrants that the arrangements set out in this Agreement shall constitute a formal compromise agreement in full and final settlement of any and all claims, complaints or other rights or causes of action whatsoever and howsoever arising (whether under the laws of England and Wales, European Community law or any other law) which he now has or may in the future have against any Group Company whether past or present and or any other current or former employee, officer, member, shareholder or agent of any Group Company whether such claims, complaints or rights or causes of action are known or unknown to the Executive and whether or not they could be in the Executive’s contemplation at the date of this Agreement before an Employment Tribunal or any court or other judicial or arbitral body in respect of or relating to the Executive’s Employment or termination thereof and the Executive will refrain from instituting or continuing with a complaint, claim or right or cause of action including:
 - (a) of breach of contract (whether an express or implied term thereof) or for wrongful dismissal, in particular, for pay or benefits in lieu of notice, damages for termination of employment either with or without notice or stigma damages;
 - (b) for outstanding salary or pay, expenses, accrued holiday pay, bonuses, commission, benefits, share options, share units, shares, or for the loss of any rights, benefits, interest, or entitlement under any other share option, share or incentive scheme or arrangement, or any other incentive payment or remuneration, including any rights, benefits, interest, or entitlement arising out of the respective forfeiture thereof, or to compensation in lieu thereof;
 - (c) for a redundancy payment, whether contractual or statutory under section 163 of the Employment Rights Act 1996 and any claim for a protective award;
 - (d) of unfair dismissal or constructive dismissal, under section 111 of the Employment Rights Act 1996;
 - (e) that no written reasons have been given for dismissal, under section 92 of the Employment Rights Act 1996;

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- (f) that an unauthorised deduction from wages has been made, under section 23 of the Employment Rights Act 1996;
- (g) in relation to the right to be accompanied, under section 12 of the Employment Relations Act 1999 and section 48 of the Employment Rights Act 1996;
- (h) for an unlawful detriment in breach of sections 43M, 44, 45, 45A, 46, 47, 47A, 47C, 47D and 47E of the Employment Rights Act 1996, under section 48 of the Employment Rights Act 1996;
- (i) for an unlawful detriment in breach of section 47B of the Employment Rights Act 1996 (protected disclosures), under section 48 of the Employment Rights Act 1996 and the Public Interest Disclosure Act 1998;
- (j) in relation to time off work, under sections 51, 54, 57, 57B, 60, 63 and 63C of the Employment Rights Act 1996;
- (k) in relation to parental rights and flexible working, under sections 80 and 80H of the Employment Rights Act 1996;
- (l) in relation to working time or holiday pay, under regulation 30 of the Working Time Regulations 1998;
- (m) that the provisions of the Data Protection Act 1998 have been contravened;
- (n) that the provisions of the Human Rights Act 1998 have been contravened;
- (o) that the provisions of the Protection from Harassment Act 1997 have been contravened;
- (p) in relation to suspension from work under section 70 of the Employment Rights Act 1996;
- (q) direct or indirect discrimination, harassment or victimisation related to sex, marital or civil partnership status or gender reassignment under section 120 of the Equality Act 2010 and/or for direct or indirect discrimination, harassment or victimisation on the grounds of sex or the individual's marital or civil partnership status, under section 63 of the Sex Discrimination Act 1975;
- (r) for direct or indirect discrimination, harassment or victimisation related to race under section 120 of the Equality Act 2010 and/or for direct or indirect discrimination, harassment or victimisation on the grounds of colour, race, nationality or ethnic or national origin, under section 54 of the Race Relations Act 1976;
- (s) for direct or indirect discrimination, harassment or victimisation related to disability, discrimination arising from disability, or failure to make adjustments under section 120 of the Equality Act 2010 and/or any claim of direct discrimination, harassment or victimisation on the grounds of disability and/or a failure to make reasonable adjustments, under section 17A of the Disability Discrimination Act 1995;
- (t) for direct or indirect discrimination, harassment or victimisation related to religion or belief, under section 120 of the Equality Act 2010 and/or for direct or indirect discrimination, harassment or victimisation on the grounds of religion or belief, under regulation 28 of the Employment Equality (Religion or Belief) Regulations 2003;
- (u) for direct or indirect discrimination, harassment or victimisation related to sexual orientation, under section 120 of the Equality Act 2010 and/or for direct or indirect discrimination,

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harassment or victimisation on the grounds of sexual orientation, under regulation 28 of the Employment Equality (Sexual Orientation) Regulations 2003;

- (v) for direct or indirect discrimination, harassment or victimisation related to age, under section 120 of the Equality Act 2010 and/or for direct or indirect discrimination, harassment or victimisation on the grounds of age, under regulation 36 of the Employment Equality (Age) Regulations 2006;
- (w) any claim for less favourable treatment and/or detriment on the grounds of fixed-term status, under regulation 7 of the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002;
- (x) under regulation 17 and paragraph 8 of the Schedule to the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006; and
- (y) any other claims, rights or causes of action arising out of his Employment or the termination thereof.

The above claims are referred to as the “ **Employment Claims** ”. The Executive acknowledges that the Company is relying on this Clause 2 in entering into this Agreement and confirms that he will discontinue and/or refrain from instituting legal proceedings against any Group Company and or any other current or former employee, officer, member, shareholder or agent of any Group Company in respect of all or any of the Employment Claims. Any Group Company is at liberty to plead this Agreement as a bar to any arbitral or judicial proceedings brought by the Executive in any tribunal, court or other arbitral body. For the avoidance of doubt the waiver and compromise of claims set out in this clause 2 shall exclude any claims:

- 1) arising in respect to the enforcement of this Agreement by the Executive; or
- 2) arising in relation to any entitlement that the Executive may have under any Pension retirement scheme or plan; or
- 3) arising in respect of any physical or psychological injury or illness that may, at the date of this Agreement, not be reasonably apparent to the Executive or his medical advisors (save in the case of injury or illness claims arising from discrimination in any form).

2.2 The Executive warrants and confirms that:

- (a) prior to accepting the terms of this Agreement he received independent advice from the Advisor as to the terms and effect of this Agreement and, in particular, on its effect on his ability to pursue any complaint before an Employment Tribunal or any court or other judicial or arbitral body;
- (b) the Advisor has confirmed to the Executive that he/she is a solicitor of the Supreme Court holding a current practising Certificate and that he/she has a policy of insurance in force covering the risk of a claim by the Executive in respect of any loss arising in consequence of his/her advice;
- (c) the Advisor shall sign and deliver to the Company a Certificate in the form attached as Exhibit 1 to this Agreement;
- (d) before receiving the advice he disclosed to the Advisor all facts or circumstances that he is aware of and that may give rise to a claim against any Group Company and or any other of their respective current or former employees, officers, members, shareholders or agents of any Group Company and that he is not aware of any other facts or circumstances that may give

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rise to any claim against any Group Company and or any other of their respective employees, officers, members, shareholders or agents of any Group Company other than the Employment Claims; and

- (e) the only claims that he has or may have against any Group Company and or any other of their respective employees, officers, members, shareholders or agents (whether at the time of entering into this Agreement or in the future) relating to his Employment or its termination are the Employment Claims.

The Executive acknowledges that the Company acted in reliance on these warranties when entering into this Agreement.

- 2.3 The Executive acknowledges that the conditions relating to compromise agreements under section 77(4A) of the Sex Discrimination Act 1975 (in relation to claims under that Act and the Equal Pay Act 1970), section 72(4A) of the Race Relations Act 1976, paragraph 2 of schedule 3A of the Disability Discrimination Act 1995, section 203(3) of the Employment Rights Act 1996, regulation 35(3) of the Working Time Regulations 1998, regulation 10 of the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations 2002, paragraph 2(2) of schedule 4 of the Employment Equality (Sexual Orientation) Regulations 2003, paragraph 2(2) of schedule 4 of the Employment Equality (Religion or Belief) Regulations 2003, paragraph 13 of the schedule to the Occupational and Personal Pension Schemes (Consultation by Employers and Miscellaneous Amendment) Regulations 2006 and paragraph 2(2) of schedule 5 of the Employment Equality (Age) Regulations 2006 and section 147 of the Equality Act 2010 (collectively, the "Employment Legislation") have been satisfied
- 2.4 The waiver in Clause 2.1 shall have effect irrespective of whether or not, at the date of this Agreement, the Executive is or could be aware of such claims or have such claims in his express contemplation (including such claims of which the Executive becomes aware after the date of this Agreement in whole or in part as a result of new legislation or the development of common law, tort or equity).
- 3. General
 - 3.1 This Agreement does not constitute an admission by any Group Company that it or they have breached any law or regulation, or that the Executive has any claims against any Group Company and or any other of their current or former employees, officers, members, shareholders or agents of any Group Company.
 - 3.2 No rights to enforce this Agreement shall be conferred on any third party by the Contracts (Rights of Third Parties) Act 1999, save that any Group Company may enforce this Agreement in addition to the parties (including the bringing of a claim for breach of any warranty, undertaking or covenant given by the Executive under this Agreement) and any estate of the Executive may enforce the terms of this Agreement.
 - 3.3 The parties agree that all rights, benefits and obligations conferred on any Group Company by this Agreement may be transferred or assigned to their respective successors in title.
 - 3.4 This Agreement and the Mutual Separation Agreement and Release (including all Schedules thereto) constitute the entire agreement between the parties concerning the subject matter hereof and, save as referred to herein, supersedes all other agreements whether written or oral between any Group Company and the Executive concerning his Employment and the termination of his Employment and the Executive acknowledges and warrants that he is not entering into this Agreement in reliance on any statement, warranty, understanding or representation (whether negligently or innocently made) not expressly set out herein.

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- 3.5 This Agreement will not be binding until the Mutual Separation Agreement and Release and all Schedules thereto, have been signed by all of the parties and returned to the Company at which point this Agreement will cease to be without prejudice and will become open.
- 3.6 This Agreement shall be governed by and interpreted in accordance with English law and each of the parties submit to the exclusive jurisdiction of the English Courts in relation to any claim or matter arising under this Agreement.
- 3.7 This Agreement may be executed in two counterparts (whether original or scanned counterparts) and upon due execution of all such counterparts by one or more parties, each counterpart shall be deemed to be an original hereof.
- 3.8 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 3.9 The exhibits to this Agreement form part of, and are incorporated into, this Agreement.

IN WITNESS whereof the parties have duly executed this document as a deed and delivered on the date first stated above.

Executed as deed by **Western Union Operations (UK) Limited**
acting by [*name of director*], a director, in the presence of:

<hr/>	
Witness Name:	Director
<i>Name :</i>	<i>Name :</i>
<i>Occupation :</i>	
<i>Address :</i>	

Signed as a deed and delivered by **David G. Yates** in the presence of:

<hr/>	
Witness	[<i>Name of individual</i>]
<i>Name :</i>	<i>Name :</i>
<i>Occupation :</i>	
<i>Address :</i>	

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EXHIBIT 1

ADVISOR’S CERTIFICATE

I, Peter L. Talibart, of Seyfarth Shaw (UK) LLP, herby certify as follows:

- 1 I am a qualified lawyer and relevant independent adviser for the purposes of the relevant sub-sections of the Employment Legislation.
- 2 I have advised David Yates of the terms and effect of the annexed Agreement between his and the other parties, and, in particular, its effect on his ability to pursue the Employment Claims arising under the Employment Legislation.
- 3 I am not acting (and have not acted) in relation to this matter for the Company or any other Group Company.
- 4 There was in force, at the time I gave the advice referred to above, a contract of insurance covering the risk of a claim by David Yates in respect of loss arising in consequence of that advice.

All of the defined terms used in this certificate have the same meanings as set out in the annexed Agreement.

SIGNED:

REFERENCE:

DATE:

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EXHIBIT 2

RESTRICTIVE COVENANTS

1. In addition to any other obligation the Executive owes any Group Company, the Executive agrees that he will not directly, either on his own behalf or for or with a third party and whether as principal, shareholder, director, employee, agent, consultant, partner or in any other capacity whatsoever:

- 1.1 for 6 months from the Separation Date, establish, carry on, be engaged, concerned, interested in or employed by or provide services to any Competitor in or planning to be in competition with any Group Company. For purposes of this Exhibit 2, "Competitor(s)" shall be defined as (i) ***, ***, ***, ***, and other similar consumer money transfer companies or divisions of companies engaged in a similar consumer money transfer business which are directly competitive with a Group Company, (ii) *** B2B business payments, and other similar B2B payment companies or divisions of companies engaged in a similar B2B business payments business who are directly competitive with a Group Company, (iii) *** and *** and (iv) ***.

The Company acknowledges that the activities of the Group Companies in e-commerce, mobile payments, cards, ATMs, stored value and pre-paid form, at present, a small part of the Group Companies' overall revenues and to some degree depend upon the integration of services being supplied by many external industry participants. Nothing in this Exhibit 2 shall be construed as preventing the Executive from engaging in any of these business areas, unless the express and primary purpose of such engagement is directly competitive with a Group Company's consumer money transfer business or its B2B payments business or is on behalf of a Competitor.

The Company expressly acknowledges that this Exhibit is not intended to restrict the Executive from pursuing other work (subject to the terms of this Exhibit, the Mutual Separation Agreement and Release, the September 30, 2011 Release and the Global Non-Disclosure and U.S. Non-Solicitation and U.S. Non-Competition Agreement attached thereto, and the Consulting Agreement as such are defined in the Mutual Separation Agreement and Release and Schedules), including but not limited to the acceptance of a full time executive role.

The Company is aware of the Executive's role as a Board Member of WorldPay, and acknowledges that the Executive has received requests from a number of private equity houses including, but not limited to, Advent International, Bain Capital and Investcorp to act as an advisor to them and their portfolio companies. The Company is also aware that the Executive has received approaches from management consultants to provide specialist consultancy in the field of payments. Nothing in this Exhibit shall prevent the Executive from advising firms of this sort or working within their portfolio companies provided that such engagement does not violate the provisions of this Exhibit 2 and subject to the terms of the Mutual Separation Agreement and Release, the September 30, 2011 Release and the Global Non-Disclosure and U.S. Non-Solicitation and U.S. Non-Competition Agreement attached thereto, and the Consulting Agreement, as such are defined in the Mutual Separation Agreement and Release and Schedules.

The Executive may, at any time, make a written request to the Chief Financial Officer of The Western Union Company ("CFO") that the CFO review any written offers received by Executive where Executive believes the CFO may have a concern that Executive's role may violate this Exhibit 2. The CFO shall review such requests in a reasonable manner and without undue delay and provide feedback to Executive no later than ten (10) business days after receipt of the written request. If no response is made within such time-frame, Executive will be deemed to have received approval from the CFO to continue pursuing the role;

- 1.2 for 12 months from the Separation Date, deal with or otherwise accept in competition with the consumer money transfer business or B2B business payments business of any Group Company, the custom of any

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person or entity who was, at any time during the last 12 months of the Executive's employment, a customer, client or investor of, or in the habit of dealing with any Group Company and in respect of whom the Executive had access to Confidential Information or with whom he had material dealings during that 12 month period

- 1.3 for 12 months from the Separation Date, canvass, solicit or entice away, or endeavour to canvass, solicit or entice away, in direct competition with any Group Company, the custom of any person or entity who was, at any time during the last 12 months of the Executive's employment, a customer, client or investor of, or in the habit of dealing with any Group Company and in respect of whom the Executive had access to Confidential Information or with whom he had material dealings during that 12 month period;
 - 1.4 for 12 months from the Separation Date, deal with or otherwise accept in competition with the consumer money transfer business or B2B business payments business of any Group Company, the custom of any person or entity who was a prospective customer, client or investor to whom the Executive made a presentation or pitch at any time during the last 12 months of his employment and in respect of whom the Executive had access to Confidential Information or with whose prospective custom or business he had material dealings during that 12 month period;
 - 1.5 for 12 months from the Separation Date, canvass, solicit or entice away, or endeavour to canvass, solicit or entice away, in direct competition with any Group Company, the custom of any person or entity who was a prospective customer or client of a Group Company with respect to a business carried on by a Competitor and to whom the Executive made a presentation or pitch at any time during the last 12 months of his employment and in respect of whom the Executive had access to Confidential Information or with whose prospective custom or business he had material dealings during that 12 month period; and/or
 - 1.6 for 12 months from the Separation Date, solicit, induce, entice away, employ or engage, or endeavour to solicit, induce, entice away, employ or engage, any Key Employee.
2. The Executive agrees that each of the restrictions in Clause 1 of this Exhibit is reasonable for the protection of the interests of the Group Companies.
 3. Whilst the restrictions and defined expressions in this Exhibit are regarded by the parties as fair and reasonable, it is hereby declared that each of such restrictions and defined expressions is intended to be separate and severable. If any restriction or defined expression is held to be unreasonably wide but would be valid if part of the wording were deleted, that restriction or defined expression will apply with so much of the wording deleted as may be necessary to make it valid. If any restriction is found to be unenforceable for any reason, this will not affect the validity or enforceability of any of the other covenants.
 4. Any benefit given or deemed to be given by the Executive to any Group Company under the terms of this Exhibit is received and held in trust by the Company for the relevant Group Company and the Executive agrees that he will enter into appropriate restrictive covenants directly with the other Group Companies if asked to do so by the Company.
 5. The Executive agrees that the Company's remedies at law for breach or threat of breach by the Executive of the provisions of this Exhibit may be inadequate, and that the Company shall be entitled to seek an injunction or injunctions to prevent breaches of such provisions and to enforce specifically such provisions, in addition to any other remedy to which the Company may be entitled at law or in equity.

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SCHEDULE 3 TO MUTUAL SEPARATION AGREEMENT AND RELEASE

**CONSULTING AGREEMENT
("AGREEMENT")**

entered into by
Western Union Financial Services, Inc.
12500 East Belford Avenue
Englewood, CO 80112
("WUFSI")

and
David G. Yates,

("Consultant")

Recitals

- A. Consultant was employed by Western Union Operations, U.K from August 2, 2010 until September 30, 2010 on a temporary fixed term employment contract. Consultant transferred to Western Union LLC ("WULLC") on October 1, 2010.
- B. By a Mutual Separation Agreement and Release signed contemporaneously herewith ("Mutual Separation Agreement"), WULLC and Consultant have reached a mutual agreement that Consultant shall voluntarily separate his employment with WULLC effective September 30, 2011.
- C. Subject to and conditional on the terms of the Mutual Separation Agreement, Western Union Financial Services, Inc., ("WUFSI") and Consultant desire that Consultant will provide certain services to WUFSI through February 28, 2013 as an independent contractor.

Agreements

WUFSI and Consultant agree as follows:

- 1. **Consulting Activities** . WUFSI retains Consultant to provide the consulting services described on Attachment A (the "Services"). Consultant shall provide the Services to WUFSI at mutually agreed upon times during the term of this Agreement. For the avoidance of doubt, nothing in this Agreement shall prevent Consultant from being engaged, employed or otherwise concerned in any business, trade or profession during the term of the Agreement, subject to and conditional on the restrictive covenants, confidentiality and intellectual property obligations set forth in this Agreement, the terms of the Mutual Separation Agreement, the September 30, 2011 Release attached as Schedule 1 to the Mutual Separation Agreement, the Global Non-Disclosure and U.S. Non-Solicitation and U.S. Non-Competition Agreement

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attached as Exhibit A to the September 30, 2011 Release, and the Deed of Settlement and Compromise under the laws of England and Wales attached as Schedule 2 to the Mutual Separation Agreement. For purposes of this Agreement, "Schedules" shall be defined in Paragraph 1(c) of the Mutual Separation Agreement.

2. Term and Termination .

- (i) Subject to the balance of this Section 2, the term of this Agreement shall commence on October 1, 2011 and will end at midnight on February 28, 2013 (the "Termination Date") without the need for further notice.
- (ii) WUFSI may terminate this Agreement with immediate effect if Consultant commits a breach of this Agreement, the Mutual Separation Agreement, the September 30, 2011 Release attached as Schedule 1 to the Mutual Separation Agreement, the Global Non-Disclosure and U.S. Non-Solicitation and U.S. Non-Competition Agreement attached as Exhibit A to the September 30, 2011 Release, or the Deed of Settlement and Compromise under the laws of England and Wales attached as Schedule 2 to the Mutual Separation Agreement (by breaching Clause 2 or Exhibit 2 thereof). If WUFSI elects to terminate this Agreement in accordance with this Sub-section (ii), Consultant will not be entitled to receive any further Fee or compensation in lieu thereof for the balance of the term of this Agreement.

3. Reasonable Endeavors . Consultant shall use his reasonable endeavors to make himself available at all times on reasonable notice to provide assistance or information as WUFSI may require.

4. Independent Contractor Status. Business License. No Authority to Bind Western Union .

- (i) Consultant's relationship with WUFSI is that of an independent contractor and Consultant shall provide the Services to WUFSI as an independent contractor and nothing in this Agreement shall render Consultant an employee, worker, agent, joint venturer or partner of WUFSI or any Group Company for any purpose whatsoever and Consultant shall not hold himself out as such. Consultant is solely responsible for his own activities and he assumes full and sole responsibility for his acts. Consultant is free to establish the methods and hours of work and to carry out his activities as he sees fit, free from the day-to-day direction or control of WUFSI.
- (ii) Consultant has no authority to incur any expenditure in the name of or for the account of WUFSI or any Group Company and has no authority (and will not hold himself out as having authority) to make commitments for, or to enter into contracts or agreements on behalf of, WUFSI or any Group Company, or to bind or otherwise obligate WUFSI or any Group Company in any manner whatsoever.

5. Consultant's Liability to Pay and Remit Taxes and Social Security Payments . As this Agreement constitutes a contract for the provision of services and not a contract of employment, Consultant will be fully responsible for and undertakes to comply with applicable tax laws and regulations and file all required forms and make the necessary payments appropriate to Consultant's tax and social security status with regard to the provision of the Services. Consultant warrants and undertakes to WUFSI and to each Group Company that Consultant will pay and remit any taxes and social security contributions that Consultant is required to pay on the fees paid to Consultant by WUFSI.

6. Indemnity. Consultant will indemnify and hold harmless to the fullest extent possible WUFSI and/or any Group Company and their respective directors, employees and shareholders against any liability, assessment, demand or claim for any and all of Consultant's income tax, national insurance contributions and any other social security contributions and any other liability, deduction, contribution, assessment or claim whatsoever arising from or made in connection with the performance of the Services, where such recovery is not prohibited by law. Consultant shall further indemnify and hold harmless to the fullest extent possible WUFSI and/or any Group Company and their respective directors, employees and shareholders against all reasonable costs, expenses and any penalty, fine or interest incurred or payable by WUFSI and/or any Group Company and their respective directors, employees and shareholders in connection with or in consequence of any income tax, National Insurance or other social security related liability, deduction, contribution, assessment or claim.

7. Consultant will also indemnify and hold harmless to the fullest extent possible WUFSI and/or any Group Company and their respective directors, employees and shareholders against any employment-related claim or any claim brought on

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worker status (including reasonable costs and expenses) brought by or on behalf of Consultant arising out of or in connection with the provision of the Services.

8. **Intellectual Property** . All Intellectual Property created, developed or acquired by Consultant in the fulfillment of his obligations pursuant to this Agreement will be the property of and shall belong exclusively to WUFSI and any applicable Group Company. WUFSI will have the right to obtain, hold and renew, in its own name, all such Intellectual Property including, but not limited to, any patents, copyrights, registrations or other appropriate protection for such work. To the extent that any such Intellectual Property is not listed in WUFSI or the applicable Group Company, Consultant hereby irrevocably assigns to WUFSI all right, title and interest therein and agrees to execute any documents necessary to evidence or effect such assignment or WUFSI and any Group Company's ownership. Upon the expiration or termination of this Agreement, Consultant shall return to WUFSI all materials prepared, developed or used by Consultant in performing the Services.
9. Consultant hereby irrevocably waives all moral rights under the Copyright, Designs and Patents Act 1988 (and all similar rights in other jurisdictions) which he has or will have in any existing or future works created, developed or acquired by him pursuant to this Agreement and agrees not to institute, support or maintain or permit any action or claim to the effect that any treatment, exploitation or use of such works infringes his moral rights.
10. **Fees. Expense Reimbursements. Terms of Payment** .

- (i) **Fee** . For the Services provided by Consultant under this Agreement, Consultant charges and WUFSI shall pay to Consultant a Fee in accordance with the following payment schedule:

Payment Date	Amount
October 15, 2011	\$100,000.00
October 31, 2011	\$ 90,000.00
November 30, 2011	\$ 90,000.00
December 31, 2011	\$ 90,000.00
January 31, 2012	\$ 90,000.00
February 28, 2012	\$ 90,000.00
March 31, 2012	\$ 90,000.00
April 30, 2012	\$ 90,000.00
May 31, 2012	\$ 90,000.00
June 30, 2012	\$ 90,000.00
July 31, 2012	\$ 52,083.37
August 31, 2012	\$ 0.00
September 30, 2012	\$ 67,916.71
October 31, 2012	\$ 85,833.34
November 30, 2012	\$ 85,833.34
December 31, 2012	\$ 85,833.34
January 31, 2013	\$ 85,833.34
February 28, 2013	\$126,666.56

- (ii) **Expense Reimbursements** . Furthermore, WUFSI agrees to reimburse Consultant for Consultant's reasonable and actual travel expenses (airfare, car rentals, meals and hotels) and for entertainment expenses incurred by Consultant in performing the Services, provided that all expenses are approved in writing by WUFSI in advance and are subsequently evidenced by Consultant to WUFSI's reasonable satisfaction. Aspects of expenses that require advance approval include class of travel, choice of hotels, and type and cost of business entertainment. Approval can be given only by a WUFSI and any Group Company Executive Vice President.
- (iii) **Invoices. Payment Terms** . Fees for the Services will be due and payable on the payment dates set forth in Clause 10(i) above, subject to the other terms and conditions of this Agreement.

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11. Confidential, Third Party Information and Trade Secret .

(i) Group Company "Trade Secrets" includes but is not limited to the following:

- a) any data or information that is competitively sensitive or commercially valuable, and not generally known to the public, including, but not limited to, products planning information, marketing strategies, marketing results, forecasts or strategies, plans, finance, operations, reports, data, customer relationships, customer profiles, customer lists, sales estimates, business plans, and internal performance results relating to the past, present or future business activities of the Group Company, its customers, clients, and suppliers; and
- b) any scientific or technical information, design, process, procedure, formula, or improvement, computer software, object code, source code, specifications, inventions, systems information, whether or not patentable or copyrightable.

Group Company "Confidential Information" means any data or information and documentation, other than Trade Secrets, which is valuable to the Group Company and not generally known to the public, including but not limited to:

- a) financial information, including but not limited to earnings, assets, debts, prices, fee structures, volumes of purchases or sales, or other financial data, whether relating to the Group Company generally, or to particular products, services, geographic areas, or time periods; and
- b) supply and service information, including but not limited to information concerning the goods and services utilized or purchased by the Group Company, the names and addresses of suppliers, terms of supplier service contracts, or of particular transactions, or related information about potential suppliers, to the extent that such information is not generally known to the public, and to the extent that the combination of suppliers or use of particular suppliers, though generally known or available, yields advantages to the Group Company the details of which are not generally known.

"Third Party Information" means any data or information of the Group Company's customers, suppliers, consumers or employees that the Group Company is prohibited by law, contract or Group Company policy from disclosing. By way of example such information includes but is not limited to:

- a) product specifications, marketing strategies, pricing, sales volumes, discounts;
- b) nonpublic personal information regarding consumers, including but not limited to names, addresses, credit card numbers, financial transactions, and account balances;
- c) personnel information, including but not limited to employees' personal or medical histories, compensation or other terms of employment, actual or proposed promotions, hiring, resignations, disciplinary actions, terminations or reasons therefore, training methods, performance skills, qualifications, and abilities, or other employee information; and
- d) customer information, which is not protected by a separate confidentiality agreement, including but not limited to any compilations of past, existing or prospective customers, agreements between customers and the Group Company, status of customer accounts or credit, the identity of customer representatives responsible for entering into contracts with the Group Company, specific customer needs and requirements, or related information about actual or prospective customers or other nonpublic consumer information.

- (ii) Consultant acknowledges that Consultant will receive Confidential, Third Party and Trade Secrets Information (collectively "Information") in connection with performing the Services.
- (iii) Consultant shall: (a) use all Information received by Consultant solely to perform the Services and for no other purpose whatsoever and Consultant undertakes at all times both during the term of this Agreement and at any time afterwards to keep the Information confidential; (b) limit access to any Information only to Consultant's employees (or other persons who have been delegated with the performance of the Services) who have a need to know and only for use in performing the Services; (c) advise Consultant's employees having access to the Information of its proprietary nature and of the obligations to keep it confidential;

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(d) take appropriate action by agreement with Consultant's employees having access to the Information to fulfill Consultant's obligations under this Agreement; (v) safeguard all Information received by using a reasonable degree of care, but not less than the degree of care used by Consultant in safeguarding his own similar information or material; and (vi) upon request of WUFSI return or destroy and certify destruction of all copies, notes, packages, diagrams, computer memory media and all other materials containing any portion of the Information. Consultant shall not disclose or make available at any time any Information to any person except as permitted by this subparagraph (iii).

- (iv) Upon cessation of the Agreement or at any time WUFSI requests, Consultant shall immediately return all Information and all copies thereof (including without limitation, all memoranda and notes containing the names, addresses, and needs of the Group Company's customers and prospective customers) in Consultant's possession or over which you exercise control, and regardless of whether such materials were prepared by WUFSI, and Group Company, Consultant, or a third party.
 - (v) Consultant acknowledges that monetary damages might not be a sufficient remedy for unauthorized disclosure of Information. Consultant agrees that the Group Company will be entitled, in addition to any other rights or remedies it might have, to seek injunctive or equitable relief to enforce its rights under this Section 11.
12. **Conflicts of Interest** . Consultant shall not use any of the Confidential Information in a way that conflicts with the business interests of WUFSI or any Group Company. The terms of this Section will survive the expiration or termination of this Consultant Agreement.
 13. **Advertising / Publicity** . Neither Consultant, WUFSI nor any Group Company shall use the name of the other in any public announcement, press release or advertising without the prior written approval of the other. WUFSI and Consultant agree that, subject to the execution of this Agreement, a press release will be issued with mutually acceptable language related to this Agreement and the Mutual Separation Agreement.
 14. **No Office Space or Administrative Expenses** . Consultant will not be permitted to have office space at any Group Company offices. Consultant will bear all expenses incidental to operating Consultant's office; for example, telephone (including mobile telephone), computer (including handheld devices), or office supplies.
 15. **Representations, Warranties and Promises regarding Conduct** . Consultant represents and warrants to WUFSI that all of the Services will be performed in a competent and professional manner, with all due care and skill and to the best of his ability and in accordance with the highest ethical standards. Consultant undertakes and warrants to comply at all times with all laws applicable to his activities. Consultant acknowledges that Consultant has been informed by WUFSI of the prohibitions of the U.S. Foreign Corrupt Practices Act against making improper payments to government officials and the Bribery Act 2010. Consultant shall not make, offer or promise any payment directly or indirectly, (i) to any governmental official or employee (including employees of government-owned and government-controlled corporations and public international organizations); (ii) to any political party, official of a political party, or candidate; (iii) to an intermediary for payment to any of the foregoing; or (iv) to any other person or entity if the payment or transfer would violate the laws of the country in which made or the laws of the United States of America. It is the intent of the parties that no payments or transfers of value shall be made which have the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks or other unlawful or improper means of obtaining business.
 16. **Assignment**. Consultant may not assign his interest in this Agreement or delegate the performance of the Services without WUFSI's prior written consent. However, Consultant may delegate parts of the Services to Consultant's employees under his supervision, with Consultant remaining responsible for the performance of the Services. Consultant shall comply with all applicable laws when employing any employees who participate in performing the Services.
 17. **Restrictions during Consultancy**
 1. Consultant warrants and undertakes that he will not at any time through 31 December 2012 directly on his own behalf or for or with a third party and whether as principal, shareholder, director, employee, agent, consultant, partner or in any other capacity whatsoever, without the prior written consent of WUFSI:

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- (i) establish, carry on, be engaged, concerned or interested in or employed by or provide services to any Competitor in or planning to be in competition with any Group Company. For purposes of this Agreement, "Competitor(s)" shall be defined as (i) ***, ***, ***, ***, and other similar consumer money transfer companies or divisions of companies engaged in a similar consumer money transfer business which are directly competitive with a Group Company, (ii) *** B2B business payments, and other similar B2B payment companies or divisions of companies engaged in a similar B2B business payments business who are directly competitive with a Group Company, (iii) *** and *** and (iv)***.

WUFSI acknowledges that the activities of the Group Companies in e-commerce, mobile payments, cards, ATMs, stored value and pre-paid form, at present, a small part of the Group Companies' overall revenues and to some degree depend upon the integration of services being supplied by many external industry participants. Nothing in this Agreement shall be construed as preventing Consultant from engaging in any of these business areas, unless the express and primary purpose of such engagement is directly competitive with a Group Company's consumer money transfer business or its B2B payments business or is on behalf of a Competitor.

WUFSI expressly acknowledges that this Agreement is not intended to restrict Consultant from pursuing other work (subject to the terms of this Agreement and the Mutual Separation Agreement and Release and its Schedules), including but not limited to the acceptance of a full time executive role. As such, WUFSI will ensure that the scope of Services requested under the Consulting Agreement do not impede Consultant's ability to work in other roles.

WUFSI is aware of Consultant's role as a Board Member of WorldPay, and acknowledges that Consultant has received requests from a number of private equity houses including, but not limited to, Advent International, Bain Capital and Investcorp to act as an advisor to them and their portfolio companies. WUFSI is also aware that Consultant has received approaches from management consultants to provide specialist consultancy in the field of payments. Nothing in this Agreement shall prevent Consultant from advising firms of this sort or working within their portfolio companies provided that such engagement does not violate the provisions of this Agreement and the provisions of the Mutual Separation Agreement and Release and its Schedules.

Consultant may, at any time, make a written request to the Chief Financial Officer of The Western Union Company ("CFO") that the CFO review any written offers received by Consultant where Consultant believes the CFO may have a concern that Consultant's role may violate this Clause 17 of this Agreement. The CFO shall review such requests in a reasonable manner and without undue delay and provide feedback to Consultant no later than ten (10 business days after receipt of the written request. If no response is made within such time-frame, Consultant will be deemed to have received approval from the CFO to continue pursuing the role;

- (ii) deal with, or otherwise accept in direct competition with the consumer money transfer business or B2B business payments business of WUFSI or any other Group Company, the custom of any person or entity who is a customer or client of the Group Company with respect to a business carried on by a Competitor;
- (iii) canvass, solicit or entice away or endeavor to do so, in direct competition with WUFSI or any other Group Company a customer or client of the Group Company with respect to a business carried on by a Competitor;
- (iv) deal with, or otherwise accept in direct competition with the consumer money transfer business or B2B business payments business of WUFSI or any other Group Company, the custom of any person or entity who is a prospective customer or client of the Group Company with respect to a business carried on by a Competitor and with whom WUFSI or any other Group Company makes a presentation or pitch at any time during the term of this Agreement;

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- (v) canvass, solicit or entice away, or endeavor to do so, in direct competition with WUFSI or any other Group Company a prospective customer or client of the Group Company with respect to a business carried on by a Competitor and with whom WUFSI or any other Group Company makes a presentation or pitch at any time during the term of this Agreement; or
 - (vi) solicit, induce, entice away, employ or engage or endeavour to do so, any senior employee or director of WUFSI or any other relevant Group Company who works for the Group Company with respect to a business carried on by a Competitor;
2. WUFSI and the Group Company acknowledge that Consultant has notified WUFSI and the Group Company that Consultant currently serves as a Board Member of WorldPay. Consultant agrees that in Consultant's role as Board Member of WorldPay, Consultant will not violate any of the restrictions set forth in Clause 17 of this Agreement;
 3. Consultant agrees that each of the restrictions in Clause 17 of this Agreement is reasonable for the protection of the interests of WUFSI and any other Group Company;
 4. Whilst the restrictions and defined expressions in this Clause 17 are regarded by the parties as fair and reasonable, it is hereby declared that each of such restrictions and defined expressions is intended to be separate and severable. If any restriction or defined expression is held to be unreasonably wide but would be valid if part of the wording were deleted, that restriction or defined expression will apply with so much of the wording deleted as may be necessary or make it valid. If any restriction is found to be unenforceable for any reason, this will not affect the validity or enforceability of any of the other covenants; and
 5. Consultant agrees that the remedies at law for breach or threat of breach by Consultant of the provisions of this Clause 17 may be inadequate, and that WUFSI or other relevant Group Company shall be entitled to an injunction or injunctions to prevent breaches of such provisions and to enforce specifically such provisions, in addition to any other remedy to which WUFSI or other relevant Group Company may be entitled at law or in equity.

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18. Definitions.

1. "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, owns or controls, is owned or is controlled by, or is under common ownership or control with, another Person. As used herein, "control" means the power to direct the management or affairs of a Person, and "ownership" means the beneficial ownership of at least 10% of the voting securities of the Person. The Company and/or Western Union shall be deemed to control any settlement network in which it has any equity ownership. As used herein, "Person" means any corporation, limited or general partnership, limited liability company, joint venture, association, organization or other entity.
2. "Group Company" means WUFSI, its ultimate parent The Western Union Company and their Affiliates, Subsidiaries and Holding companies, as applicable and "Group Companies" will be interpreted accordingly.
3. "Holding" and "Subsidiary" have the same meaning as given in section 1159 of the Companies Act 2006, as amended or re-enacted.
4. "Intellectual Property" means patents, inventions, know-how, trade marks, service marks, trade names, logos, internet domain names, rights in designs, copyright, moral rights, database rights, semi-conductor topography rights and database rights in each case whether registered or unregistered and including applications and rights to apply for registration and all rights or forms of protection having equivalent or similar effect anywhere in the world. These rights include all rights to bring proceedings for past and future infringement or misuse and the rights to damages and account of profits and all other remedies for such infringement or misuse.

19. Miscellaneous.

1. WUFSI and Consultant acknowledge that, except as provided in this paragraph, the Mutual Separation Agreement (including the Schedules) is the entire agreement between WUFSI and Consultant concerning the subject matter hereof and that Executive has not relied on any other representations or statements, written or oral, by the Released Parties or their employees or agents concerning the terms of the Agreement or any other matters not contained herein. From and after the Separation Date, the Mutual Separation Agreement (including all Schedules) and subject to the terms of the Mutual Separation Agreement and all Schedules, shall supersede any non-solicitation, non-compete, non-disclosure, confidentiality, clawback or other written agreement that Consultant may have signed while employed with the WUFSI, Western Union, and/or their subsidiaries or Affiliates, except for the terms and conditions of Executive's nonqualified stock option award granted August 2, 2010 (other than the restrictive covenant provisions thereof), and for avoidance of doubt, subject to Consultant's execution of the Mutual Separation Agreement (and the Schedules) and subject to the terms of the Mutual Separation Agreement and all Schedules, WUFSI and Consultant agree that the Restrictive Covenant Agreement for Employees in Colorado executed by Consultant in 2010 shall be considered null and void effective on the Separation Date.
2. This Agreement may be modified only by a writing signed by both parties. Emails, including emails with electronic signature blocks containing the sender's name, do not constitute signed written agreements and will not amend this Agreement.
3. If any provision of this Agreement is determined to be unenforceable, the remaining provisions of this Agreement shall remain in force unaffected.
4. This Agreement is governed by the laws of England and Wales without regard to its choice of law rules which might otherwise require the application of the laws of another jurisdiction.
5. This Agreement may be signed in counterparts, each of which shall be deemed an original but both of which together shall constitute but one and the same instrument.

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6. The terms of this Agreement regarding confidentiality, limitations on liability, waiver of claims, advertising and publicity and exclusivity will survive the expiration or termination of this Agreement.
7. This Agreement adheres to the benefit of any succession or assignment of the Group Company and Consultant's obligation to apply equally to the Group Company and/or their successors and assigns.

IN WITNESS WHEREOF, Consultant and WUFSI have executed this Agreement as of the day first above written.

David G. Yates:

_____,
Date: _____

Western Union Financial Services, Inc.

Date: _____

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Attachment A

SERVICES

Consultant will provide consulting on key strategic initiatives and planning for WUFSI. WUFSI and Consultant agree that Consultant shall not be expected to perform the Services for more than the equivalent of two working days per month during the term of this Agreement.

THE WESTERN UNION COMPANY
COMPUTATION OF
RATIO OF EARNINGS TO FIXED CHARGES
(in millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
Earnings:				
Income before income taxes	\$313.9	\$308.6	\$ 922.0	\$856.9
Fixed charges	49.9	47.2	144.6	130.4
Other adjustments	(3.3)	(1.6)	(7.4)	(2.9)
Total earnings (a)	<u>\$360.5</u>	<u>\$354.2</u>	<u>\$1,059.2</u>	<u>\$984.4</u>
Fixed charges:				
Interest expense	\$ 46.7	\$ 44.8	\$ 134.3	\$124.7
Other adjustments	3.2	2.4	10.3	5.7
Total fixed charges (b)	<u>\$ 49.9</u>	<u>\$ 47.2</u>	<u>\$ 144.6</u>	<u>\$130.4</u>
Ratio of earnings to fixed charges (a/b)	7.2	7.5	7.3	7.5

For purposes of calculating the ratio of earnings to fixed charges, earnings have been calculated by adding income before income taxes, fixed charges included in the determination of income before income taxes and distributions from equity method investments, and then subtracting income from equity method investments. Fixed charges consist of interest expense, and an estimated interest portion of rental expenses and income tax contingencies, which are included as a component of income tax expense.

Letter from Ernst & Young LLP Regarding Unaudited Interim Financial Information

The Board of Directors and Stockholders of The Western Union Company

We are aware of the incorporation by reference in the following Registration Statements:

- (1) Registration Statements (Form S-3 Nos. 333-170967 and 333-170410) of The Western Union Company, and
- (2) Registration Statement (Form S-8 No. 333-137665) pertaining to The Western Union Company 2006 Long-Term Incentive Plan, The Western Union Company 2006 Non-Employee Director Equity Compensation Plan, and The Western Union Company Supplemental Incentive Savings Plan;

of our reports dated May 4, 2011, August 2, 2011 and November 3, 2011 relating to the unaudited condensed consolidated interim financial statements of The Western Union Company that are included in its Forms 10-Q for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011.

/s/ Ernst & Young LLP

Denver, Colorado
November 3, 2011

CERTIFICATIONS

I, Hikmet Ersek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Western Union Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2011

/ s / H IKMET E RSEK

Hikmet Ersek
President and Chief Executive Officer

CERTIFICATIONS

I, Scott T. Scheirman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Western Union Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2011

/ s / S COTT T. S CHEIRMAN

Scott T. Scheirman
Executive Vice President and Chief Financial Officer

CERTIFICATIONS

The certification set forth below is being submitted in connection with the Quarterly Report of The Western Union Company on Form 10-Q for the period ended September 30, 2011 (the “Report”) for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code.

Hikmet Ersek and Scott T. Scheirman certify that, to the best of each of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of The Western Union Company.

Date: November 3, 2011

/ s / H IKMET E RSEK

Hikmet Ersek
President and Chief Executive Officer

Date: November 3, 2011

/ s / S COTT T. S CHEIRMAN

Scott T. Scheirman
Executive Vice President and Chief Financial Officer